The following is the text of a report prepared for the purpose of incorporation in this Listing Document received from the Company's independent reporting accountants, Ernst & Young LLP and Ernst & Young. As described in "Appendix VII—Documents Available for Inspection", a copy of the accountants' report is available for inspection.

SECTION A: Accountants' Report

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安 永

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J.P. Morgan Securities (Asia Pacific) Limited
8 Connaught Road
Central
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21 June 2011

Dear Sirs

Kazakhmys PLC

We report on the financial information relating to Kazakhmys PLC (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated income statements, consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group together with the notes thereto for each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010, and the consolidated balance sheets of the Group and the balance sheets of the Company as at 31 December 2008, 31 December 2009 and 31 December 2010, together with the notes thereto (the "Consolidated Historical Financial Information"), set out in section B of this Appendix I of this listing document of the Company dated 21 June 2011 in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The directors of the Company have prepared the consolidated financial statements of the Group for each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010 in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements were audited by Ernst & Young LLP in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

The Consolidated Historical Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Consolidated Historical Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of the Consolidated Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Consolidated Historical Financial Information based on our procedures, and to report our opinion thereon to you. Save for any responsibility arising under the Rules Governing the Listing of Securities on the Stock Exchange (the "Hong Kong Listing Rules") to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this opinion, required by and given solely for the purposes of complying with the Hong Kong Listing Rules.

BASIS OF OPINION

As a basis for forming an opinion on the Consolidated Historical Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2010.

OPINION

In our opinion, for the purpose of this report, the Consolidated Historical Financial Information, prepared in accordance with the accounting policies set out in Note 2 of the Consolidated Historical Financial Information (in Section B of this Appendix I), gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008, 31 December 2009 and 31 December 2010 and of the Group's profits and cash flows for the years then ended.

Yours faithfully

Ernst & Young LLP
Chartered Accountants
London, United Kingdom

Ernst & Young
Certified Public Accountants
Hong Kong

SECTION B: Consolidated historical financial information for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

	Notes	2008	2009	2010
$ million (unless otherwise stated)				
CONTINUING OPERATIONS				
Revenues	7(b)	3,276	2,404	**3,237**
Cost of sales	8(a)	(1,620)	(1,144)	**(1,419)**
Gross profit		1,656	1,260	**1,818**
Selling and distribution expenses	8(b)	(80)	(52)	**(55)**
Administrative expenses	8(c)	(407)	(402)	**(658)**
Other operating income	8(d)	192	28	**44**
Other operating expenses	8(e)	(48)	(159)	**(37)**
Impairment losses	9	(381)	(126)	**(14)**
Share of profits from joint venture	21	—	—	**38**
Operating profit		932	549	**1,136**
Share of profits from associate	22	255	223	**522**
Profit before finance items and taxation		1,187	772	**1,658**
Analysed as:				
Profit before finance items and taxation excluding special items		1,553	860	**1,783**
Special items	10	(366)	(88)	**(125)**
Finance income	14	113	479	**91**
Finance costs	14	(156)	(223)	**(159)**
Profit before taxation		1,144	1,028	**1,590**
Income tax expense	15(a)	(324)	(261)	**(202)**
Profit for the year from continuing operations		820	767	**1,388**
DISCONTINUED OPERATIONS				
Profit/(loss) for the year from discontinued operations	6	90	(214)	**62**
Profit for the year		910	553	**1,450**
Attributable to:				
Equity holders of the Company		909	554	**1,450**
Non-controlling interests		1	(1)	**—**
		910	553	**1,450**
Earnings per share attributable to equity holders of the Company—basic and diluted				
From continuing operations ($)	16(a)	1.67	1.44	**2.60**
From discontinued operations ($)	16(a)	0.18	(0.40)	**0.12**
		1.85	1.04	**2.72**
EPS based on Underlying Profit—basic and diluted				
From continuing operations ($)	16(b)	2.31	1.02	**2.59**
From discontinued operations ($)	16(b)	(0.04)	0.11	**0.20**
		2.27	1.13	**2.79**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

$ million	Notes	2008	2009	2010
Profit for the year		910	553	**1,450**
Other comprehensive income/(loss) for the year after tax:				
Unrealised gain on available for sale investment		1,041	—	**—**
Exchange differences on retranslation of foreign operations		(36)	(1,134)	**31**
(Gains)/losses on cash flow hedges taken to equity		(142)	138	**—**
Gains/(losses) on cash flow hedges taken to income statement		143	(138)	**—**
Recycling of exchange differences on disposal of share in subsidiary	5	—	—	**196**
Share of other comprehensive income of joint venture	21	—	—	**1**
Share of other comprehensive loss/(income) of associate	22	(6)	(315)	**27**
Impairment of associate recognised against unrealised gain on available for sale investment in equity	22	(2,636)	—	**—**
Other comprehensive (loss)/income for the year		(1,636)	(1,449)	**255**
Total comprehensive (loss)/income for the year		(726)	(896)	**1,705**
Attributable to:				
Equity holders of the Company		(732)	(889)	**1,705**
Non-controlling interests		6	(7)	**—**
		(726)	(896)	**1,705**

CONSOLIDATED BALANCE SHEET

At 31 December 2008, 31 December 2009 and 31 December 2010

$ million	Notes	2008	2009	2010
Assets				
Non-current assets				
Intangible assets	18	1,100	510	**509**
Tangible assets		3,601	2,022	**2,470**
Property, plant and equipment	19	3,198	1,687	**2,031**
Mining assets	20	403	335	**439**
Investment in joint venture	21	—	—	**742**
Investment in associate	22	4,045	3,869	**4,356**
Other non-current investments		5	7	**9**
Deferred tax asset	15(b)	—	—	**9**
		8,751	6,408	**8,095**
Current assets				
Inventories	23	734	500	**585**
Prepayments and other current assets	24	238	325	**155**
Income taxes reclaimable		126	4	**45**
Trade and other receivables	25	233	150	**264**
Investments	26	32	58	**356**
Cash and cash equivalents	27	540	903	**1,113**
		1,903	1,940	**2,518**
Assets classified as held for sale	6	—	1,615	**382**
		1,903	3,555	**2,900**
TOTAL ASSETS		10,654	9,963	**10,995**
Equity and liabilities				
Equity				
Share capital	28(a)	200	200	**200**
Share premium		2,648	2,648	**2,648**
Capital reserves	28(c)	449	(994)	**(739)**
Retained earnings		4,180	4,728	**6,097**
Attributable to equity holders of the Company		7,477	6,582	**8,206**
Non-controlling interests		20	13	**13**
TOTAL EQUITY		7,497	6,595	**8,219**
Non-current liabilities				
Borrowings	30	1,702	1,132	**1,300**
Deferred tax liability	15(b)	266	99	**16**
Employee benefits	31	40	50	**58**
Provisions	32	198	95	**110**
		2,206	1,376	**1,484**
Current liabilities				
Trade and other payables	33	306	935	**403**
Borrowings	30	498	518	**519**
Derivative financial instruments		2	—	**—**
Income taxes payable		36	60	**33**
Dividends payable		2	2	**2**
Provisions	32	107	17	**35**
		951	1,532	**992**
Liabilities directly associated with assets classified as held for sale	6	—	460	**300**
		951	1,992	**1,292**
TOTAL LIABILITIES		3,157	3,368	**2,776**
TOTAL EQUITY AND LIABILITIES		10,654	9,963	**10,995**

COMPANY BALANCE SHEET

At 31 December 2008, 31 December 2009 and 31 December 2010

$ million	Notes	2008	2009	2010
Assets				
Non-current assets				
Investments	39	6,298	6,281	**6,281**
		6,298	6,281	**6,281**
Current assets				
Prepayments and other current assets		8	4	**3**
Income taxes reclaimable		23	—	**6**
Intercompany loans	40	—	95	**509**
Trade and other receivables	41	22	7	**104**
Cash and cash equivalents		137	39	**—**
		190	145	**622**
TOTAL ASSETS		6,488	6,426	**6,903**
Equity and liabilities				
Equity				
Share capital	28(a)	200	200	**200**
Share premium		2,648	2,648	**2,648**
Capital reserves	42	785	785	**785**
Retained earnings		(754)	1,123	**3,265**
TOTAL EQUITY		2,879	4,756	**6,898**
Current liabilities				
Intercompany borrowings	40	3,546	1,666	**—**
Trade and other payables	43	63	4	**5**
TOTAL LIABILITIES		3,609	1,670	**5**
TOTAL EQUITY AND LIABILITIES		6,488	6,426	**6,903**

CONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

$ million	Notes	2008	2009	2010
Cash flows from operating activities				
Cash inflow from operations before interest, income taxes and dividends from associate	34	1,752	943	**1,451**
Interest paid		(70)	(63)	**(50)**
Income taxes paid		(621)	(144)	**(365)**
Dividends from associate		38	84	**62**
Net cash inflow from operating activities		1,099	820	**1,098**
Cash flows from investing activities				
Interest received		28	10	**10**
Proceeds from disposal of property, plant and equipment		17	14	**16**
Purchase of intangible assets	18	(12)	(6)	**(4)**
Purchase of property, plant and equipment	19	(596)	(346)	**(590)**
Investments in mining assets	20	(86)	(76)	**(132)**
Licence payments for subsoil contracts		(3)	(12)	**(8)**
Proceeds from disposal of non-current investments		14	—	**—**
Acquisition of non-current investments		(2)	(2)	**(2)**
Investment in short-term bank deposits		25	(31)	**(298)**
Proceeds received in advance from disposal of share in subsidiary		—	681	**—**
Payments of deferred consideration arising from business acquisition		(5)	(185)	**—**
Acquisition of subsidiaries (net of cash acquired)	4	(993)	—	**—**
Cash disposed of in relation to disposal of subsidiary	5	—	—	**(107)**
Acquisition of associate		(918)	—	**—**
Net cash flows (used in)/from investing activities		(2,531)	47	**(1,115)**
Cash flows from financing activities				
Purchase of own shares		—	(7)	**(4)**
Purchase of Company's issued share capital		(121)	—	**—**
Proceeds from borrowings—net of arrangement fees paid of $14 million (2009: $3 million, 2008: $26 million)		2,122	253	**855**
Repayment of borrowings		(268)	(649)	**(572)**
Dividends paid by the Company		(200)	—	**(80)**
Net cash flows from/(used in) financing activities		1,533	(403)	**199**
Net increase in cash and cash equivalents		101	464	**182**
Cash and cash equivalents at the beginning of the year		439	540	**945**
Effect of exchange rate changes on cash and cash equivalents		—	(59)	**(1)**
Cash and cash equivalents at the end of the year	27	540	945	**1,126**

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations.

COMPANY CASH FLOW STATEMENT

for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

$ million	Notes	2008	2009	2010
Cash flow from operating activities				
Cash flows from operations before interest, income taxes and dividends received	44	(25)	(47)	**(94)**
Income taxes (paid)/received		(29)	15	**(6)**
Dividends received		256	1,930	**2,221**
Net cash inflow from operating activities		202	1,898	**2,121**
Cash flows from investing activities				
Interest received		5	1	**—**
Capital contributions into subsidiary undertakings	39	(2,310)	(22)	**—**
Net cash flows used in investing activities		(2,305)	(21)	**—**
Cash flows from financing activities				
Purchase of Company's issued share capital		(121)	—	**—**
Proceeds from/(advances under) intercompany borrowings		2,427	(1,975)	**(2,080)**
Dividends paid by the Company		(200)	—	**(80)**
Net cash flows from/(used in) financing activities		2,106	(1,975)	**(2,160)**
Net increase/(decrease) in cash and cash equivalents		3	(98)	**(39)**
Cash and cash equivalents at the beginning of year		134	137	**39**
Cash and cash equivalents at the end of year	45	137	39	**—**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

		Attributable to equity holders of the Company						
	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total	Non-controlling interests	Total equity
$ million								
At 1 January 2008		170	570	2,088	3,591	6,419	14	6,433
Profit for the year		—	—	—	909	909	1	910
Unrealised gain on available for sale investment		—	—	1,041	—	1,041	—	1,041
Impairment of associate recognised against unrealised gain on available for sale investment in equity	22	—	—	(2,636)	—	(2,636)	—	(2,636)
Gains on cash flow hedges taken to equity		—	—	(142)	—	(142)	—	(142)
Gains on cash flow hedges included in income statement	8(d)	—	—	143	—	143	—	143
Exchange differences on retranslation of foreign operations		—	—	(36)	—	(36)	—	(36)
Share of (losses)/gains of associate recognised in equity	22	—	—	(11)	—	(11)	5	(6)
Total comprehensive (loss)/income for the year		—	—	(1,641)	909	(732)	6	(726)
Purchase of Company's issued share capital	28(a)	(2)	—	2	(121)	(121)	—	(121)
Shares issued pursuant to acquisition of interest in associate (net of issue costs of $10 million)	28(a)	32	2,078	—	—	2,110	—	2,110
Share-based payment	29	—	—	—	1	1	—	1
Equity dividends paid by the Company	17	—	—	—	(200)	(200)	—	(200)
At 31 December 2008		200	2,648	449	4,180	7,477	20	7,497
Profit for the year		—	—	—	554	554	(1)	553
Losses on cash flow hedges taken to equity		—	—	138	—	138	—	138
Losses on cash flow hedges included in income statement		—	—	(138)	—	(138)	—	(138)
Exchange differences on retranslation of foreign operations		—	—	(1,133)	—	(1,133)	(1)	(1,134)
Share of losses of associate recognised in other comprehensive income	22	—	—	(310)	—	(310)	(5)	(315)
Total comprehensive (loss)/income for the year		—	—	(1,443)	554	(889)	(7)	(896)
Share-based payment	29	—	—	—	1	1	—	1
Own shares acquired	28(b)	—	—	—	(7)	(7)	—	(7)
At 31 December 2009		200	2,648	(994)	4,728	6,582	13	6,595
Profit for the year		—	—	—	**1,450**	**1,450**	—	**1,450**
Exchange differences on retranslation of foreign operations		—	—	**31**	—	**31**	—	**31**
Recycling of exchange differences on disposal of share in subsidiary	5	—	—	**196**	—	**196**	—	**196**
Share of gains of joint venture recognised in other comprehensive income	21	—	—	**1**	—	**1**	—	**1**
Share of gains of associate recognised in other comprehensive income	22	—	—	**27**	—	**27**	—	**27**
Total comprehensive income for the year		—	—	**255**	**1,450**	**1,705**	—	**1,705**
Share-based payment	29	—	—	—	**3**	**3**	—	**3**
Own shares acquired	28(b)	—	—	—	**(4)**	**(4)**	—	**(4)**
Dividends paid by the Company	17	—	—	—	**(80)**	**(80)**	—	**(80)**
At 31 December 2010		**200**	**2,648**	**(739)**	**6,097**	**8,206**	**13**	**8,219**

1 Refer to note 28(c) for an analysis of 'Capital reserves'.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total equity
At 1 January 2008		170	570	783	286	1,809
Loss for the year		—	—	—	(720)	(720)
Other comprehensive income		—	—	—	—	—
Total comprehensive loss for the year		—	—	—	(720)	(720)
Purchase of Company's issued share capital	28(a)	(2)	—	2	(121)	(121)
Shares issued pursuant to acquisition of interest in associate (net of issue costs of $10 million)	28(a)	32	2,078	—	—	2,110
Share-based payment	29	—	—	—	1	1
Equity dividends paid by the Company	17	—	—	—	(200)	(200)
At 31 December 2008		200	2,648	785	(754)	2,879
Profit for the year		—	—	—	1,876	1,876
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year		—	—	—	1,876	1,876
Share-based payment	29	—	—	—	1	1
At 31 December 2009		200	2,648	785	1,123	4,756
Profit for the year		—	—	—	**2,219**	**2,219**
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year		—	—	—	**2,219**	**2,219**
Share-based payment	**29**	—	—	—	**3**	**3**
Dividends paid	**17**	—	—	—	**(80)**	**(80)**
At 31 December 2010		**200**	**2,648**	**785**	**3,265**	**6,898**

1 Refer to note 42 for an analysis of 'Capital reserves'.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

for the years ended 31 December 2008, 31 December 2009 and 31 December 2010

1. CORPORATE INFORMATION

Kazakhmys PLC (the 'Company') is a public limited company incorporated in the United Kingdom of Great Britain and Northern Ireland. The Company's registered address is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom. The Group comprises the Company and its consolidated divisions as set out below.

The Group operates in the natural resources industry. The Group's operations are primarily conducted through the Company's principal division, Kazakhmys Copper, whose major business is the mining and processing of copper ore into copper cathodes and copper wire, and the refining and sale of precious metals and other by-products of its copper mining process.

The Group operates in a number of divisions within the natural resources sector, the principal activities of which are as follows:

Operating division	Principal activity	Primary country of operations
Kazakhmys Copper	Mining and processing copper	Kazakhstan
MKM	Copper processing	Germany
Kazakhmys Power	Power generation	Kazakhstan
Kazakhmys Gold	Mining and processing gold	Kazakhstan
Kazakhmys Petroleum	Oil and gas exploration	Kazakhstan

Entities within Kazakhmys Power (Ekibastuz GRES-1 for the period until 26 February 2010 and the Maikuben West coal mine for the year ended 31 December 2010) and MKM are included as discontinued operations within the consolidated historical financial information (see note 6).

The legal names of the constituent companies within the above divisions are shown in note 48 on page I-138.

2. BASIS OF PREPARATION

The historical financial information set out on pages I-3 to I-10 has been prepared using consistent accounting policies.

(a) Going concern

The Group's business activities, together with the factors likely to impact its future growth and operating performance are set out in the Business section of the Listing Document. The financial position of the Group, its cash flows, financial risk management policies and available debt facilities are described in the Financial Information section of the Listing Document. In addition, note 36 commencing on page I-110 sets out the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates and foreign exchange.

With the stronger commodity prices in the latter part of 2009 and throughout 2010, the Group has a strong cash position with available funds of $900 million at 31 December 2010 and a modest net debt level from continuing operations of $350 million compared to earnings. The Directors have considered the Group's financial position, the available credit facilities, the planned capital expenditure programme and the outlook for the Group's products, and believe there is sufficient cover to meet the Group's anticipated cash flow requirements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational assistance for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Consolidated Historical Financial Information.

(b) Basis of accounting

The Consolidated Historical Financial Information has been prepared on a historical cost basis, except for certain classes of property, plant and equipment which have been revalued at 1 January 2002 to determine deemed cost as part of the first-time adoption of International Financial Reporting Standards (IFRSs) at that date, available for sale investments and derivative financial instruments which have been measured at fair value. The Consolidated Historical Financial Information is presented in US dollars ($) and all financial information has been rounded to the nearest million dollars ($ million) except when otherwise indicated.

(c) Basis of consolidation

The Consolidated Historical Financial Information sets out the Group's financial position as at 31 December 2008, 2009 and 2010 and the Group's financial performance for the years ended 31 December 2008, 2009 and 2010.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This treatment may mean that amounts previously recognised in other comprehensive income are recycled through the income statement.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Non-controlling interests primarily represent the interests in Kazakhmys LLC not held by the Company. The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Refer to note 48 for a list of the Company's significant subsidiaries.

(d) Statement of compliance

The Consolidated Historical Financial Information of the Company and all its subsidiaries has been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The Consolidated Historical Financial Information for all periods set out in this report has been prepared in accordance with IFRS and its interpretations and amendments that are effective at 31 December 2010.

(e) Adoption of standards and interpretations

In preparing the Consolidated Historical Financial Information, the Group has applied the following standards and interpretations before or on their effective dates:

- IFRS 3 'Business combinations (Revised)' which is effective for annual periods beginning on or after 1 July 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results in respect of transaction costs and other fair value adjustments. As no business combinations took place in the year ended 31 December 2010, the revised standard has had no impact on the financial position or performance of the Group;

- IAS 24 'Related party disclosures (Amendment)' which is effective for periods beginning on or after 1 January 2011. The Group has early adopted paragraphs 25 to 27 of the standard, which introduces exemptions from certain disclosures in relation to government related entities. The early adoption of these paragraphs has not had an impact on the financial position or performance of the Group, with the amended disclosures being provided in note 38;

- IAS 27 'Consolidated and separate financial statements (Revised)' which is effective for annual periods beginning on or after 1 July 2009. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary. The change in accounting policy relating to the amendments to IAS 27 has been applied prospectively and the impact on the Group's financial position and performance is disclosed in note 5;

- IAS 39 'Financial instruments: recognition and measurement—eligible hedged items.' These amendments to IAS 39 were issued in July 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment has had no impact on the financial position or performance of the Group;

- Amendments to IAS 39 and IFRS 7 'Reclassification of Financial Instruments' which is effective for annual periods beginning on or after 1 July 2009. The amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available for sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendment has had no impact on the financial position or performance of the Group;

- IFRIC 17 'Distributions of Non-cash Assets to Owners', which is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 clarifies the terms as to the recognition of dividends payable and their measurement for non-cash items. This interpretation has not had any effect on the Group as it generally does not distribute any non-cash assets to shareholders; and

- Improvements to IFRSs. The IASB's improvements project is an annual project that provides a mechanism for making non-urgent but necessary amendments to IFRSs. There are a number of amendments to standards following the 2008 and 2009 improvements project which may result in consequential changes to accounting policies and other note disclosures. The impact of any consequential changes to the Consolidated Historical Financial Information is not significant.

The adoption of the standards and interpretations noted above have not had any retrospective impact on the financial position or performance of the Group, and as a result there is no change to previously reported financial information.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

(f) New standards and interpretations not yet adopted

In preparing the Consolidated Historical Financial Information, the Group has not applied the following relevant standards and interpretations that have been issued but are not yet effective:

- IFRS 9 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. Based on the nature of the Group's financial assets, the adoption of the standard is not expected to have a material impact on the financial position or performance of the Group;

- 'Prepayments of a minimum funding requirement'—amendment to IFRIC 14, 'IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction', which is effective for annual periods beginning on or after 1 January 2011. The amendment allows entities to recognise as an asset some voluntary repayments for minimum funding contributions. The amendment is not expected to have any impact on the financial position or performance of the Group as no prepayments or minimum funding requirements exist in the Group's defined benefit plans; and

- Improvements to IFRSs. There are a number of amendments to certain standards following the 2010 annual improvements project which will be effective 1 January 2011. The impact of any consequential changes to the Consolidated Historical Financial Information is not likely to be significant.

These standards and interpretations will be adopted by the Group on the date that they become effective, subject to endorsement by the European Union. The Directors do not anticipate, in light of the circumstances prevailing at the date of approval of the Historical Consolidated Financial Information, that the adoption of these standards and interpretations in future periods will have a material impact on the reported income or net assets of the Group in the period of initial application although the manner in which certain information is presented in the Consolidated Historical Financial Information may change.

(g) Change in accounting policies

There have been no changes to accounting policies during the year ended 31 December 2010, except for the adoption of new standards and interpretations as disclosed in note 2(e).

(h) Comparative information

Where a change in the presentation format of the Consolidated Historical Financial Information has been made during the year, comparative figures have been restated accordingly.

(i) Significant accounting judgements and estimates

(i) Judgements

Determining many of the amounts included in the Consolidated Historical Financial Information involves the use of judgements. These judgements are based on the Directors' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the Consolidated Historical Financial Information. The Directors believe that the following judgements, apart from those involving estimates, are likely to have the most significant effect on the amounts recognised in the Consolidated Historical Financial Information.

Equity accounting of associate

The Group owns 26.0% of ENRC PLC, a Kazakhstan-based mining company listed on the London Stock Exchange. The investment has been recorded as an associate and accounted for under the equity method in accordance with IAS 28 'Investments in Associates.' IAS 28 states that there is a rebuttable presumption that significant influence exists where an investor holds more than 20% of the voting power of the investee. Although Kazakhmys does not have representation on the board of ENRC, the Directors believe that the Group has the ability to exercise significant influence by virtue of its substantial shareholding, whereby the Group owns in excess of 25% of the issued share capital of ENRC and is the single largest shareholder.

This interest confers the Group with certain additional rights and influence under the Companies Act 2006 (CA06) which allows the Group to block special resolutions proposed by ENRC at general meetings. Consequentially, through the provisions of the CA06, the Group is able to participate in policy making processes of ENRC, including participation about distributions such as share buy-backs, which form part of ENRC's capital management strategy.

The Directors are of the view that the Group has influence over the acquisition strategy of ENRC by having the ability in essence to block related party transactions which ENRC have a history of making, where these transactions are over and above the de-minimis exemption in the Listing Rules.

Furthermore, the frequency and nature of meetings between the two companies has changed substantially since the Group increased its shareholding above 25%, with matters such as acquisition strategy and the exchange of technical information regarding power generation, taxation and mining safety being discussed.

In the Directors' judgement, the Group has the ability to exercise significant influence over ENRC. The Directors therefore believe that it remains appropriate for the Group to equity account for its interest in ENRC in accordance with IAS 28.

Impairment of assets

The Directors review the carrying value of the Group's tangible and intangible assets to determine whether there are any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment has arisen can require considerable judgement taking account of future operational and financial plans, commodity prices, sales demand and the competitive environment. Where such indicators exist, the carrying value of the assets of a cash generating unit is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use, which is determined on the basis of discounted future cash flows. This involves management estimates on commodity prices, market demand and supply, economic and regulatory climates, long-term mine plans and other factors. Any subsequent changes to cash flows due to changes in the above mentioned factors could impact the carrying value of the assets.

The only significant impairments in the year ended 31 December 2010 relate to discontinued operations with MKM ($58 million) and Maikuben West coal mine ($12 million) being written down to their recoverable amounts.

During the year ended 31 December 2009 a series of impairment tests were undertaken, with the following impairment charges being recognised in the consolidated income statement:

- Kazakhmys Gold—In 2009 an impairment charge was recognised following a decision not to proceed with the Akjilga development project in Tajikistan in the foreseeable future as more economically attractive projects exist within the Group;

- MKM—In 2009 an impairment charge was recognised to write down the carrying value of MKM to its fair value in light of a number of impairment indications arising during the second half of 2009 following the economic weakness in Europe, MKM's core marketplace (see note 6(a)); and

- Kazakhmys Power—In 2009 an impairment charge was recognised to write down the carrying value of Maikuben West to its recoverable amount following the decision to dispose of 50% of the Ekibastuz GRES-1 power station to Samruk-Kazyna (see note 6(b)).

In 2008, the global economic downturn resulted in management undertaking a series of impairment tests, which gave rise to the following impairment charges being recognised in the consolidated income statement:

- Zinc smelter—an impairment charge was recognised following management's decision to cease production at the Kazakhmys Copper zinc smelter in light of adverse changes in assumptions about future zinc prices and operating costs. Accordingly, the carrying value has been fully impaired;

- Kazakhmys Gold—an impairment charge was recognised following a general change in the long-term strategy of the division, with the outlook for existing mines and development projects being less attractive than originally anticipated at the time of the acquisition; and

- Kazakhmys Copper mining assets—an impairment charge was recognised in relation to the closure of certain mines which are loss making in a period of sustained commodity price weakness and are unlikely, in management's best estimate, to reopen in the foreseeable future.

Determination of ore reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group estimates its ore reserves and mineral resources based on information compiled by competent persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code). A review of the Group's reserves and resources is undertaken on an annual basis by an independent competent person.

In assessing the life of a mine for accounting purposes, mineral reserves are only taken into account where there is a high degree of confidence of economic extraction. Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves being restated.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires the Directors to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under this accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

As at 31 December 2010, the most significant asset where the Directors have applied their judgement in the area of exploration and evaluation expenditure relates to Kazakhmys Petroleum and the ongoing exploration and evaluation programme being undertaken. The Directors have considered the following matters in reaching their judgement:

- although the exploration licence of Kazakhmys Petroleum expires in May 2011, the Directors are of the opinion that the licence will be extended based on the positive discussions held to date with the Governmental authorities. A decision on the extension of the exploration licence is expected by May 2011;

- at the current stage in the exploration and evaluation of the existing wells it is too early to conclude on the economic viability of the wells until the test results are analysed and the evaluation is completed; and
- there have been no indications to date that would require the Group to permanently discontinue the exploration programme and the Group remains committed to the project with approval for further capital expenditure included in the 2011 Group budget.

Based on the above considerations, the Directors have concluded that no impairment indicators exist in relation to the exploration and evaluation assets of Kazakhmys Petroleum.

Assets held for sale and discontinued operations

During 2009 the Directors decided to dispose of MKM given the Group's strategy is to focus on natural resource opportunities in the Central Asian region. The business was classified as an asset held for sale at 31 December 2009, and correspondingly as a discontinued operation in the consolidated income statement for the 2009 financial year. This classification was made as the Group believed that a sale was highly probable to take place within 12 months from the date the business was first classified as held-for-sale. The sale of MKM has not completed within the envisaged 12 month period, as negotiations with potential acquirers have taken longer than was originally anticipated, principally due to challenges faced by the potential interested party in raising the finance necessary to complete the transaction. The Group's strategic objective of disposing of MKM remains the same, and discussions continue with a number of interested parties at a price consistent with previous expectations. Based on these facts, the Directors consider that MKM continues to meet the criteria to be classified as held for sale at the balance sheet date, including, in particular, that a disposal is considered to be highly probable during 2011.

Additionally during 2009, the Directors decided to dispose of the Maikuben West coal mine (within the Kazakhmys Power division) following a change in the long-term strategy of the coal mine as a result of the sale of 50% of the Ekibastuz GRES-1 power station to Samruk-Kazyna. This business was therefore classified as an asset held for sale at 31 December 2009, and correspondingly as part of discontinued operations in the consolidated income statement for the 2009 financial year. As at 31 December 2010, a disposal has been agreed with a prospective acquirer, and a sale and purchase agreement has been signed, with regulatory approval in respect of the Government waiving its pre-emption rights over the subsoil use contract being the only remaining condition prior to the sale and purchase agreement taking effect. The Directors believe that this waiver will be received in the near future and that the sale will complete in the first half of 2011.

For more details on discontinued operations, refer to note 6.

Determining the fair value of the Guarantee issued by the Group to the China Development Bank ("CDB") in respect of Samruk-Kazyna

During the year, the Group secured a $2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a $3.0 billion financing line agreed between CDB and Samruk-Kazyna. As part of this financing package, the Company, along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna's obligations under its $3.0 billion financing line (the "Guarantee"). The Company's liability under the Guarantee is capped at $1.7 billion of principal plus 85% of any interest and any other duly payable costs and expenses. An indemnity and netting-off agreement was entered into between the Company and Samruk-Kazyna ensuring that any payments made under the Guarantee would be netted off against payments to be made by Kazakhmys Finance PLC (the principal borrower in the loan agreements between Kazakhmys and Samruk-Kazyna) under the loan agreements between it and Samruk-Kazyna.

In determining the fair value of the Guarantee in accordance with IAS 39, the right to net off payments made by the Company to the CDB under the Guarantee against the balance payable by Kazakhmys Finance PLC to Samruk-Kazyna under the financing line between these parties is governed by English law, under which the Directors have assumed the indemnity and netting-off agreement will be effective in the event of a default by Samruk-Kazyna under its financing line with the CDB. The consequence of this assumption is that the fair value of the Guarantee is less than $5 million, an immaterial figure in the context of a financing line available to the Group of $2.7 billion. Should the indemnity and netting-off agreement not prove successful in a legal or insolvency challenge in Kazakhstan, this would result in a potentially larger liability as the Group would be required to fair value the full $1.7 billion exposure under the Guarantee.

Determination of excess profits taxation

Following the introduction of the tax legislation on 1 January 2009, management has interpreted the new tax legislation and believe that EPT is not applicable to the Group's operations after this date. This view is supported by discussions and correspondence with the governmental authorities. The Directors believe the Group's judgements at the current time are reasonable and in compliance with Kazakhstan tax legislation, although there is a risk that the tax authorities will have a different interpretation of tax legislation at the time of a future tax audit.

Provision for environmental pollution charges ("EPC")

The tax audit being conducted for the years 2006 to 2008 within Kazakhmys LLC identified a potential exposure related to EPC resulting from a difference in interpretation on the applicability of the "Law on Foreign Investment" dated 27 December 1994 (the "Law"). The Law grants foreign investors stability, inter alia, over taxes and related legislative matters, for a period of 10 years from the date of investment by a foreign investor or from the commencement of the relevant operating licence being awarded to a foreign investor. In 1999, the relevant state agency confirmed that the predecessor company to Kazakhmys LLC was eligible for stabilisation under the Law, and consequently Kazakhmys LLC applied stabilised EPC rates in earlier years when calculating its EPC liabilities to 2008. The tax authorities have challenged the eligibility of Kazakhmys LLC to apply stabilised EPC rates under the Law.

The Directors have assessed the position of Kazakhmys LLC and made a provision reflecting the probability that a settlement will be negotiated with the tax authorities following agreement being reached on the interpretation of the Law. The risk remains that the tax authorities or courts may take a different position with regard to the interpretation of the Law and its applicability to Kazakhmys LLC, and additional charges may arise over and above the provision recognised in the Consolidated Historical Financial Information as at 31 December 2010.

Allocation of excess purchase consideration

Business combinations require judgement and estimates to be made at the date of acquisition in relation to determining asset and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities.

In respect of mining company acquisitions, excess purchase consideration is typically allocated to the mining reserves and resources being acquired. The estimate of reserves is subject to assumptions relating to life of the mine and may change when new information becomes available. Changes in reserves as a result of factors such as production costs, recovery rates, grade of reserves or commodity prices could impact depreciation rates, asset carrying values and environmental and restoration provisions. Changes in assumptions over long-term commodity prices, market demand and supply, and economic and regulatory climates could also impact the carrying value of assets.

In respect of non-mining company acquisitions, such as the acquisition of the Ekibastuz GRES-1 power station in May 2008, the purchase consideration was allocated to the fair value of specific assets and liabilities acquired, and any excess purchase consideration recognised as goodwill, which is tested annually for impairment. Changes in assumptions over future tariff prices, market demand and supply, and economic and regulatory climates could impact on the carrying value of assets, including the goodwill.

Accounting for potential transfer pricing liabilities

For the years ended 31 December 2006 to 2010, Kazakhmys LLC sold its exported products to Kazakhmys PLC (2006 and 2007) and Kazakhmys Sales Ltd (2008 and 2009), a wholly owned subsidiary of Kazakhmys PLC, under an exclusive purchasing agreement at the prevailing LME or LBMA prices, with a discount to LME or LBMA prices permitted by Kazakhstan transfer pricing legislation and reflecting the commercial and credit risks borne by the UK operations. The Directors believe that these prices, and accompanying discount where applicable, reflected the balance of commercial and credit risks shared between Kazakhmys LLC and the UK operations.

The Directors have recognised the nature of the transfer pricing legislation promulgated in Kazakhstan and the UK in determining any consequential tax liabilities in these jurisdictions resulting from the sale of exported products from Kazakhmys LLC to the UK operations for 2006 to 2010. The Directors believe the Group's judgements are reasonable and in compliance with UK and Kazakhstan transfer pricing legislation, although there is a risk that the tax authorities will have a different interpretation of tax legislation at the time of a future tax audit.

In June 2010 new transfer pricing legislation was introduced in Kazakhstan which was largely retrospective to 1 January 2009. These changes provide greater clarity over the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/

LBMA prices when transacting in traded commodities. Following the amendments to the transfer pricing legislation, the Group amended intercompany sales contracts between the UK and Kazakhstan to take into account the amended legislation. As a result, the Directors believe that there are no material exposures or estimations necessary in respect of transfer pricing for the year ended 31 December 2010. Please refer to note 15.

(ii) Estimation uncertainty

The preparation of the Consolidated Historical Financial Information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Historical Financial Information and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

In particular, information about significant areas of estimation uncertainty made by the Directors in preparing the Consolidated Historical Financial Information is shown below:

- Note 4—Business acquisition. Assumptions and estimates are required when determining the fair value of the net assets and liabilities of the business acquired, including the timing of cash flows and selecting an appropriate discount rate;

- Note 5—Loss of control of subsidiary. Assumptions and estimates are required when determining the fair value of the net assets and liabilities of the Group's 50% retained interest in Ekibastuz GRES-1 LLP;

- Note 6—Discontinued operations. Assumptions and estimates are required when determining the fair value less costs to sell of assets held for sale;

- Notes 9 and 18—Impairment losses. Notes 9 and 18 outline the significant assumptions made in performing impairment tests;

- Note 15—Income taxes. Management make estimates in relation to the level of taxes payable which may then be audited by the tax authorities at a future date;

- Note 20—Mining assets. Estimated recoverable reserves and resources are used to determine the depreciation of mining assets, in accounting for mine stripping costs and in performing impairment testing;

- Note 32—Provisions. Estimates are made regarding the timing of future payments and the appropriate discount rate applied to these cash flows; and

- Note 37—Commitments and contingencies. These require management to make estimates as to amounts payable and to determine the likelihood of cash outflows in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the Consolidated Historical Financial Information. These accounting policies have been consistently applied across the Group.

(a) Foreign currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

The functional currencies of the Company and Kazakhmys Sales Limited are the US dollar ($) as the majority of the operating activities are conducted in US dollars. The functional currency of Kazakhmys LLC, Kazakhmys Power, Kazakhmys Gold and Kazakhmys Petroleum is the Kazakhstan tenge (KZT) and of MKM is the Euro (€). On consolidation, income statements of subsidiaries are translated into US dollars, at average rates of exchange. Balance sheet items are translated into US dollars at period end exchange rates. Exchange differences on the retranslation are taken to a separate component of equity. All other exchange differences are charged or credited to the income statement in the year in which they arise. The following foreign exchange rates against the US dollar have been used in the preparation of the Consolidated Historical Financial Information:

	2008		2009		2010	
	Year end	Average	Year end	Average	Year end	Average
Kazakhstan tenge	120.77	120.30	148.36	147.50	**147.40**	**147.35**
Euro	0.71	0.68	0.70	0.72	**0.75**	**0.75**
UK pounds sterling	0.69	0.54	0.63	0.64	**0.65**	**0.65**

Devaluation of the tenge

In February 2009, the National Bank of Kazakhstan announced that it would support the tenge within a range of 3%, at a lower level of 150 KZT/$, resulting in a devaluation of the tenge of approximately 25%. The impact of the devaluation in the Consolidated Historical Financial Information for the year ended 31 December 2009 was:

- net finance income included a foreign exchange gain of $336 million for continuing operations which primarily arose due to the retranslation of US dollar denominated monetary assets and liabilities within the Group's Kazakhstan subsidiaries which have a tenge functional currency. The loss for the year from discontinued operations included a foreign exchange loss of $53 million;

- the goodwill balance arising on the acquisition of Kazakhmys Power was retranslated as at 31 December 2009 since the goodwill arises in respect of businesses acquired whose functional currencies are the tenge. This gave rise to a foreign exchange loss of $109 million being recognised within equity and a corresponding reduction in the goodwill balance to $443 million as at 31 December 2009 prior to the goodwill being re-classified as an asset held for sale;

- a non-cash foreign exchange loss of $1,060 million (which includes the $109 million goodwill foreign exchange loss) was recognised within equity. This was primarily due to the re-translation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the Kazakhstan tenge; and

- a reduction in the carrying value of the investment in associate of $342 million as the Group was recognised its share of the foreign exchange loss recognised in equity by ENRC.

(b) Business combinations

Business combinations after 1 January 2010

The Group applies the purchase method to account for business combinations. On the acquisition of a subsidiary, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair values at the date of acquisition. Those mining rights, mineral reserves and resources that are able to be reliably valued are recognised in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which in the Directors' opinion, values cannot be reliably determined, are not recognised.

The consideration transferred (cost of acquisition) is the aggregate of: (a) the fair values at the date of exchange, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group; and (b) the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the income statement.

When the cost of acquisition exceeds the fair value attributable to the Group's share of the identifiable net assets, the difference is treated as purchased goodwill.

If the fair value attributable to the Group's share of the identifiable net assets exceeds the fair value of the consideration, the Group reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognises any additional assets or liabilities that are identified in that review. If that excess remains after reassessment, the Group recognises the resulting gain in the income statement on the acquisition date.

When a subsidiary is acquired in a number of stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Similar procedures are applied in accounting for the purchases of interests in associates and joint ventures. Any goodwill arising on such purchases is included within the carrying amount of the investment in the associate, but not thereafter amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included in the income statement in the period of the purchase.

Business combinations before 1 January 2010

On the acquisition of a subsidiary, the purchase method of accounting is applied whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair values at the date of acquisition.

The cost of the business combination is the aggregate of: (a) the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree; and (b) costs directly attributable to the business combination.

If the fair value attributable to the Group's share of the identifiable net assets exceeds the fair value of the consideration, the Group reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognises any additional assets or liabilities that are identified in that review. If that excess remains after reassessment, the Group recognises the resulting gain as negative goodwill in the income statement on the acquisition date.

(c) Intangible assets

(i) Goodwill

Goodwill is stated at cost less impairment losses. Goodwill is not amortised, rather it is tested annually for impairment. Goodwill is allocated to the cash-generating unit or group of cash-generating units expected to benefit from the related business combination for the purpose of the impairment testing. An impairment loss in respect of goodwill is not reversed.

(ii) Mineral licences and other intangible assets

Mineral licences and other intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost (which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use) less accumulated amortisation and impairment losses. The cost of intangible assets acquired in a business combination is its fair value which can be measured reliably as at the date of acquisition.

(iii) Amortisation

Intangible assets, other than goodwill, primarily comprise mineral licence acquisition costs, which are amortised on a unit of production basis. Amortisation for other intangible assets, which have expected useful lives of three to ten years, is computed under the straight-line method over the estimated useful lives of the assets.

(d) Property, plant and equipment

(i) Initial measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost or 'deemed cost' of property, plant and equipment (hereafter referred to as 'cost') at 1 January 2002, the date of Kazakhmys LLC's transition to IFRSs, was determined by reference to its depreciated replacement cost at that date in accordance with IFRS 1.

(ii) Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the individual asset or on a unit of production basis depending on the type of asset. The unit of production method is the ratio of commodity production in the period to the estimated quantities of commercial reserves over the life of the mine (using proven developed reserves as determined by the local geological classification system) based on the estimated economically recoverable reserves to which they relate. Changes in estimates, which affect unit of production calculations, are accounted for prospectively.

Depreciation commences on the date the assets are used within the business. Freehold land is not depreciated.

The expected useful lives are as follows:

Buildings	15-40 years
Plant and equipment	4-25 years
Other	3-15 years

(iii) Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category.

Construction in progress is not depreciated.

(iv) Repairs and maintenance

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Repairs and maintenance expenditure is capitalised if future economic benefits will arise from the expenditure. All other repairs and maintenance expenditure is recognised in the income statement as incurred.

(v) Leasing and hire purchase commitments

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership of the leased items, are capitalised at the commencement of the lease. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. All other leases are treated as operating leases and the cost is expensed to the income statement as incurred.

(e) Mining assets

(i) Mineral properties

Costs of acquiring mineral properties are capitalised on the balance sheet in the year in which they are incurred. Costs associated with a start-up period for significant developments are capitalised during the commissioning period (development expenditure) where the asset is incapable of operating at normal levels without a commissioning period. Mineral properties are amortised over the remaining life of the mine using a unit of production method.

(ii) Mine development costs

Mine development costs are incurred to obtain access to proved reserves or mineral-bearing ore deposits and to provide facilities for extracting, lifting, and storing minerals. Such costs are, upon commencement of production, amortised using a unit of production method.

(iii) Mine stripping costs

Mine stripping costs incurred in order to access the mineral-bearing ore deposits are deferred prior to the commencement of production. Such costs are amortised over the remaining life of the mine using a unit of production method.

The cost of removal of the waste material during a mine's production phase is deferred if the stripping activity permits an increase in the output of the mine in future periods through providing access to additional sources of reserves that will be produced in future periods. Capitalised stripping costs are amortised in a systematic manner over the reserves that directly benefit from the specific stripping activity.

(iv) Exploration and evaluation costs

Exploration and evaluation expenditure for each area of interest once the legal right to explore has been acquired, other than that acquired through a purchase transaction, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful exploration and development of the area of interest or, alternatively, by its sale;

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off. Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred. A significant portion of exploration and evaluation expenditure relates to mineral licences, which are classified and accounted for as intangible assets.

Identifiable exploration and evaluation assets acquired in a purchase transaction are recognised as assets at their cost, or fair value if purchased as part of a business combination. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Exploration and evaluation assets attributable to producing interests are amortised on a unit of production basis.

(f) Oil and gas assets

(i) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for oil and gas exploration and appraisal costs. All licence acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable administration costs are capitalised insofar as they relate to specific exploration and development activities. Pre-licence costs are expensed in the period in which they are incurred.

All capitalised licence acquisition, exploration and evaluation costs are then written off unless commercial reserves have been established, or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are depreciated on a unit of production basis.

(ii) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves.

(iii) Depletion and amortisation—discovery fields

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves over the life of the field, generally on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

(g) Impairment

The Group conducts annual internal assessments of the values of goodwill and any intangible assets with an indefinite life. The carrying values of mining assets, oil and gas assets, capitalised exploration and evaluation expenditure and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount to its recoverable amount.

Impairment losses related to continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. 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. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(ii) Reversals of impairment

A previously recognised impairment loss is reversed 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. If this is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years. Such reversals are recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

(h) Equity accounted investments

A joint venture entity is an entity in which the Group holds a long-term interest and shares joint control over strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

Entities in which the Group has the ability to exercise significant influence and which are neither subsidiaries nor joint ventures, are associates. There is a rebuttable presumption of the ability to exercise significant influence when the Group holds between 20% and 50% of the voting power of another entity.

The Group accounts for investments in joint ventures and associates using the equity method except when such investments are classified as held-for sale.

Under the equity method of accounting, the investment in the joint venture and associate is recognised on the balance sheet on the date of acquisition at cost representing the fair value of the purchase consideration and therefore includes any goodwill on acquisition.

The Group's income statement reflects the share of a joint venture's and associate's results after tax and the Group's statement of comprehensive income includes any amounts recognised by the joint venture and associate outside of the income statement. The carrying amount of the investment is adjusted by the Group's share of the cumulative post-acquisition profit or loss net of any impairment losses and dividends receivable from the joint venture and associate. Where there has been a change recognised directly in the equity of the joint venture and associate, the Group recognises its share of such changes in equity. Adjustments are made in the Consolidated Historical Financial Information to eliminate the Group's share of unrealised gains and losses on transactions between the Group and the joint venture and associate.

The carrying values of joint ventures and associates are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified.

The Group discontinues its use of the equity method from the date on which it ceases to have joint control or exert significant influence, and from that date, accounts for the investment in accordance with IAS 39 (with its initial cost being the carrying amount of the joint venture or associate at that date), provided the investment does not then qualify as a subsidiary.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost is determined on the following bases:

- Raw materials and consumables are valued at cost on a first-in, first-out (FIFO) basis; and

- Work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation, labour and overheads based on normal operating capacity. The cost of work in progress and finished goods is based on the weighted average cost method.

Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(j) Trade and other receivables

Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognised within an allowance account unless the Group considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities less than three months at inception and highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(l) Non-current assets held for sale and discontinued operations

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

Non-current assets (or disposal groups) held for sale are carried at the lower of the carrying amount prior to being classified as held for sale, and the fair value less costs to sell. A non-current asset is not depreciated while classified as held for sale. A non-current asset held for sale is presented separately in the balance sheet. The assets and liabilities of a disposal group classified as held for sale are presented separately as one line in the assets and liabilities sections on the face of the balance sheet.

An asset or business is considered to be a discontinued operation if it has been sold or is classified as held for sale and is part of a single co-ordinated plan to dispose of either a separate major line of business or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, its net profit is presented separately from continuing operations. Comparative information is reclassified so that the net profit of the prior period is also presented separately.

(m) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

(n) Employee benefits

(i) Long-term employee benefits

The Group's entities located in Kazakhstan remit contributions to defined contribution pension plans on behalf of its employees. Contributions to be paid by the Group are withheld from employees' salaries and are recognised as part of the salary expense in the consolidated income statement as incurred.

The Group's unfunded defined benefit plans are accounted for in accordance with IAS 19 'Employee Benefits', such that the plan liabilities are measured by actuarial valuations using the projected unit credit method.

The future benefit that employees have earned is discounted to determine the present value. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's benefit obligations. The calculation is performed by a qualified actuary.

The Group recognises actuarial gains and losses falling outside a 'corridor' of the greater of 10% of the benefit obligation or 10% of the assets, amortised over the expected average future working lifetime of employees in the arrangements. The expense in relation to these long-term employee benefits is charged to the income statement so as to match the cost of providing these benefits to the period of service of the employees.

(ii) Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined using the Monte Carlo method and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest.

The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

(iii) Own shares

Own equity instruments which are re-acquired (own shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid to acquire such equity instruments is recognised within equity.

(iv) Trust activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in the Consolidated Historical Financial Information. Transactions entered into with these trust activities are expensed in the Consolidated Historical Financial Information.

(v) Social programmes

The Group is obliged to contribute towards social programmes for the benefit of the local community at large. The Group's contributions towards these programmes are expensed to the income statement at the point when the Group is committed to the expenditure.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Site restoration costs

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the income statement.

(ii) Payments for licences

In accordance with the terms of subsoil use contracts, provision is made for future licence payments when the Group has a present obligation to repay the costs of geological information provided for licensed deposits. The amount payable is discounted to its present value.

(iii) Other

Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources and for which the amount can be reliably estimated.

(p) Revenue

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration receivable, and excludes any applicable sales tax. Mining royalties and mineral extraction taxes are included within cost of sales.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue associated with the sale of goods is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title and any insurance risk has passed to the customer and the goods have been delivered in accordance with the contractual delivery terms or when any services have been provided.

Almost all sales agreements for copper cathodes, copper rods and copper and zinc concentrate are provisionally priced, (i.e. the selling price is subject to final adjustment at the end of a quotation period, typically the average price either for the month or the month following delivery to the customer), based on the LME market price for the relevant quotation period stipulated in the contract. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. The host contract is the sale of the commodity at the provisional invoice price, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At each reporting date, the provisionally priced metal sales are marked-to-market using forward prices, with adjustments (both gains and losses) being recorded in revenue in the consolidated income statement and in trade receivables or trade payables in the consolidated balance sheet.

(q) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

(r) Finance costs

Finance costs comprise interest expense on borrowings which are not capitalised under the borrowing costs policy (see 3(s) below), the unwinding of interest cost on provisions and foreign exchange losses.

(s) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year. All other borrowing costs are recognised in the income statement in the period in which they are incurred using the effective interest rate method.

(t) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Excess profits tax is treated as income tax and forms part of the income tax expense.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- those arising on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit; and

- investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(u) Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders. Dividends receivable are recognised when the Group's right to receive payment is established.

(v) Parent company's investments

Non-current investments are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

(w) Financial instruments

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the income statement.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted investments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are typically loans and receivables created by the Group in providing money to a debtor.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Allowance for impairment is estimated on a case-by-case basis.

(b) Available for sale investments are non-derivative financial assets and include investments that are held for sale, although there is no time frame in which management is required to sell them. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date, in which case they are included within current assets. These assets are recorded at fair value with the unrealised movements in fair value being recognised directly in equity until disposal or sale, at which time, those unrealised movements from prior periods are recognised in the income statement.

(c) Held-to-maturity investments are classified as such depending upon the intent of management at the time of the purchase. Investments with fixed maturities and fixed or determinable payments that management has both the positive intent, and the ability to hold to maturity, are classified as held-to-maturity. Held-to-maturity investments are initially recognised in accordance with the policy stated above and subsequently remeasured at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For available for sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from equity and recognised in the income statement.

Impairment losses on equity investments are not reversed through the income statement and increases in their fair value after impairment are recognised directly in equity.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated at initial recognition as the fair value through profit or loss category. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The Group has not designated any financial liabilities upon initial recognition as the fair value through profit or loss category.

(b) Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method after initial recognition. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(iii) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as commodity forward contracts to hedge risks associated with commodity price fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is either included in the 'other operating income' or 'other operating expenses' line.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Where the Group enters into derivative contracts that are not hedging instruments in hedge relationships as defined by IAS 39, these are carried in the balance sheet at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have been expected.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

4. BUSINESS ACQUISITION

On 29 May 2008 the Group acquired 100% of the Ekibastuz GRES-1 coal-fired power plant and Maikuben West coal mine in Kazakhstan for a total consideration of $1,264 million. The consideration comprised an initial cash consideration paid on 29 May 2008 of $1,097 million, deferred consideration payments of $169 million, acquisition costs of $7 million less an amount received of $9 million from the seller on 1 December 2008 in relation to adjustments to the closing statement under the terms of the sale and purchase agreement. The net cash outflow, net of cash acquired from the acquisition was $993 million.

In accordance with IFRS 3 'Business combinations' based on further tax information received during 2009 in relation to the fair value of provisions at the acquisition date, the acquisition fair value table was amended such that the fair value of provisions was $26 million lower at $21 million than that published in the 2008 Annual Report and Accounts. Accordingly, the restated net identifiable assets balance was $696 million (previously: $670 million) and goodwill arising on acquisition was $568 million (previously: $594 million). The final fair value table is shown below.

$ million	Carrying value at acquisition date	Fair value adjustments at acquisition date	Fair value at acquisition date (provisional)	Adjustments	Fair value at acquisition date (final)
Assets					
Intangible assets	6	(5)	1	—	1
Property, plant and equipment	131	858	989	—	989
Mining assets	1	45	46	—	46
Inventories	17	1	18	—	18
Trade and other receivables	26	8	34	—	34
Cash and cash equivalents	102	—	102	—	102
Liabilities					
Deferred tax liability	(12)	(267)	(279)	—	(279)
Provisions	(14)	(33)	(47)	26	(21)
Borrowings	(159)	—	(159)	—	(159)
Trade and other payables	(35)	—	(35)	—	(35)
Net identifiable assets	63	607	670	26	696
Goodwill arising on acquisition			594	(26)	568
Total acquisition cost			1,264	—	1,264

The most significant fair value adjustment was in relation to property, plant and equipment. The fair value of property, plant and equipment was determined by an external professionally qualified valuer using a combination of market values and depreciated replacement cost based on the existing capacity of the power plant whilst taking into account future tariff increases as derived from the Company's acquisition model.

Goodwill of $594 million arose from the acquisition of the businesses. This goodwill could be broken down into two elements:

- goodwill of $327 million representing the difference between the cost of the acquisition and the fair value of identifiable assets and liabilities acquired, excluding deferred tax on the fair value adjustments. This goodwill arose as the fair values of the identifiable assets do not take into account the future capital expenditure programme of the businesses which should result in an increased capacity of the power plant from 2,250 MW to 4,000 MW. A combination of the future capacity increase, additional tariff increases and the ability for the Group to benefit from these improvements are the main drivers behind the goodwill balance arising on this transaction; and

- goodwill of $267 million arising as a consequence of the requirement to recognise a deferred tax liability on the fair value adjustments. The deferred tax liability, which gives rise to the goodwill, was calculated based on a corporate income tax rate of 30%, the prevailing tax rate at the date of acquisition.

As a requirement of IFRSs, the goodwill balance was re-translated as at 31 December 2009 since the goodwill arose in respect of businesses acquired whose functional currencies are the Kazakhstan tenge. This gave rise to a foreign exchange loss of $109 million being recognised within equity and a corresponding reduction in the goodwill balance to $443 million as at 31 December 2009 prior to the goodwill being impaired by $16 million and reclassified as an asset held for sale (see note 6).

5. LOSS OF CONTROL OF SUBSIDIARY

On 26 February 2010, the Group completed the disposal of 50% of Ekibastuz GRES-1 LLP. In accounting for the transaction, the Group has applied IAS 27 'Consolidated and separate financial statements' (Revised) for the first time. Accordingly, the loss of control of Ekibastuz GRES-1 LLP is accounted for as: (a) a disposal of the 50% interest in Ekibastuz GRES-1 LLP, whilst accounted for as a subsidiary and (b) the recognition of the retained 50% interest as an investment in a joint venture.

(a) Disposal of 50% interest in Ekibastuz GRES-1 LLP

In December 2009 it was announced that the Group had agreed to dispose of 50% of Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power Division, to Samruk-Kazyna, for a consideration of $681 million. The transaction completed on 26 February 2010 resulting in the Group losing control of the subsidiary and recording a profit on disposal in the income statement for the year.

The results of the transaction are presented as follows:

$ million	26 February 2010
Assets	
Goodwill arising on acquisition	443
Intangible assets	—
Property, plant and equipment	783
Inventories	4
Trade and other receivables	38
Cash and cash equivalents	107
Liabilities	
Borrowings	(68)
Deferred tax liability	(106)
Trade and other payables	(27)
Net identifiable assets	1,174
Share sold	50%
Share of net identifiable assets disposed of	587
Recycling of foreign currency translation reserve	196
Consideration received [1]	(681)
Remeasurement of the retained non-controlling interest	(116)
Gain on disposal of share in subsidiary	(14)

1 The consideration of $681 million was received in advance of the transaction completing on 26 February 2010 and was included in the balance sheet as at 31 December 2009 within trade and other payables. As the consideration was received in the previous period, the cash flow statement for the period ended 31 December 2010 includes a cash outflow of $107 million within investing activities relating to the cash included on the completion balance sheet of Ekibastuz GRES-1 LLP at the date of the disposal.

The results of the period from 29 May to 31 December 2008, the prior year ended 31 December 2009 and the period ended 26 February 2010 of Ekibastuz GRES-1 LLP are included in the income statement within the profit for the period from discontinued operations and the results of the period from 26 February 2010 to 31 December 2010 are included within continuing operations as the share of profits from joint venture (see note 21).

(b) Recognition of the retained 50% interest in Ekibastuz GRES-1 LLP

The disposal of 50% of Ekibastuz GRES-1 LLP resulted in the loss of control of the entity and the Group's remaining interest now represents an investment in a joint venture. The investment in the joint venture has been recorded at its fair value at the date of acquisition with the excess over the previous carrying value recognised in the income statement as a gain on remeasurement of the non-controlling interest held by the Group.

$ million	26 February 2010
Carrying value of the retained percentage of Ekibastuz GRES-1 LLP (50% of $1,174 million)	587
Remeasurement of the retained non-controlling interest	116
Fair value of the retained non-controlling interest	703

The fair value of the 50% retained non-controlling interest in Ekibastuz GRES-1 LLP has been determined using a discounted cash flow analysis.

A summary of the financial performance of the joint venture for the period since acquisition and its financial position as at 31 December 2010 is disclosed in note 21.

6. DISCONTINUED OPERATIONS

Discontinued operations consist of MKM (see note 6(a)), the Ekibastuz GRES-1 coal-fired power plant (for the period up to 26 February 2010) and the Maikuben West coal mine within the Kazakhmys Power Division (see note 6(b)).

The results from discontinued operations for the year as shown in the consolidated income statement are shown below:

$ million	2008	2009	2010
Revenues	1,875	1,276	**1,510**
Cost of sales	(1,777)	(1,050)	**(1,285)**
Operating costs	(115)	(100)	**(86)**
Impairment losses	(19)	(101)	**—**
Net finance costs	(22)	(87)	**(8)**
Impairment loss recognised on the remeasurement to fair value less costs to sell	—	(158)	**(70)**
(Loss)/profit before tax from discontinued operations	(58)	(220)	**61**
Income taxes:			
Related to current year loss before taxation (current and deferred taxes)	148	(1)	**(25)**
Related to measurement to fair value less costs to sell (deferred tax)	—	7	**12**
	90	(214)	**48**
Gain on disposal of share in subsidiary (see note 5)	—	—	**14**
Attributable income tax expense	—	—	**—**
	—	—	**14**
Profit/(loss) for the year from discontinued operations	90	(214)	**62**
Analysed as:			
MKM	(41)	(130)	**15**
Kazakhmys Power	131	(84)	**47**

As described in note 5, 50% of Ekibastuz GRES-1 LLP was sold on 26 February 2010, with the Group's remaining 50% non-controlling interest being accounted for as investment in a joint venture within continuing operations from 27 February 2010. Therefore, assets classified as held for sale and liabilities directly associated with those assets after 27 February 2010 relate to MKM and the Maikuben West coal mine.

The balance sheets of the discontinued operations are shown below:

$ million	2009	**2010**
Assets		
Intangible assets	444	**—**
Property, plant and equipment	801	**21**
Inventories	196	**202**
Prepayments and other current assets	3	**5**
Trade and other receivables	129	**141**
Cash and cash equivalents	42	**13**
Assets classified as held for sale	1,615	**382**
Liabilities		
Borrowings	(157)	**(191)**
Deferred tax liability	(110)	**(7)**
Employee benefits and provisions	(116)	**(8)**
Trade and other payables	(68)	**(84)**
Income taxes payable	(9)	**(10)**
Liabilities directly associated with assets classified as held for sale	(460)	**(300)**
Net assets directly associated with disposal group	1,155	**82**

The analysis of total assets and liabilities directly associated with the disposal groups are shown below:

$ million	2009	**2010**
Assets classified as held for sale:		
MKM	308	**343**
Kazakhmys Power	1,307	**39**
	1,615	**382**
Liabilities directly associated with assets classified as held for sale:		
MKM	(225)	**(264)**
Kazakhmys Power	(235)	**(36)**
	(460)	**(300)**

Net cash flows from discontinued operations included within the consolidated cash flow statement are shown below:

$ million	2008	2009	**2010**
Operating activities	63	(8)	**43**
Investing activities	(1,017)	(65)	**(137)**
Financing activities	987	89	**65**
Net cash inflow/(outflow)	33	16	**(29)**

(a) MKM

During 2009, the Directors decided to dispose of MKM given the Group's strategy is to focus on natural resource opportunities in the Central Asian region. The business was classified as an asset held for sale at 31 December 2009, and correspondingly as a discontinued operation in the consolidated income statement for the 2009 financial year. This classification was made as the Group believed that a sale was highly probable to take place within 12 months from the date the business was first classified as held-for-sale. The sale of MKM has not completed within the envisaged 12 month period, as negotiations with potential acquirers have taken longer than was originally anticipated, principally due to challenges faced by the potential interested party in raising the finance necessary to complete the transaction. The Directors, however, consider that MKM still meets the criteria to be classified as held for sale at the balance sheet date for the following reasons:

- MKM is available for immediate sale and can be sold to a potential buyer in its current condition;
- the Group's strategic objective of disposing of MKM remains the same and the Directors remain committed to the sales process;
- an active marketing programme continues, with discussions being held with a number of interested parties for the purchase of the business at a price consistent with previous expectations, of which some of these parties have provided expressions of interest and have undertaken due diligence on MKM; and
- a disposal is considered to be highly probable during 2011.

(i) Results of discontinued operation

The results of MKM for the year are presented below:

$ million	2008	2009	2010
Revenues	1,719	1,038	**1,387**
Cost of sales	(1,683)	(935)	**(1,253)**
Operating costs	(60)	(47)	**(53)**
Impairment losses	(17)	(32)	**—**
Net finance costs	(17)	(7)	**(7)**
Impairment loss recognised on the remeasurement to fair value less costs to sell	—	(158)	**(58)**
(Loss)/profit before tax from discontinued operation	(58)	(141)	**16**
Income taxes:			
Related to current year loss before taxation (current and deferred taxes)	17	11	**(13)**
Related to measurement to fair value less costs to sell (deferred tax)	—	—	**12**
(Loss)/profit for the year from discontinued operation	(41)	(130)	**15**

At 31 December 2010, the carrying value of MKM has been written down to its fair value less costs to sell with the result that an impairment charge of $58 million has been recognised in the period. The improved economic conditions and financial performance of MKM resulted in an increase in its carrying value during the year, which exceeded its fair value less costs to sell as previously recorded.

In 2009, MKM reported a loss of $141 million before tax after recording impairment charges totalling $190 million. Of the total impairment charge, $3 million related to provisions against trade receivables. In light of the economic weakness experienced during 2009 in Europe, MKM's core marketplace, a pre-tax impairment loss of $29 million was recognised to write down the carrying value of MKM to its recoverable amount on a value in use basis. A further impairment charge of $158 million was recognised to write down MKM to its expected fair value less costs to sell.

(ii) Balance sheet

The major classes of assets and liabilities of MKM classified as held for sale as at 31 December are as follows:

$ million	2009	2010
Assets		
Inventories	187	**200**
Trade and other receivables	121	**137**
Cash and cash equivalents	—	**6**
Assets classified as held for sale	308	**343**
Liabilities		
Borrowings	(157)	**(191)**
Deferred tax liability	(5)	**(4)**
Employee benefits and provisions	(7)	**(5)**
Trade and other payables	(47)	**(54)**
Income taxes payable	(9)	**(10)**
Liabilities directly associated with assets classified as held for sale	(225)	**(264)**
Net assets directly associated with disposal group	83	**79**

Borrowings comprise a €170 million revolving trade finance facility with a syndicate of banks for a three year loan with a final maturity in June 2012. Interest is payable on the drawn balance at a rate of EURIBOR + 3.00%. The loan is secured over the inventories and receivables of MKM.

The amount of inventories held as security for MKM borrowings is $200 million (2009: $187 million, 2008: $132 million).

The amount of trade receivables held as security for MKM borrowings is $137 million (2009: $121 million, 2008: $97 million).

(iii) Cash flows

The net cash flows incurred by MKM are as follows:

$ million	2008	2009	2010
Operating activities	29	(28)	**(15)**
Investing activities	9	(6)	**(14)**
Financing activities	(32)	34	**35**
Net cash inflow	6	—	**6**

(b) Kazakhmys Power

(i) Results of discontinued operations

The Kazakhmys Power Division comprises two distinct businesses: the Ekibastuz GRES-1 power plant and the Maikuben West coal mine.

Ekibastuz GRES-1 power plant

Following the announcement on 10 December 2009 that the Group had agreed to dispose of 50% of Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power Division, to Samruk-Kazyna, the Directors classified Ekibastuz GRES-1 LLP as an asset held for sale at 31 December 2009, and correspondingly as a discontinued operation in the consolidated income statement. On 26 February 2010, the transaction completed and the Group sold 50% of its interest in Ekibastuz GRES-1 LLP, to Samruk-Kazyna for a consideration of $681 million. The Group has retained a non-controlling interest of 50% in the entity which is accounted for as a joint venture after the date of completion. Consequently, the results of discontinued operations only include the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010.

Maikuben West coal mine

In 2009, the Directors decided to dispose of the Maikuben West coal mine following a change in the long-term strategy of the coal mine as a result of the sale of 50% of the Ekibastuz GRES-1 power station to Samruk-Kazyna. During 2010, a disposal has been agreed with a prospective acquirer and a sale and purchase agreement has been signed, with regulatory approval being the final condition precedent. The completion of the sale is dependent upon the Government granting a waiver over its pre-emption right that exists over the subsoil-use contract. This regulatory approval and the subsequent completion of the sale of the Maikuben West coal mine is expected in the first half of 2011. The Directors therefore consider that the Maikuben West coal mine meets the criteria to be classified as an asset held for sale as at 31 December 2010.

The results of the discontinued operations within Kazakhmys Power for the year are presented below:

$ million	2008	2009	2010
Revenues	156	238	**123**
Cost of sales	(94)	(115)	**(32)**
Operating costs	(55)	(53)	**(33)**
Impairment losses	(2)	(69)	**—**
Net finance costs	(5)	(80)	**(1)**
Impairment loss recognised on the remeasurement to fair value less costs to sell	—	—	**(12)**
(Loss)/profit before tax from discontinued operation	—	(79)	**45**
Income taxes:			
Related to current year loss before taxation	131	(12)	**(12)**
Related to measurement to fair value less costs to sell (deferred tax)	—	7	**—**
	131	(84)	**33**
Gain on disposal of share in subsidiary (see note 5)	—	—	**14**
Attributable income tax expense	—	—	**—**
	—	—	**14**
Profit/(loss) for the year from discontinued operations	131	(84)	**47**

In 2009, following the Directors' decision to dispose of 50% of Ekibastuz GRES-1 LLP to Samruk-Kazyna, a pre-tax impairment loss of $69 million was recognised to write down the carrying value of the Maikuben West coal mine to its recoverable amount on a value in use basis. During 2010, a sale and purchase agreement was signed with a prospective buyer for the Maikuben West coal mine, and as a result, its carrying value was written down to its fair value less costs to sell, and an impairment charge of $12 million has been recognised in the year.

No impairment losses have been recognised in relation to Ekibastuz GRES-1 LLP for neither 2010, 2009 nor 2008.

(ii) Balance sheet

The major classes of assets and liabilities of the discontinued operations within Kazakhmys Power classified as held for sale as at 31 December are as follows:

$ million	2009	2010
Assets		
Intangible assets	444	**—**
Property, plant and equipment	801	**21**
Inventories	9	**2**
Prepayments and other current assets	3	**5**
Trade and other receivables	8	**4**
Cash and cash equivalents	42	**7**
Assets classified as held for sale	1,307	**39**
Liabilities		
Deferred tax liability	(105)	**(3)**
Provisions	(109)	**(3)**
Trade and other payables	(21)	**(30)**
Liabilities directly associated with assets classified as held for sale	(235)	**(36)**
Net assets directly associated with disposal group	1,072	**3**

(iii) Cash flows

The net cash flows incurred by the discontinued operations within Kazakhmys Power are as follows:

$ million	2008	2009	2010
Operating activities	34	20	**58**
Investing activities[1]	(1,026)	(59)	**(123)**
Financing activities	1,019	55	**30**
Net cash inflow	27	16	**(35)**

1 The cash flows from investing activities for the year ended 31 December 2010 include $107 million related to the cash disposed in relation to the sale of 50% of Ekibastuz GRES-1 (see note 5).

7. SEGMENT INFORMATION

For management purposes the Group is organised into five separate business units, as shown below, according to the nature of the products and services provided. Each of these business units represents an operating segment in accordance with IFRS 8 'Operating segments'. The operating segments are:

Kazakhmys Copper

The Kazakhmys Copper business is managed as one operating segment and comprises a Kazakhstan based company, Kazakhmys Corporation LLC, and a UK based company, Kazakhmys Sales Limited. The principal activity of Kazakhmys Corporation LLC is the processing and sale of copper and other metals, while Kazakhmys Sales Limited consists of a trading function responsible for the purchase of exported products from Kazakhmys Corporation LLC and subsequently applies an appropriate mark-up prior to onward sale to third parties.

The products produced by the Kazakhmys Copper business are subject to the same risks and returns, exhibit similar long-term financial performance and are sold through the same distribution channels. The business processes substantially all the copper ore it produces and utilises most of the copper concentrate it processes. The segment also has a number of activities that exist solely to support the mining operations including power generation, coal mining and transportation. These other activities generate less than 10% of total revenues (both external and internal) and the related assets are less than 10% of total assets of the operating segment.

The UK trading function is a sales function on behalf of the Kazakhmys Copper business and consequently the assets and liabilities related to those trading operations, i.e. trade payables and trade receivables, are included within the Kazakhmys Copper operating segment.

MKM

MKM operates in Germany, where it manufactures copper and copper alloy semi-finished products. MKM faces different risks to the Group's other businesses, and produces different products, and is therefore shown as a separate operating segment.

As stated in note 6(a), the Directors have decided to dispose of MKM. As a result, at 31 December 2010, 2009 and 2008, MKM has been classified as a disposal group held for sale and as a discontinued operation, and the comparative segment information has been restated accordingly.

Kazakhmys Power

Kazakhmys Power operates in Kazakhstan. The principal activity of the Kazakhmys Power operating segment, representing the Ekibastuz GRES-1 coal-fired power station and the Maikuben West coal mine, is the sale of electricity and coal to external customers. This segment does not include the power stations and coal mines which are part of the Kazakhmys Copper segment as the output from those power stations and coal mines are primarily used within the Kazakhmys Copper business, and the level of external sales is comparatively insignificant.

As a result of the 50% disposal of Ekibastuz GRES-1 LLP to Samruk-Kazyna (see note 5), the 50% non-controlling interest is equity accounted as a joint venture. However, the business is still considered an integral part of the Group's business strategy and operations. There has been no change in the management reporting process and the key financial information remains consistent as when the business was held as a subsidiary of the Group. It is therefore appropriate that Kazakhmys Power continues to be considered an operating segment.

The Maikuben West coal mine has been classified as an asset held for sale and a discontinued operation following the Directors' decision to dispose of the asset as stated in note 6(b).

The segment information of Kazakhmys Power includes 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group and 50% of the results of Ekibastuz GRES-1 LLP from 27 February 2010 to

31 December 2010 as an equity accounted joint venture. A reconciliation of the segment reporting results to the Group's consolidated income statement is provided in the notes to the Consolidated Historical Financial Information.

Kazakhmys Gold

The principal activities of the Kazakhmys Gold operating segment is the mining and processing of gold ore into refined ore, and exploration and development activity in the precious metals sector within the Central Asian region. The Kazakhmys Gold business operates primarily in Kazakhstan and has a development project in Kyrgyzstan.

Kazakhmys Petroleum

The Kazakhmys Petroleum business holds a licence to conduct oil and gas exploration and development activity in the East Akzhar Exploration Block in western Kazakhstan.

The key performance measure of the operating segments is EBITDA (excluding special items). Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business (note 10).

The Group's Treasury department monitors finance income and finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level.

The accounting policies adopted by each operating segment are consistent with those published in note 3. There are no inter-segment sales within the Group.

Segmental information is also provided in respect of revenues, by destination and by-product. Segmental information relating to employees is provided in note 11.

(a) Operating segments

(i) Income statement information

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations: Income statement	Continuing operations: Joint venture[3]	Discontinued operations[1,2]
	Year ended 31 December 2010									
Sales to external customers	3,182	1,387	261	55	—	—	4,885	3,237	138	1,510
Gross profit	1,793	134	168	25	—	—	2,120	1,818	77	225
Operating costs	(657)	(53)	(44)	(7)	(1)	(41)	(803)	(706)	(11)	(86)
Impairment losses	(14)	(58)	(12)	—	—	—	(84)	(14)	—	(70)
Share of profits from joint venture[3]	—	—	—	—	—	—	—	38	(38)	—
Segmental operating results	1,122	23	112	18	(1)	(41)	1,233	1,136	28	69
Gain on disposal of share in subsidiary	—	—	14	—	—	—	14	—	—	14
Segmental results	1,122	23	126	18	(1)	(41)	1,247	1,136	28	83
Share of profits from associate[4]							522	522	—	—
Net finance costs							(78)	(68)	(2)	(8)
Income tax expense							(241)	(202)	(26)	(13)
Profit for the year							1,450	1,388	—	62

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).

2 Kazakhmys Power includes 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group, 50% of the results of Ekibastuz GRES-1 LLP from 27 February 2010 to 31 December 2010 as an equity accounted joint venture, and the results of the Maikuben West coal mine for the year ended 31 December 2010 which has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).

3 For segment reporting, the Group includes its 50% share of the income statement line items that relate to Ekibastuz GRES-1 LLP on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 LLP are included within 'share of profits from joint venture'. Note 21 provides further detail on the financial results of the joint venture.

4 Share of profits from associate is net of tax.

	Year ended 31 December 2009								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Sales to external customers	2,357	1,038	238	47	—	—	3,680	2,404	1,276
Gross profit	1,241	103	123	19	—	—	1,486	1,260	226
Operating costs	(540)	(47)	(53)	(7)	(1)	(37)	(685)	(585)	(100)
Impairment losses	(102)	(190)	(69)	(24)	—	—	(385)	(126)	(259)
Segmental operating results	599	(134)	1	(12)	(1)	(37)	416	549	(133)
Share of profits from associate[3]							223	223	—
Profit/(loss) before finance items and taxation							639	772	(133)
Net finance costs							169	256	(87)
Income tax (expense)/ recovery							(255)	(261)	6
Profit for the year							553	767	(214)

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Share of profits from associate is net of tax.

	Year ended 31 December 2008								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Sales to external customers	3,227	1,719	156	49	—	—	5,151	3,276	1,875
Gross profit	1,639	36	62	17	—	—	1,754	1,656	98
Operating costs	(304)	(60)	(55)	(7)	(1)	(31)	(458)	(343)	(115)
Impairment losses	(221)	(17)	(2)	(158)	(2)	—	(400)	(381)	(19)
Segmental operating results	1,114	(41)	5	(148)	(3)	(31)	896	932	(36)
Share of profits from associate[3]							255	255	—
Profit/(loss) before finance items and taxation							1,151	1,187	(36)
Net finance costs							(65)	(43)	(22)
Income tax (expense)/ recovery							(176)	(324)	148
Profit for the year							910	820	90

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Share of profits from associate is net of tax.

(ii) Balance sheet information

	At 31 December 2010								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Assets									
Tangible and intangible assets[3]	2,241	—	21	136	564	38	3,000	2,979	21
Intra-Group investments	—	—	—	—	—	5,835	5,835	5,835	—
Non-current investments[4]	9	—	742	—	—	4,356	5,107	5,107	—
Operating assets[5]	956	337	11	32	6	102	1,444	1,096	348
Current investments	56	—	—	—	—	300	356	356	—
Cash and cash equivalents	482	6	7	13	24	594	1,126	1,113	13
Segment assets	3,744	343	781	181	594	11,225	16,868	16,486	382
Deferred tax asset							9	9	—
Income taxes reclaimable							45	45	—
Assets classified as held for sale							—	382	(382)
Elimination							(5,927)	(5,927)	—
Total assets							10,995	10,995	—
Liabilities									
Employee benefits and provisions	171	5	3	2	30	—	211	203	8
Operating liabilities[6]	456	54	30	8	2	31	581	497	84
Segment liabilities	627	59	33	10	32	31	792	700	92
Borrowings							2,010	1,819	191
Deferred tax liability							23	16	7
Income taxes payable							43	33	10
Liabilities directly associated with the assets classified as held for sale							—	300	(300)
Elimination							(92)	(92)	—
Total liabilities							2,776	2,776	—

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power includes the Maikuben West coal mine, which is classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan—Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany—MKM; and (iii) Kazakhmys Gold is split between $10 million in Kazakhstan, $124 million in Kyrgyzstan and $2 million in Tajikistan.
4 Non-current investments include the Group's investment in Ekibastuz GRES-1 LLP within the Kazakhmys Power segment and the Group's investment in ENRC within Corporate unallocated.
5 Operating assets include inventories, prepayments and other current assets and trade and other receivables.
6 Operating liabilities include trade and other payables and dividends payable by subsidiaries.

	At 31 December 2009								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Assets									
Tangible and intangible assets[3]	1,894	—	1,245	93	527	18	3,777	2,532	1,245
Non-current investments[4]	6	—	—	1	—	3,869	3,876	3,876	—
Intra-Group investments	—	—	—	—	—	6,442	6,442	6,442	—
Operating assets[5]	770	308	122	26	3	81	1,310	982	328
Current investments	58	—	—	—	—	—	58	58	—
Cash and cash equivalents	159	—	42	10	12	722	945	903	42
Segment assets	2,887	308	1,409	130	542	11,132	16,408	14,793	1,615
Income taxes reclaimable							4	4	—
Assets classified as held for sale							—	1,615	(1,615)
Elimination							(6,449)	(6,449)	—
Total assets							9,963	9,963	—
Liabilities									
Employee benefits and provisions	135	7	109	2	25	–	278	162	116
Operating liabilities[6]	227	47	21	4	3	710	1,012	944	68
Segment liabilities	362	54	130	6	28	710	1,290	1,106	184
Borrowings							1,807	1,650	157
Deferred tax liability							209	99	110
Income taxes payable							69	60	9
Liabilities directly associated with assets classified as held for sale							—	460	(460)
Elimination							(7)	(7)	—
Total liabilities							3,368	3,368	—

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan—Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany—MKM; and (iii) Kazakhmys Gold is split between $18 million in Kazakhstan, $68 million in Kyrgyzstan and $7 million in Tajikistan.
4 Non-current investments include the Group's investment in ENRC within Corporate unallocated.
5 Operating assets include inventories, prepayments and other current assets and trade and other receivables.
6 Operating liabilities include trade and other payables and dividends payable by subsidiaries.

$ million	At 31 December 2008						
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Assets							
Tangible and intangible assets[1]	2,277	150	1,605	137	520	12	4,701
Non-current investments[2]	4	1	—	—	—	4,045	4,050
Intra Group investments	—	—	—	—	—	6,249	6,249
Operating assets[3]	888	233	27	22	1	36	1,207
Current investments	32	—	—	—	—	—	32
Cash and cash equivalents	330	–	26	14	5	165	540
Segment assets	3,531	384	1,658	173	526	10,507	16,779
Income taxes reclaimable							126
Elimination							(6,251)
Total assets							10,654
Liabilities							
Employee benefits and provisions	122	7	188	2	26	—	345
Operating liabilities[4]	240	28	24	2	3	15	312
Segment liabilities	362	35	212	4	29	15	657
Deferred tax liability							266
Borrowings							2,200
Income taxes payable							36
Elimination							(2)
Total liabilities							3,157

1 Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan—Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany—MKM; and (iii) Kazakhmys Gold is split between $33 million in Kazakhstan, $81 million in Kyrgyzstan and $23 million in Tajikistan.
2 Non-current investments include the Group's investment in ENRC within Corporate unallocated.
3 Operating assets include inventories, prepayments and other current assets and trade and other receivables.
4 Operating liabilities include trade and other payables and dividends payable by subsidiaries.

(iii) Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding special items[1]

	Year ended 31 December 2010									
								Continuing operations		
$ million	Kazakhmys Copper	MKM[2]	Kazakhmys Power[3]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Subsidiaries	Joint venture[3,4]	Discontinued operations[2,3]
Operating profit/(loss) per income statement[4]	**1,122**	**23**	**84**	**18**	**(1)**	**(41)**	**1,205**	**1,098**	**38**	**69**
Interest and taxation of joint venture	**—**	**—**	**28**	**—**	**—**	**—**	**28**	**—**	**28**	**—**
Segmental operating profit/(loss)[4]	**1,122**	**23**	**112**	**18**	**(1)**	**(41)**	**1,233**	**1,098**	**66**	**69**
Special items:										
Add: impairment of property, plant and equipment	**13**	**14**	**12**	**—**	**—**	**—**	**39**	**13**	**—**	**26**
Add: impairment of mining assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
(Less)/add: impairment (reversal)/ charge against inventories	**(18)**	**44**	**—**	**—**	**—**	**—**	**26**	**(18)**	**—**	**44**
Add: major social projects	**130**	**—**	**—**	**—**	**—**	**—**	**130**	**130**	**—**	**—**
Add: loss on disposal of property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Profit/(loss) before finance items and taxation (excluding special items)	**1,247**	**81**	**124**	**18**	**(1)**	**(41)**	**1,428**	**1,223**	**66**	**139**
Add: depreciation and depletion	**233**	**—**	**20**	**7**	**—**	**5**	**265**	**245**	**20**	**—**
Add: amortisation	**3**	**—**	**—**	**—**	**—**	**—**	**3**	**3**	**—**	**—**
Add: mineral extraction tax[5]	**232**	**—**	**—**	**4**	**—**	**—**	**236**	**236**	**—**	**—**
Segment EBITDA (excluding special items)	**1,715**	**81**	**144**	**29**	**(1)**	**(36)**	**1,932**	**1,707**	**86**	**139**
Share of EBITDA of associate[6]	**—**	**—**	**—**	**—**	**—**	**903**	**903**	**—**	**—**	**—**
Group EBITDA (excluding special items)	**1,715**	**81**	**144**	**29**	**(1)**	**867**	**2,835**	**1,707**	**86**	**139**

1 EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.
2 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
3 Kazakhmys Power includes 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group, 50% of the results of Ekibastuz GRES-1 LLP from 27 February 2010 to 31 December 2010 as an equity accounted joint venture, and the results of the Maikuben West coal mine for the year ended 31 December 2010 which has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
4 As the operating profit in the consolidated income statement includes the equity accounted profit from the joint venture, Ekibastuz GRES-1, on a post-interest and tax basis, the joint venture's interest and taxation expenses are added back to calculate the operating profit from continuing operations of the Group on a consistent pre-interest and tax basis.
5 Mineral extraction tax has been excluded from the key financial indicator of EBITDA as its exclusion provides a more informed measure of the operational performance of the Group given the revenue nature of the tax.
6 The share of EBITDA of the associate excludes mineral extraction tax of the associate.

	Year ended 31 December 2009								
	Kazakhmys Copper	MKM[2]	Kazakhmys Power[3]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[2,3]
$ million									
Operating profit/(loss)	599	(134)	1	(12)	(1)	(37)	416	549	(133)
Special items:									
Add: impairment of goodwill	—	—	16	—	—	—	16	—	16
Add: impairment of other intangible assets	—	2	—	—	—	—	2	—	2
Add: impairment of property, plant and equipment	50	133	17	—	—	—	200	50	150
Add: impairment of mining assets	—	—	36	23	—	—	59	23	36
Add: impairment of inventories	14	52	—	—	—	—	66	14	52
Add: loss on disposal of property, plant and equipment	1	—	—	—	—	—	1	1	—
Profit/(loss) before finance items and taxation (excluding special items)	664	53	70	11	(1)	(37)	760	637	123
Add: depreciation and depletion	200	23	50	10	—	2	285	212	73
Add: amortisation	2	—	—	—	—	—	2	2	—
Add: mineral extraction tax[4]	161	—	—	3	—	—	164	164	—
Segment EBITDA (excluding special items)	1,027	76	120	24	(1)	(35)	1,211	1,015	196
Share of EBITDA of associate[5]	—	—	—	—	—	423	423	423	—
Group EBITDA (excluding special items)	1,027	76	120	24	(1)	388	1,634	1,438	196

1 EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.
2 MKM has been classified as an asset held for sale and is included within discontinued operations (see 6(a)).
3 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 6(b)).
4 The mineral extraction tax has been excluded from the key financial indicator of EBITDA (excluding special items) to improve the comparability of the operational profitability of the Group between periods.
5 The share of EBITDA of the associate excludes the mineral extraction tax of the associate.

	Year ended 31 December 2008								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Operating profit/(loss)	1,114	(41)	5	(148)	(3)	(31)	896	932	(36)
Special items:									
Add: impairment of goodwill	—	—	—	46	—	—	46	46	—
Add: impairment of property, plant and equipment	118	—	—	—	2	—	120	120	—
Add: impairment of mining assets	14	—	—	112	—	—	126	126	—
Add: provisions against inventory	73	15	—	—	—	—	88	73	15
Add: loss on disposal of property, plant and equipment	1	—	1	—	—	—	2	1	1
Profit/(loss) before finance items and taxation (excluding special items)	1,320	(26)	6	10	(1)	(31)	1,278	1,298	(20)
Add: depreciation and depletion	274	25	36	9	—	2	346	285	61
Add: amortisation	3	—	—	—	—	—	3	3	—
Segment EBITDA (excluding special items)	1,597	(1)	42	19	(1)	(29)	1,627	1,586	41
Share of EBITDA of associate	—	—	—	—	—	429	429	429	—
Group EBITDA (excluding special items)	1,597	(1)	42	19	(1)	400	2,056	2,015	41

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see 6(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 6(b)).

(iv) Net liquid funds/(debt)

	At 31 December 2010								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Cash and cash equivalents	482	6	7	13	24	594	1,126	1,113	13
Current investments	56	—	—	—	—	300	356	356	—
Borrowings[3]	(82)	(191)	—	(65)	—	(1,819)	(2,157)	(1,966)	(191)
Inter-segment borrowings[4]	82	—	—	65	—	—	147	147	—
Net liquid funds/(debt)	538	(185)	7	13	24	(925)	(528)	(350)	(178)

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power includes the Maikuben West coal mine as at 31 December 2010 which has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Borrowings of Corporate unallocated are presented net of capitalised arrangement fees of $18 million.
4 Borrowings of Corporate unallocated include amounts lent to the Kazakhmys Copper and Gold segments.

$ million	At 31 December 2009 Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
Cash and cash equivalents	159	—	42	10	12	722	945	903	42
Current investments	58	—	—	—	—	—	58	58	—
Borrowings[3]	(24)	(157)	(34)	(1)	—	(4,321)	(4,537)	(4,380)	(157)
Inter-segment borrowings[4]	24	—	34	1	—	2,671	2,730	2,730	—
Net liquid funds/(debt)	217	(157)	42	10	12	(928)	(804)	(689)	(115)

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Borrowings of Corporate unallocated are presented net of capitalised arrangement fees of $12 million.
4 Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Power, Kazakhmys Gold segments and an entity within Kazakhmys Copper segment.

$ million	At 31 December 2008 Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Cash and cash equivalents	330	—	26	14	5	165	540
Current investments	32	—	—	—	—	—	32
Borrowings[1]	(11)	(121)	(171)	(4)	—	(3,687)	(3,994)
Inter-segment borrowings[2]	11	—	171	4	—	1,608	1,794
Net liquid funds/(debt)	362	(121)	26	14	5	(1,914)	(1,628)

1 Borrowings of Corporate unallocated are presented net of capitalised arrangement fees of $21 million.
2 Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Power and Kazakhmys Gold segments.

(v) Capital expenditure, depreciation and impairment losses

$ million	Year ended 31 December 2010 Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
Property, plant and equipment	479	14	16	45	33	24	611	581	30
Mining assets	134	—	—	7	—	—	141	141	—
Intangible assets	4	—	—	—	4	—	8	8	—
Capital expenditure[3]	617	14	16	52	37	24	760	730	30
Depreciation and depletion	233	—	—	7	—	5	245	245	—
Amortisation	3	—	—	—	—	—	3	3	—
Depreciation, depletion and amortisation	236	—	—	7	—	5	248	248	—
Impairment losses	14	58	12	—	—	—	84	14	70

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power includes the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 and the results of the Maikuben West coal mine, both of which have been included within discontinued operations for the year ended 31 December 2010 (see note 6(b)).
3 Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of $10 million and $3 million for property, plant and equipment and mining assets, respectively. In addition, during the year Kazakhmys Copper and Kazakhmys Gold capitalised borrowing costs of $2 million and $4 million respectively. Capital expenditure on intangible assets within the Kazakhmys Petroleum segment includes $4 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments. In addition, during the year the site restoration and clean up provisions within Kazakhmys Copper were reassessed and as a result an additional $11 million has been recognised with a corresponding adjustment to property, plant and equipment. These amounts are non-cash items and are recorded within site restoration and clean up provisions.

	Year ended 31 December 2009								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Property, plant and equipment	229	7	61	10	34	5	346	278	68
Mining assets	74	—	—	5	—	—	79	79	—
Intangible assets	7	2	—	—	—	3	12	10	2
Capital expenditure[3]	310	9	61	15	34	8	437	367	70
Depreciation and depletion	200	23	50	10	—	2	285	212	73
Amortisation	2	—	—	—	—	—	2	2	—
Depreciation, depletion and amortisation	202	23	50	10	—	2	287	214	73
Impairment losses	102	190	69	24	—	—	385	126	259

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of $3 million for mining assets. Capital expenditure on intangible assets within the Kazakhmys Copper segment includes $6 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments.

	Year ended 31 December 2008								
	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
$ million									
Property, plant and equipment	498	10	38	8	42	—	596	548	48
Mining assets	85	—	—	5	—	—	90	90	—
Intangible assets	9	1	1	—	—	4	15	13	2
Capital expenditure[3]	592	11	39	13	42	4	701	651	50
Depreciation and depletion	274	25	36	9	—	2	346	285	61
Amortisation	3	—	—	—	—	—	3	3	—
Depreciation, depletion and amortisation	277	25	36	9	—	2	349	288	61
Impairment losses	221	17	2	158	2	—	400	381	19

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 6(b)).
3 Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of $4 million for mining assets. Capital expenditure on intangible assets within the Kazakhmys Copper segment includes $3 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments.

(b) Segmental information in respect of revenues

Revenues by-product are as follows:

$ million	2008	2009	2010
Kazakhmys Copper			
Copper cathodes	2,272	1,563	**2,110**
Copper concentrate	19	107	—
Copper rods	314	41	**274**
Total copper products	2,605	1,711	**2,384**
Silver	251	251	**271**
Gold bullion	109	127	**164**
Zinc metal	88	19	—
Zinc metal in concentrate	61	127	**193**
Other by-products	51	52	**82**
Other revenue	62	70	**88**
	3,227	2,357	**3,182**
Kazakhmys Gold			
Gold doré	49	47	**55**
	49	47	**55**
Continuing operations	3,276	2,404	**3,237**
MKM			
Wire	783	438	**500**
Sheets and strips	571	366	**560**
Tubes and bars	337	208	**293**
Metal trade	28	26	**34**
	1,719	1,038	**1,387**
Kazakhmys Power[1]			
Electricity generation	123	209	**64**
Coal	33	29	**59**
	156	238	**123**
Discontinued operations	1,875	1,276	**1,510**
Share of joint venture's revenues	—	—	**138**
Total revenues	5,151	3,680	**4,885**

1 Kazakhmys Power revenues includes 100% of the revenues of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group. For the period from 27 February 2010 to 31 December 2010, 50% of the revenues of Ekibastuz GRES-1 LLP are included in the share of joint venture's revenues.

Revenues by destination to third parties are as follows:

$ million	2008	2009	2010
Continuing operations			
Europe	1,971	1,138	**1,330**
China	1,006	1,005	**1,567**
Kazakhstan	217	254	**329**
Other	82	7	**11**
	3,276	2,404	**3,237**
Discontinued operations			
Europe	1,430	865	**1,138**
China	32	14	**9**
Kazakhstan	128	202	**123**
Other	285	195	**240**
	1,875	1,276	**1,510**
Share of joint venture's revenues			
Kazakhstan	—	—	**116**
Other	—	—	**22**
	—	—	**138**
Total revenues	5,151	3,680	**4,885**

Year ended 31 December 2010

Three customers collectively under common control within the Kazakhmys Copper segment represent 27% of total Group revenue for the year from continuing operations. The total revenue from these customers is $890 million. The revenue from one of these customers individually represents 14% of total Group revenue from continuing operations.

Year ended 31 December 2009

Three customers collectively under common control within the Kazakhmys Copper segment represent 26% of total Group revenue for the year from continuing operations. The total revenue from these customers is $616 million. The revenue from one of these customers individually represents 14% of total Group revenue from continuing operations.

Year ended 31 December 2008

Four customers, three of which are collectively under common control, within the Kazakhmys Copper segment represent 43% of total Group revenue for the year from continuing operations. The total revenue from these customers is $1,394 million. The revenue from two of these customers individually represents 16% and 12% of total Group revenue from continuing operations.

8. COST OF SALES, SELLING AND DISTRIBUTION EXPENSES, ADMINISTRATIVE EXPENSES AND OPERATING INCOME/EXPENSES

The following tables analyse the major components of cost of sales, selling and distribution expenses, administrative expenses and operating income/expenses:

(a) Cost of sales

$ million	2008	2009	2010
Raw materials	739	331	**403**
Employee salaries and payroll taxes	330	253	**267**
Depreciation, depletion and amortisation	255	186	**205**
Production overheads	242	164	**250**
Mineral extraction tax	—	164	**236**
Other taxes	31	41	**64**
Utilities	34	33	**38**
Change in work in progress and finished goods	(11)	(28)	**(44)**
Continuing operations	1,620	1,144	**1,419**
Discontinued operations	1,777	1,050	**1,285**
	3,397	2,194	**2,704**

(b) Selling and distribution expenses

$ million	2008	2009	2010
Transportation expenses	41	29	**28**
Port charges	25	15	**16**
Employee salaries and payroll taxes	3	3	**3**
Raw materials	2	1	**2**
Other	9	4	**6**
Continuing operations	80	52	**55**
Discontinued operations	72	54	**68**
	152	106	**123**

(c) Administrative expenses

$ million	2008	2009	2010
Social responsibility costs	73	33	**206**
Employee salaries and payroll taxes	137	130	**149**
Legal and professional	29	36	**81**
Transportation	9	33	**43**
Levies and charges	25	27	**39**
Depreciation and amortisation	24	26	**34**
Personal injury claims	19	33	**22**
Utilities	18	21	**22**
Medical and social support	22	19	**21**
Business travel	14	13	**18**
Supplies	15	7	**11**
Communication	6	6	**4**
Bank fees	1	1	**1**
Other	15	17	**7**
Continuing operations	407	402	**658**
Discontinued operations	55	54	**24**
	462	456	**682**

(d) Other operating income

$ million	2008	2009	2010
Supplies	14	6	**9**
Sanatorium, medical and canteen	11	6	**8**
Lease income	6	6	**11**
Utilities	4	3	**3**
Railway services	—	2	**4**
Gain on forward copper hedging contracts	143	—	**—**
Gain on disposal of securities	5	—	**—**
Other	9	5	**9**
Continuing operations	192	28	**44**
Discontinued operations	13	9	**7**
	205	37	**51**

(e) Other operating expenses

$ million	2008	2009	2010
Loss on forward copper hedging contracts	—	129	**—**
Supplies	15	8	**12**
Sanatorium, medical and canteen	12	6	**7**
Utilities	4	4	**3**
Railway services	1	3	**3**
Depreciation of leased assets	2	2	**9**
Loss on disposal of property, plant and equipment	1	1	**—**
Other	13	6	**3**
Continuing operations	48	159	**37**
Discontinued operations	1	1	**1**
	49	160	**38**

9. IMPAIRMENT LOSSES

$ million	2008	2009	2010
Impairment of property, plant and equipment—notes 9(a), 9(e), 9(h) and 9(j)	120	50	**13**
Impairment of mining assets—notes 9(f), 9(i) and 9(j)	126	23	**—**
Impairment charge/(reversal) against inventories—notes 9(b), 9(g) and 9(k)	73	21	**(3)**
Provisions against trade and other receivables—note 9(c)	10	23	**7**
Impairment charge/(reversal) against prepayments and other current assets	4	9	**(3)**
Impairment of goodwill—note 9(i)	46	—	**—**
Impairment of other intangible assets	2	—	**—**
Continuing operations	381	126	**14**
Discontinued operations—notes 9(d) and 9(l)	19	259	**70**
	400	385	**84**

Year ended 31 December 2010

(a) Kazakhmys Copper property, plant and equipment

In 2010, social assets constructed by Kazakhmys Copper as part of the Group's social programme of $13 million were impaired as these assets are not deemed to be part of the cash generating unit of Kazakhmys Copper.

(b) Kazakhmys Copper inventories

Included within the provisions against inventories is an impairment loss of $15 million relating to general slow moving inventory, and a reversal of a previous impairment against certain stockpiled ore of $18 million. In 2008, it was envisaged that the stockpiled ore would not be processed in the future as this would have been uneconomic at the prevailing commodity prices. However, during 2010 certain of these stockpiles were processed and the previous impairment reversed.

(c) Kazakhmys Copper receivables

Provisions against trade and other receivables include an amount of $7 million (2009: $23 million) within Kazakhmys Copper in respect of trust activities. Under the terms of its subsoil licences, Kazakhmys LLC is required to provide certain social services to the communities in which its mining activities operate. These trust activities are provided by municipal authority companies under trust management agreements. For most receivable balances due from municipal authorities, full provision is recognised in light of their past payment histories.

(d) Discontinued operations

Impairment losses within discontinued operations relate to the impairment of MKM of $58 million (2009: $190 million) and the Maikuben West coal mine of $12 million (2009: $69 million)—see notes 6(a) and 6(b) respectively.

Year ended 31 December 2009

(e) Kazakhmys Copper property, plant and equipment

An impairment charge of $50 million was recognised in relation to property, plant and equipment within Kazakhmys Copper primarily due to the curtailment of its capital expenditure programme in the last 18 months and a focus on selected projects only.

(f) Kazakhmys Gold

An impairment charge of $23 million was recognised in relation to Kazakhmys Gold following a decision not to proceed with the Akjilga development project in Tajikistan in the foreseeable future as more economically attractive projects exist within the Group.

(g) Kazakhmys Copper inventories

Provisions against inventories includes an amount of $14 million within Kazakhmys Copper in respect of certain by-products held in stock at the end of the year which were written down to the lower of cost and net realisable value reflecting a fall in the market value of these by-products. The remaining balance included within provisions against inventories represents a general slow moving inventories provision.

Year ended 31 December 2008

(h) Zinc smelter

Included within impairment of property, plant and equipment is an impairment charge of $75 million relating to the Balkhash zinc smelter, which is included within the Kazakhmys Copper segment, and is part of this segment's zinc cash generating unit. An impairment charge was recognised following management's decision to cease production at the zinc smelter in light of adverse changes in assumptions about future zinc prices and operating costs. The carrying value of the zinc smelter as at 31 December 2008 was $75 million, and in light of management's decision to cease production, the entire carrying value has been impaired.

(i) Kazakhmys Gold

Impairment of mining assets includes an amount of $112 million relating to the impairment of Kazakhmys Gold. An impairment charge was recognised following a general change in the long-term strategy of the division, with the outlook for existing mines and development projects being less attractive than originally anticipated at the time of the acquisition. The value in use was assessed by reference to cash flow forecasts discounted at a pre-tax rate of 10%. Furthermore, goodwill of $46 million recognised on the acquisition of Kazakhmys Gold (as a result of the requirement to provide deferred tax on the acquisition fair value adjustments) was also written off during the year. See note 18(a) for details on the assumptions used in the Kazakhmys Gold impairment test.

(j) Kazakhmys Copper mining assets and property, plant and equipment

An impairment charge was recognised within the Kazakhmys Copper segment on the property, plant and equipment and mining assets associated with the closure of certain mines which were loss making in a period of sustained commodity price weakness and were unlikely, in management's best estimate, to reopen in the foreseeable future.

(k) Kazakhmys Copper

Impairment of inventories includes an amount of $73 million in respect of Kazakhmys Copper. For Kazakhmys Copper, the impairment primarily relates to the impairment of stockpiled ore which was not going to be processed in the foreseeable future as its processing was uneconomic at the prevailing commodity price levels.

(l) Discontinued operations—MKM inventories

Impairment of inventories includes $15 million recognised to record MKM's inventory at the lower of cost and net realisable value. This primarily relates to finished goods held in stock at the end of the year which have been written down reflecting the fall in copper price in December.

10. SPECIAL ITEMS

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.

$ million	2008	2009	2010
Continuing operations			
Special items within operating profit			
Major social projects[1]	—	—	**130**
Impairment of goodwill	46	—	—
Impairment of property, plant and equipment	120	50	**13**
Impairment of mining assets	126	23	—
Provisions raised/(released) against inventories	73	14	**(18)**
Loss on disposal of property, plant and equipment	1	1	—
	366	88	**125**
Special items within Underlying Profit			
Subsidiary businesses			
Foreign exchange gain arising on devaluation of the tenge	—	(336)	—
Change in deferred tax liabilities:			
Release of deferred withholding tax liability—note 15(a)	—	—	**(98)**
Impairment of Kazakhmys Gold	(32)	6	—
Change in tax rates in Kazakhstan	(20)	6	**16**
Associate			
Gain on the acquisition of joint venture	—	—	**(77)**
Acquisition related transaction costs	—	—	**19**
Foreign exchange gain arising on devaluation of the tenge	—	(55)	—
Change in tax rates in Kazakhstan	—	4	**12**
	(52)	(375)	**(128)**
Discontinued operations			
Special items within Underlying Profit			
Gain on disposal of share in subsidiary—note 5(a)	—	—	**(14)**
Impairment of goodwill	—	16	—
Impairment other intangible assets	—	2	—
Impairment of property, plant and equipment	—	150	**26**
Impairment of mining assets	—	36	—
Provisions against inventories	15	52	**44**
Loss on disposal of property, plant and equipment	1	—	—
Foreign exchange loss on devaluation of the tenge	—	53	—
Change in deferred tax liabilities:			
Impairment of MKM and Maikuben West	—	(34)	**(12)**
Change in tax rates in Kazakhstan	(126)	7	—
	(110)	282	**44**

1 In 2010, the Group committed to construct and develop major social projects at a cost of $130 million in Kazakhstan. The charge represents the full cost of the projects, with construction expected to take up to two years.

11. EMPLOYEE INFORMATION

$ million	2008	2009	2010
Wages and salaries	462	376	**411**
Social security costs	26	37	**47**
Post-employment benefits—note 31	2	16	**10**
Continuing operations	490	429	**468**
Discontinued operations	73	73	**70**
	563	502	**538**

Other non-monetary employee benefits (including sanatorium visits, medical services, nourishment and treatment expenses) are also provided by Kazakhmys LLC, and are included in the income statement in the expense line relating to the nature of the cost.

The average weekly number of employees during the year was as follows:

	2008	2009	2010
Kazakhmys Copper			
Mining	14,838	14,243	**14,500**
Concentration	5,378	5,678	**5,739**
Smelting	5,775	5,706	**5,838**
Transport	4,769	1,197	**376**
Maintenance and services	20,574	19,602	**19,570**
Construction	3,199	3,008	**3,114**
Administration, social sphere and other	8,122	7,845	**7,757**
	62,655	57,279	**56,894**
MKM[1]			
Production	677	689	**697**
Maintenance and services	219	213	**214**
Administration and other	156	159	**161**
	1,052	1,061	**1,072**
Kazakhmys Power[1]			
Production	597	524	**252**
Maintenance and services	983	1,083	**708**
Administration and other	386	338	**200**
	1,966	1,945	**1,160**
Kazakhmys Gold			
Production and construction	1,122	910	**1,175**
Administration and other	171	126	**203**
	1,293	1,036	**1,378**
Kazakhmys Petroleum			
Production	40	77	**108**
Administration and other	21	14	**17**
	61	91	**125**
Head office			
Corporate Development Centre	26	78	**128**
Administration and other	96	139	**213**
	122	217	**341**
Total employees	67,149	61,629	**60,970**

1 MKM and the Maikuben West Coal mine, within Kazakhmys Power, are included within discontinued operations throughout the years ended 31 December 2010, 2009 and 2008 (see note 6). 100% of the employees of Ekibastuz GRES-1, within

Kazakhmys Power, are included for the period up to 26 February 2010 whilst it was a subsidiary of the Group. For the period after 26 February 2010 whilst Ekibastuz GRES-1 is an equity accounted joint venture, its employees are not included in the analysis above.

Analysed as:

	2008	2009	2010
Central Asia[1]	66,049	60,518	**59,844**
Germany	1,052	1,061	**1,072**
UK	40	43	**48**
Netherlands	2	2	**2**
China	6	5	**4**
	67,149	61,629	**60,970**

1 Includes Kazakhstan and Kyrgyzstan.

The average weekly number of employees during the year within continuing operations is 58,738 (2009: 58,623, 2008: 64,131) and 2,232 (2009: 3,006, 2008: 3,018) within discontinued operations.

12. KEY MANAGEMENT PERSONNEL

(a) Key management remuneration

In accordance with IAS 24 'Related party disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel of the Group are deemed to be the Directors of the Company, the Chief Financial Officer of the Company and Chief Executive Officer of Kazakhmys LLC.

Compensation for key management personnel (including Directors) comprises the following:

$ thousand	2008	2009	2010
Salaries	7,758	6,605	**6,381**
Annual bonuses	1,891	4,063	**4,101**
Share awards	407	1,309	**1,778**
Benefits-in-kind	130	97	**130**
	10,186	12,074	**12,390**

(b) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

$ thousand	2008	2009	2010
Salaries and fees	6,032	5,190	**4,926**
Annual bonuses[1]	1,589	3,551	**3,570**
Benefits-in-kind	130	97	**130**
	7,751	8,838	**8,626**

1 Certain executive directors of the Company are entitled to bonus payments which are determined on the basis of the Group key performance indicators.

Certain directors were granted awards over shares, in respect of their services to the Group, under the awards over shares schemes of the Company, details of which are set out in note 29 to the Consolidated Historical Financial Information. The fair value of such awards which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the Consolidated Historical Financial Information for the current year is included in the above directors' remuneration disclosures.

(c) Executive directors

Base salary and benefits

Base salaries are reviewed annually, with any increases normally effective from 1 January. Adjustments in base salary are made to reflect movements in the employment market, the general economic environment, internal relativities and individual and Company performance. Base salaries paid to executive Directors are adjusted to take account of the absence of any pension provision. In line with competitive practice, executive Directors are entitled to receive additional benefits including use of a car for business purposes and medical insurance.

Annual bonus opportunity

At the beginning of each year, the Committee reviews the annual performance bonus scheme to ensure it remains competitive, continues to incentivise the executive Directors and aligns their interests with those of shareholders.

Bonuses, which are payable wholly in cash, are disclosed for the year in which they are earned although they are not due and payable until the following March after the release of the audited financial results.

Pensions

The Company does not provide pension benefits on behalf of any executive Directors. The absence of any pension provision is taken into account when setting base salaries and other elements of remuneration.

Employee Benefit Trust

The Kazakhmys Employee Benefit Trust has been established to acquire ordinary shares in the Company, by subscription or purchase, from funds provided by the Group to satisfy rights to shares arising on the exercise of awards under the Group's share-based incentive plans. The trustees of the Kazakhmys Employee Benefit Trust have informed the Company that their intention is to abstain from voting in respect of the Kazakhmys shares held in the trust.

Executive Directors remuneration

Executive Directors remuneration was as follows:

$ thousand	Salaries	Annual bonuses	Benefits-in-kind	Total
2010				
Vladimir Kim	**1,550**	**1,085**	**53**	**2,688**
Oleg Novachuk	**1,249**	**875**	**54**	**2,178**
David Munro	**1,150**	**1,610**	**23**	**2,783**
	3,949	**3,570**	**130**	**7,649**
2009				
Vladimir Kim	1,495	1,271	53	2,819
Oleg Novachuk	1,200	1,020	36	2,256
David Munro	1,050	1,260	8	2,318
	3,745	3,551	97	7,393
2008				
Vladimir Kim	1,908	668	35	2,611
Oleg Novachuk	1,519	532	34	2,085
David Munro	973	389	2	1,364
	4,400	1,589	71	6,060

(d) Non-executive directors

Fees for the non-executive Directors are determined by the Board as a whole, upon the recommendation of the executive Directors, with regard to market practice and to reflect individual responsibilities and membership of Board Committees.

The fees paid to independent non-executive directors were as follows:

$ thousand	2008	2009	2010
Philip Aiken	223	171	**167**
Clinton Dines	—	36	**142**
Simon Heale	223	160	**149**
Peter Hickson	—	124	**149**
Vladimir Ni[1] (until 10 September 2010)	714	648	**90**
Lord Renwick of Clifton, KCMG	223	160	**149**
James Rutland	223	—	—
Daulet Yergozhin[2]	26	146	**130**
	1,632	1,445	**976**

1 Vladimir Ni's remuneration consisted of two elements: a non-executive Director's fee of £93,000 ($158,000) per annum in respect of his duties as a non-executive Director of the Company and a salary of $502,000 per annum in respect of his duties as chairman of Kazakhmys Corporation LLC. Vladimir Ni passed away 10 September 2010.

2 As a minister of the Government of Kazakhstan, Daulet Yergozhin is not permitted to receive fees personally and his fees were paid to the Biodiversity Fund of Kazakhstan.

(e) Five highest paid employees

The five highest paid employees during the year included 3 (2009: 3; 2008: 3) executive directors, details of whose remuneration are set out above. Details of the remuneration of the five highest paid employees for each year, including the 3 executive directors, are as follows:

	2008	2009	2010
$ thousand			
Salaries	6,126	5,161	**5,405**
Annual bonuses	1,891	4,063	**4,101**
Share awards	407	1,309	—
Benefits-in-kind	130	97	**130**
	8,554	10,630	**9,636**

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

Number of employees	2008	2009	2010
Nil to $500,000	—	—	—
$500,000 to $1,000,000	1	—	**1**
$1,000,000 to $2,000,000	1	2	**1**
	2	2	**2**

13. AUDITOR'S REMUNERATION

The auditor's remuneration for services provided to the Group during the year ended 31 December 2010 was $3.5 million (2009: $3.0 million, 2008: $5.0 million), comprised as follows:

	2008	2009	2010
$ million			
Audit fees			
Fees payable to the Company's auditor for the audit of the Company's Annual Report and Accounts	1.2	0.9	**0.7**
Fees payable to the Company's auditor and their associates for other services to the Group:			
—the audit of the Company's subsidiaries pursuant to legislation	1.7	1.7	**1.6**
—the review of the Company's half yearly financial report pursuant to legislation	0.4	0.4	**0.4**
—regulatory reporting services pursuant to legislation	—	—	**0.2**
	3.3	3.0	**2.9**
Other services:			
—services relating to corporate finance transactions	1.7	—	**0.6**
Total remuneration	5.0	3.0	**3.5**

Other services relating to corporate finance transactions of $0.6 million are payable to Ernst & Young LLP for services provided in connection with the Group's planned listing on the Hong Kong Stock Exchange. In 2008, the corporate finance transaction services of $1.7 million related to the provision of due diligence services in respect of the acquisition of Kazakhmys Power and the acquisition of additional shares in ENRC PLC arising from the share exchange with the Government in July 2008.

14. FINANCE INCOME AND FINANCE COSTS

$ million	2008	2009	2010
Finance income			
Interest income	21	8	**8**
Foreign exchange gains	92	471	**83**
Continuing operations	113	479	**91**
Interest income	2	1	**1**
Foreign exchange gains	22	17	**15**
Discontinued operations	24	18	**16**
	137	497	**107**
Finance costs			
Interest expense	(49)	(51)	**(47)**
Interest on employee obligations	(4)	(3)	**(4)**
Unwinding of discount on provisions	(5)	(6)	**(8)**
Finance costs before foreign exchange losses	(58)	(60)	**(59)**
Foreign exchange losses	(98)	(163)	**(100)**
Continuing operations	(156)	(223)	**(159)**
Interest expense	(17)	(10)	**(9)**
Unwinding of discount on provisions	—	(26)	**—**
Foreign exchange losses	(29)	(69)	**(15)**
Discontinued operations	(46)	(105)	**(24)**
	(202)	(328)	**(183)**

Of the foreign exchange gain within continuing operations for the year ended 31 December 2009 of $471 million, $336 million arises as a result of the devaluation of the Tenge in February 2009. A foreign exchange loss of $53 million is included within discontinued operations in relation to this devaluation impact on Kazakhmys Power.

15. INCOME TAXES

(a) Income statement

Major components of income tax expense for the years presented are:

$ million	2008	2009	2010
Current income tax			
Corporate income tax—current period (UK)	5	—	**26**
Corporate income tax—current period (overseas)	430	270	**292**
Corporate income tax—prior periods	(9)	1	**(26)**
Excess profits tax—current period	27	—	**—**
	453	271	**292**
Deferred income tax			
Corporate income tax—current period	(136)	(10)	**(90)**
Corporate income tax—prior periods	6	—	**—**
Excess profits tax—current period	1	—	**—**
	(129)	(10)	**(90)**
Income tax expense attributable to continuing operations	324	261	**202**
Current income tax attributable to discontinued operations	16	8	**9**
Deferred income tax attributable to discontinued operations	(164)	(14)	**4**
Income tax expense attributable to discontinued operations	(148)	(6)	**13**
Total income tax expense	176	255	**215**

A reconciliation of the income tax expense applicable to the accounting profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate is as follows:

$ million	2008	2009	2010
Profit before taxation from continuing operations	1,144	1,028	**1,590**
At statutory income tax rate of 28.0% (2009: 28.0%, 2008: 28.5%[1])	326	288	**445**
Tax effect of share of profits from joint venture	—	—	**(11)**
Tax effect of share of profits from associate	(73)	(62)	**(146)**
Over/(underprovided) in previous years—deferred income tax	6	—	**(26)**
(Under)/overprovided in previous years—current income tax	(9)	1	**—**
Unrecognised tax losses	24	—	**(5)**
Effect of domestic tax rates applicable to individual Group entities	17	(67)	**(76)**
Effect of changes in future tax rates	(20)	6	**16**
Provision for/(reversal of) withholding tax on unremitted overseas earnings	11	18	**(98)**
Non-deductible expenses/(non-taxable income):			
Non-taxable income on zinc plant	(7)	—	**—**
Transfer pricing	—	28	**22**
Non-deductible interest	—	—	**6**
Non-deductible expenses	21	49	**75**
Excess profits tax	28	—	**—**
Income tax expense attributable to continuing operations	324	261	**202**
Income tax attributable to discontinued operations	(148)	(6)	**13**
Total income tax expense	176	255	**215**

1 The UK statutory income tax rate for January to March 2008 was 30% and for April to December 2008 was 28%, giving a weighted average full year rate of 28.5% for 2008.

Corporate income tax is calculated at 28.0% (2009: 28.0%, 2008: 28.5%)) of the assessable profit for the year for the Company and its UK subsidiaries and 20.0% for the operating subsidiaries in Kazakhstan (2009: 20.0%, 2008: 30.0%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (2009: 28.5%, 2008: 28.5%) which relates to German corporate income tax and trade tax.

The effective tax rate for continuing operations for 2010 is 12.7% (2009: 25.4%, 2008: 28.3%).

Kazakhstan Corporate income tax ("CIT")

In 2008, the Government of Kazakhstan introduced a phased reduction in the CIT rates from 30% in 2008 to 15% in 2011, together with the introduction of the mineral extraction tax.

In 2009, the Government of Kazakhstan amended the previous phased reduction in the CIT rates such that the tax rate for 2010 to 2012 of 20% would be progressively reduced to 15% in 2014 and beyond. In 2010, new tax legislation was implemented such that the phased reduction in CIT was removed and a flat rate of 20% would be maintained for future years. This new rate has been appropriately applied to the Group's long-lived assets in calculating the Group's deferred tax balances.

Future tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The lower CIT rate in Kazakshtan will have the effect of significantly lowering the Group's overall future effective tax rate below the UK statutory CIT rate of 28%.

Excess profits tax ("EPT")

The new tax legislation in 2009 removed the tax stabilisation of subsoil use contracts and changed the excess profits tax methodology. Based on production and material flows within Kazakhmys Copper and Kazakhmys Gold, there is no EPT charge for the years ended 31 December 2010 and 2009. Prior to 1 January 2009, EPT was levied on certain profitable subsoil contracts where the cumulative internal rate of return exceeded 20% in a given period.

Year ended 31 December 2010

The following factors impact the Group's effective tax rate:

Transfer pricing

In June 2010, amendments to Kazakhstan's transfer pricing legislation were passed into law and were made largely retrospective from 1 January 2009. Under the new legislation, there is greater certainty over the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities. Following the amendments to the transfer pricing legislation, the Group amended intercompany sale and purchase contracts between the UK and Kazakhstan to reflect the amended legislation. Prior to the changes being made to the intercompany sale and purchase contracts, there was a minor exposure in relation to sales between Kazakhstan and the UK as the terms of the then intercompany sales contracts were not sufficiently consistent with the amended transfer pricing legislation. The Group has recognised a transfer pricing provision of $10 million at 31 December 2010 based on this exposure. No material exposure exists relating to transfer pricing on sales between the UK and Kazakhstan after the new intercompany sales and purchase contracts were put in place.

During 2010, certain sales contracts entered into by Kazakhmys LLC with European and Russian customers included discounts applied to LME prices and quotation periods that are not fully acceptable under the amended Kazakhstan transfer pricing legislation and consequently, an additional provision has been recognised of $9 million based on this anticipated exposure.

Non-deductible expenses

Included within non-deductible expenses are amounts of $39 million in respect of social expenditure incurred within Kazakhmys LLC that are in excess of the threshold allowable for tax deductibility under Kazakhstan tax legislation.

Non-deductible interest

The non-deductible interest of $6 million relates to interest on intercompany borrowings between the UK and Kazakhstan which are not deductible under UK tax legislation.

Unremitted overseas earnings

Prior to August 2010, it was intended that unremitted earnings amounting to $1,463 million would be distributed from Kazakhmys LLC by way of dividend payments to settle an intercompany loan balance existing between Kazakhmys LLC and a UK subsidiary of the Group. Following the completion of an internal restructuring programme at the end of August 2010, it is no longer expected that unremitted earnings within Kazakhmys LLC will be distributed by way of dividend as the intercompany loan balance was settled by alternative consideration. Consequently, a withholding tax provision of $98 million previously recognised as at 31 December 2009 relating to the payment of dividends from Kazakhmys LLC, which were to be used as settlement of the intercompany loan, has been released.

Equity accounting

The Group's interest in the earnings of ENRC and Ekibastuz GRES-1 LLP is included, net of tax, in the consolidated income statement in arriving at profit before taxation, thereby reducing the Group's effective tax rate.

Year ended 31 December 2009

The following factors impact the Group's effective tax rate:

Transfer pricing

Included within the tax charge was $28 million in respect of a transfer pricing exposure for 2009. New transfer pricing legislation came into force on 1 January 2009 as part of the introduction of the new tax legislation. This new legislation removed the 10% safe harbour provision which was permitted under the previous transfer pricing legislation and was replaced by the concept of the "arm's length principle." However, this new legislation did not fully reflect the arm's length concept which forms the underlying basis of transfer pricing legislation within many OECD countries. Kazakhmys LLC recognised a transfer pricing provision of $28 million at 31 December 2009 based on management's interpretation of the new transfer pricing legislation and the terms prevailing in the intercompany sale and purchase contracts between Kazakhstan and the UK for the year ended 31 December 2009.

Non-deductible expenses

Included within non-deductible expenses was an amount of $26 million in respect of the copper hedging programme within Kazakhmys LLC. A tax deduction was not available for the $129 million hedging loss due to the tax treatment of these losses under Kazakhstan tax legislation.

Unremitted overseas earnings

Withholding taxes of $18 million were recognised in 2009 in relation to the unremitted earnings of subsidiaries as at 31 December 2009, which were expected to be remitted to the UK in the future through dividend distributions from Kazakhstan.

Equity accounting

The Group's interest in the earnings of ENRC is included, net of tax, in the consolidated income statement in arriving at profit before taxation, thereby reducing the Group's effective tax rate.

Year ended 31 December 2008

The income tax expense for the year includes a credit of $178 million in respect of deferred income tax due to the impairment of the Kazakhmys Gold business and the enactment of the new tax legislation within Kazakhstan. This credit is split between continuing operations of $52 million and discontinued operations of $126 million, and is primarily made up of the following:

Continuing operations

On the acquisition of Kazakhmys Gold in July 2007, a deferred tax liability of $46 million was recognised arising from the requirement to provide deferred tax on the acquisition fair value adjustments, with a corresponding entry to goodwill. The goodwill recognised on acquisition and a proportion of the mining assets of the Kazakhmys Gold business were impaired during the year and this resulted in a taxation credit in the income statement of $32 million.

Additionally, the non-acquisition related deferred tax liabilities within the Group's Kazakhstan businesses were recalculated taking into account the lower corporate income tax rates resulting from the new Kazakhstan tax legislation. This calculation gave rise to a $20 million taxation credit in the income statement.

Discontinued operations

On completion of the acquisition of Kazakhmys Power in May 2008, a deferred tax liability of $267 million was recognised arising from the requirement to provide deferred tax on the acquisition fair value adjustments, with a corresponding entry to goodwill. The deferred tax liability was calculated based on a corporate income tax rate of 30%, the prevailing tax rate at the date of acquisition. As a consequence of the new Kazakhstan tax legislation, the deferred tax liability on the fair value adjustments was recalculated as $141 million resulting in a taxation credit in the income statement of $126 million.

(b) Recognised deferred tax assets and liabilities

The amounts of deferred taxation assets/(liabilities) provided in the Consolidated Historical Financial Information are as follows:

$ million	As at 1 January 2010	Recognised in the income statement	Net exchange translation	As at 31 December 2010
Intangible assets	(6)	**—**	**—**	**(6)**
Property, plant and equipment	(58)	**(20)**	**1**	**(77)**
Mining assets	1	**(1)**	**—**	**—**
Inventories	9	**(9)**	**—**	**—**
Trade and other receivables	7	**1**	**—**	**8**
Provisions	18	**(3)**	**1**	**16**
Trade and other payables	14	**13**	**—**	**27**
Tax losses	14	**11**	**—**	**25**
Unremitted overseas earnings	(98)	**98**	**—**	**—**
Deferred tax liability, net	(99)	**90**	**2**	**(7)**
Analysed as:				
UK—Deferred tax asset	—	**9**	**—**	**9**
Kazakhstan—Deferred tax liability	(99)	**81**	**2**	**(16)**

$ million	As at 1 January 2009	Recognised in the income statement: Continuing operations	Recognised in the income statement: Discontinued operations	Transfer to liabilities held for sale	Net exchange translation	As at 31 December 2009
Intangible assets	(6)	(1)	—	—	1	(6)
Property, plant and equipment	(201)	(11)	12	107	35	(58)
Mining assets	(11)	5	5	—	2	1
Inventories	12	(4)	(3)	6	(2)	9
Trade and other receivables	(1)	10	(2)	—	—	7
Provisions	16	6	2	(3)	(3)	18
Trade and other payables	1	13	—	—	—	14
Tax losses	4	10	—	—	—	14
Unremitted overseas earnings	(80)	(18)	—	—	—	(98)
Deferred tax liability, net	(266)	10	14	110	33	(99)

$ million	As at 1 January 2008	Business acquisition	Recognised in the income statement: Continuing operations	Recognised in the income statement: Discontinued operations	Net exchange translation	As at 31 December 2008
Intangible assets	(24)	(1)	18	1	—	(6)
Property, plant and equipment	(180)	(266)	108	136	1	(201)
Mining assets	(35)	(14)	30	7	—	(12)
Inventories	(21)	1	13	18	2	13
Trade and other receivables	10	—	(13)	2	—	(1)
Provisions	27	1	(12)	—	—	16
Trade and other payables	2	—	(1)	—	—	1
Tax losses	6	—	(2)	—	—	4
Unremitted overseas earnings	(69)	—	(11)	—	—	(80)
	(284)	(279)	130	164	3	(266)
Deferred excess profits tax	1	—	(1)	—	—	—
Deferred tax liability, net	(283)	(279)	129	164	3	(266)

The deferred tax asset of $9 million (2009: $nil, 2008: $nil) recognised in the UK relates to tax losses carried forward for which it is probable that taxable profits will be available against which these unused tax losses can be utilised.

The other deferred tax assets shown in the tables above arise within Kazakhmys LLC and are offset against deferred tax liabilities arising in the same entity and in the same jurisdiction.

(c) Unrecognised deferred tax assets

Deferred tax assets not recognised in the accounts are as follows:

$ million	2008 Temporary difference	2008 Deferred tax asset	2009 Temporary difference	2009 Deferred tax asset	2010 Temporary difference	2010 Deferred tax asset
Continuing operations: Kazakhstan—tax losses						
Losses carried forward	32	10	25	5	**4**	**1**
Discontinued operations: Germany—tax losses						
Corporate income tax	109	31	106	30	**102**	**29**
Trade tax	67	19	85	24	**67**	**19**
Total losses carried forward	176	50	191	54	**169**	**48**

Details of the Group's tax losses arising in the jurisdictions in which it operates are as follows for the years ended 31 December 2010, 2009 and 2008:

(i) Kazakhstan

At 31 December, Kazakhmys LLC has corporate income tax losses on certain mines that can be carried forward and used against future taxable profits arising from those mines. Under Kazakhstan tax legislation, tax losses from loss making mines may not be offset against the taxable profits of profitable mines. Kazakhmys LLC expects that certain mines will be in a tax loss making position for the foreseeable future and will have no taxable profits against which the losses can be offset. Therefore, no deferred tax asset has been recognised in respect of the tax losses associated with these mines. Tax losses arising from mines that are expected to be profitable in the future have been recognised as deferred tax assets.

(ii) Germany

MKM has at 31 December corporate income tax losses that can be carried forward and used against future taxable profits, subject to restrictions set out under German tax legislation. There is no time restriction over the utilisation of tax losses. Due to the past history of tax losses, there is insufficient certainty that a taxable profit will arise against which the losses can be offset. For these reasons, no deferred tax asset has been recognised.

(d) Unrecognised deferred tax liability

The Group has not recognised all of the deferred tax liability in respect of the distributable reserves of its subsidiaries because it controls them and only part of the temporary differences are expected to reverse in the foreseeable future.

The gross temporary differences in respect of the undistributed reserves of the Group's subsidiaries, as shown in their statutory accounts prepared in accordance with applicable accounting standards, are as follows:

$ million	2008	2009	2010
Undistributed reserves of subsidiaries	3,033	4,890	**5,771**

16. EARNINGS PER SHARE

(a) Basic and diluted EPS

Basic EPS is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the year. Purchases of the Company's shares by the Employee Benefit Trust are dilutive ordinary shares.

The following reflects the income and share data used in the EPS computations:

	2008	2009	2010
$ million			
Net profit attributable to equity shareholders of the Company from continuing operations	819	768	**1,388**
Net profit/(loss) attributable to equity shareholders of the Company from discontinued operations	90	(214)	**62**
	909	554	**1,450**

	2008	2009	2010
Number			
Weighted average number of ordinary shares of 20 pence each for EPS calculation	490,289,985	535,136,298	**534,730,387**
EPS—basic and diluted ($)			
From continuing operations	1.67	1.44	**2.60**
From discontinued operations	0.18	(0.40)	**0.12**
	1.85	1.04	**2.72**

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the profit for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and minority interest effects, as shown in the table below. EPS based on Underlying Profit is calculated by dividing Underlying Profit by the number of ordinary shares of 20 pence each outstanding during the year. The Directors believe EPS based on Underlying Profit provides a more consistent measure for comparing the underlying trading performance of the Group.

The following shows the reconciliation of Underlying Profit from the reported profit and the share data used in the computations for EPS based on Underlying Profit:

	2008	2009	2010
$ million			
Net profit attributable to equity shareholders of the Company from continuing operations	819	768	**1,388**
Special items:			
Subsidiary businesses			
Impairment of goodwill	46	—	**—**
Impairment of property, plant and equipment	120	50	**13**
Impairment of mining assets	126	23	**—**
Provisions raised/(released) against inventories	73	14	**(18)**
Loss on disposal of property, plant and equipment	1	1	**—**
Major social projects	—	—	**130**
Associate			
Gain related to the acquisition of joint venture	—	—	**(77)**
Acquisition related transaction costs	—	—	**19**
Net foreign exchange gain arising on devaluation of tenge:			
Subsidiary businesses	—	(336)	**—**
Associate	—	(55)	**—**
Tax effect of non-recurring items:			
Subsidiary businesses	—	52	**(2)**
Associate	—	11	**—**
Change in deferred tax liabilities:			
Release of deferred withholding tax liability—note 15(a)	—	—	**(98)**
Impairment of Kazakhmys Gold	(32)	6	**—**
Change in tax rates in Kazakhstan:			
Subsidiary businesses—note 15(a)	(20)	6	**16**
Associate	—	4	**12**
Minority interest effect of non-recurring items	(1)	1	**—**
Underlying Profit from continuing operations	1,132	545	**1,383**
Net profit/(loss) attributable to owners of the Company from discontinued operations	90	(214)	**62**
Special items:			
Impairment of goodwill	—	16	**—**
Impairment of other intangible assets	—	2	**—**
Impairment of property, plant and equipment	—	150	**26**
Impairment of mining assets	—	36	**—**
Provisions against inventories	15	52	**44**
Loss on disposal of property, plant and equipment	1	—	**—**
Gain on disposal of share in subsidiary	—	—	**(14)**
Net foreign exchange loss arising on devaluation of tenge	—	53	**—**
Tax effect of non-recurring items	—	(11)	**—**
Release of deferred tax liabilities:			
Impairment of MKM and Maikuben West	—	(34)	**(12)**
Release of deferred tax liabilities due to change in tax rates in Kazakhstan	(126)	7	**—**
Underlying Profit from discontinued operations	(20)	57	**106**
Total Underlying Profit	1,112	602	**1,489**

	2008	2009	2010
Number			
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	490,289,985	535,136,298	**534,730,387**
EPS based on Underlying Profit—basic and diluted ($)			
From continuing operations	2.31	1.02	**2.59**
From discontinued operations	(0.04)	0.11	**0.20**
	2.27	1.13	**2.79**

17. DIVIDENDS PAID AND PROPOSED

(a) Dividends paid

The dividends paid during the years ended 31 December 2010, 2009 and 2008 are as follows:

	Per share	Amount
	US cents	*$ million*
Year ended 31 December 2010		
Final dividend in respect of year ended 31 December 2009	**9.0**	**48**
Interim dividend in respect of year ended 31 December 2010	**6.0**	**32**
	15.0	**80**
Year ended 31 December 2008		
Final dividend in respect of year ended 31 December 2007	27.4	125
Interim dividend in respect of year ended 31 December 2008	14.0	75
	41.4	200

(i) Year ended 31 December 2010

On 18 May 2010 the Company paid the final dividend of $48 million in respect of the year ended 31 December 2009 to shareholders on the register as at 23 April 2010.

On 5 October 2010, the Company paid an interim dividend of $32 million in respect of the year ended 31 December 2010 to shareholders on the register as at 8 September 2010.

(ii) Year ended 31 December 2009

No dividends were paid by the Company in respect of the year ended 31 December 2009.

(iii) Year ended 31 December 2008

On 8 May 2008 the Company paid the final dividend of $125 million in respect of the year ended 31 December 2007 to shareholders on the register as at 4 April 2008.

On 31 October 2008, the Company paid an interim dividend of $75 million in respect of the year ended 31 December 2008 to shareholders on the register as at 3 October 2008.

(b) Dividends declared after the balance sheet date

	Per share	Amount
	US cents	*$ million*
Proposed by the Directors on 2 March 2011 (not recognised as a liability as at 31 December 2010):		
Final dividend in respect of the year ended 31 December 2010	16.0	86

In relation to the dividends proposed by the Directors on 2 March 2011, the UK pounds sterling per ordinary share amount is 9.8938 pence.

18. INTANGIBLE ASSETS

$ million	Goodwill	Licences	Other	Total
Cost				
At 1 January 2008	46	516	16	578
Business acquisition	568	1	—	569
Additions	—	7	8	15
Goodwill impairment	(46)	—	—	(46)
Net exchange adjustment	—	(1)	—	(1)
At 31 December 2008	568	523	24	1,115
Additions	—	6	6	12
Disposals	—	—	(1)	(1)
Goodwill impairment	(16)	—	—	(16)
Transfer to assets classified as held for sale	(443)	(3)	(2)	(448)
Net exchange adjustment	(109)	(28)	(3)	(140)
At 31 December 2009	—	498	24	522
Additions	—	**4**	**4**	**8**
Disposals	—	**(8)**	**(1)**	**(9)**
Net exchange adjustment	—	**1**	—	**1**
At 31 December 2010	—	**495**	**27**	**522**
Amortisation and impairment				
At 1 January 2008	—	6	4	10
Amortisation charge	—	2	1	3
Impairment	—	—	2	2
At 31 December 2008	—	8	7	15
Amortisation charge	—	1	1	2
Disposals	—	—	(1)	(1)
Impairment	—	1	1	2
Transfer to assets classified as held for sale	—	(3)	(1)	(4)
Net exchange adjustment	—	(1)	(1)	(2)
At 31 December 2009	—	6	6	12
Amortisation charge	—	**1**	**2**	**3**
Disposals	—	**(1)**	**(1)**	**(2)**
At 31 December 2010	—	**6**	**7**	**13**
Net book value				
At 31 December 2008	568	515	17	1,100
At 31 December 2009	—	492	18	510
At 31 December 2010	—	**489**	**20**	**509**

During the year ended 31 December 2010, the Group acquired licences totalling $4 million within Kazakhmys Petroleum (2009: $6 million within Kazakhmys Copper, 2008: $7 million within Kazakhmys Copper) which were capitalised by the Group in respect of contractual reimbursements to the Government for geological information and social commitments. This amount is a non-cash item and is recorded within provisions for payments of licences. In addition, during the year the provisions for licences within Kazakhmys Copper were reassessed and as a result, $7 million of the provision was de-recognised with a corresponding adjustment to intangible assets. These amounts are non-cash items and are recorded within provisions for payments for licences.

The amortisation charge for the year is allocated to production expenses $1 million (2009: $1 million, 2008: $2 million) and administrative expenses $2 million (2009: $1 million, 2008: $1 million) as appropriate.

Impairment testing—Goodwill

The Group performs goodwill impairment testing on an annual basis and when there are indicators of impairment. In assessing whether goodwill has been impaired, the carrying amount of the cash generating unit to which goodwill is allocated, is compared to its recoverable amount.

(a) Kazakhmys Gold

Periods ended 31 December 2009 and 31 December 2010

All goodwill associated with Kazakhmys Gold was fully written off in 2008.

Year ended 31 December 2008

The $46 million of goodwill relating to Kazakhmys Gold arose as a consequence of the requirement to recognise a deferred tax liability on the fair value adjustments, and was allocated to Kazakhmys Gold's four cash generating units as follows: (i) Kazakhstan operating mines—$6 million, (ii) Mizek sulphide development project (Kazakhstan)—$14 million, (iii) Bozymchak development project (Kyrgyzstan)—$20 million, and (iv) Akjilga development project (Tajikistan)—$6 million.

The Group undertook an impairment review of the Kazakhmys Gold segment in 2008, and the goodwill of $46 million arising on the acquisition was impaired in full in addition to mining assets of $112 million following a general change in the long-term strategy of the division, with the outlook for existing mines and development projects being less attractive than originally anticipated at the time of the acquisition (see note 9(i)).

The recoverable amount was determined based on a combination of 'value in use' and 'fair value less costs to sell' calculations and based on the cash flows expected to be generated from existing operations and development projects. Cash flows were projected for periods up to the date that mining and refining was expected to cease based on management's current expectations. For current operations, the completion dates were based on the most recent assessments of the reserves and resources available and annual ore extraction rates, and were expected to cease by the end of 2011. For the development projects, the commencement dates for mining (between 2011 and 2014) reflect management's expectations of the life of mine given current financing constraints, the time required to complete technical studies and to develop infrastructure and facilities at the mines for production to commence. Mining would cease at the development projects at dates between 2016 and 2027 depending on the project, and cash flows were forecast to these dates.

The key assumptions used in the recoverable amount calculations are:

- recoverable amount of reserves and resources;
- commodity prices;

- discount rates;
- timing of capital expenditure;
- inflation; and
- exchange rates.

Economically recoverable reserves and resources were based on management's expectations based on the availability of reserves at mine sites, technical studies and exploration and evaluation work undertaken by in-house and third party specialists.

Long-term commodity prices were based on external market consensus forecasts. Specific prices were determined from information available in the market after considering the nature of the commodity produced and long-term market expectations. The long-term gold and silver prices used in the impairment test, based on market consensus, were $750/oz and $11.50/oz, respectively.

A discount rate of 10% was used in the recoverable amount calculations, which represents the pre-tax rate that reflects the Group's current market assessments of the time value of money and the risks specific to the cash generating unit.

Management estimated the timing of capital expenditure on the development projects based on the Group's current and future financing plans and the results of technical studies completed to date.

Long-term inflation rates for the countries that the operating mines and development projects are located in were used in the calculations. These are based on information available in the market and country specific research. Long-term inflation rates used for Kazakhstan, Kyrgyzstan and Tajikistan in the impairment test were 4.9%, 5.9% and 9.7%, respectively.

In assessing the 'fair value less costs to sell', another key assumption is foreign exchange rates. These are based on external market consensus forecasts, and specific rates are determined from information available in the market after considering long-term market expectations and the countries in which the cash generating unit operates.

(b) Kazakhmys Power

Year ended 31 December 2010

There is no goodwill as at 31 December 2010.

Year ended 31 December 2009

Prior to Kazakhmys Power being classified as an asset held for sale, an impairment test was performed on the acquisition goodwill of Kazakhmys Power in accordance with IAS 36 'Impairment of assets' using a "fair value less costs to sell" basis. Goodwill of $459 million arose on the acquisition of Kazakhmys Power (after re-translation, see note 4) and was allocated to the division's two cash generating units as follows: (i) Ekibastuz power plant—$443 million, and (ii) Maikuben West coal mine—$16 million.

When determining the fair value less costs to sell for the Ekibastuz power plant, management used the sales price agreed with Samruk-Kazyna. Management concluded that given the Power division was classified as an asset held for sale it was more appropriate to derive the fair value less cost to sell from the observable market price rather than a discounted cash flow calculation.

Based on the results of the impairment test, the amount by which the Ekibastuz power plant's recoverable amount exceeded its carrying amount was $243 million (recoverable amount $1,362 million and carrying value $1,119 million), and therefore the goodwill arising on the acquisition of the Ekibastuz power plant was not impaired.

The goodwill relating to the acquisition of the Maikuben West coal mine was written down to zero. This impairment resulted from a change in the long-term strategy of the mine following the announcement of the sale of 50% of the Ekibastuz GRES-1 power station to Samruk-Kazyna.

Year ended 31 December 2008

Management performed an impairment test of the goodwill arising from the acquisition of Kazakhmys Power at the year end as required by IAS 36 using a 'fair value less costs to sell' basis. Goodwill of $568 million arose on the acquisition of Kazakhmys Power and was allocated to the division's two cash generating units as follows: (i) Ekibastuz power plant—$548 million, and (ii) Maikuben West coal mine—$20 million.

The key assumptions used in the impairment test were:

- electricity generation volumes;
- tariff prices;
- discount rates;
- timing of capital expenditure; and
- inflation and exchange rates.

Electricity generation volumes were based on management's expectations based on supply and demand dynamics within Kazakhstan and the timing of capital expenditure required to increase the capacity of the power station.

Tariff prices were based on management's expectations with reference to commentary given by the Government with regards to setting tariff prices in the future and increase from $0.020/kWh in 2008 to $0.030/kWh in 2012. The Department of Energy had stated that they expect tariff prices to reach $0.035/kWh by 2010. However, for the purposes of the impairment test, a more conservative approach was adopted with tariff prices not expected to exceed this level until 2014. Tariff prices were assumed to increase at the long-term inflation rate for all years after 2012.

The discount rate used in the recoverable amount calculations represented the pre-tax rate that reflected the Group's market assessments of the time value of money and the risks specific to the two cash generating units. The discount rates used in the impairment test for the Ekibastuz power plant and Maikuben West coal mine were 12.4% and 15.8%, respectively.

Management estimated the timing of capital expenditure based on the Group's current and future financing plans and the results of technical studies completed at the time of acquisition.

Long-term inflation and exchange rates for Kazakhstan were used in the calculations. These were based on information available in the market and country specific research. A long-term inflation rate of 4.9% for Kazakhstan was used in the impairment test and the test was KZT150/$1 in 2009 to KZT135/$1 in 2013.

Based on the results of the impairment test, the goodwill arising on the acquisition of Kazakhmys Power was not impaired.

Sensitivity to changes in assumptions

If the values of the key assumptions were to move by the following amounts, then fair value less costs to sell would equal the carrying value of each cash generating unit. All changes were assumed to happen in isolation:

Ekibastuz power plant cash generating unit:

- if electricity sales volumes were to decrease by 3.2% for each year, then the recoverable amount would equal the carrying amount;
- if the rate of growth in tariff prices was less than forecast such that tariff prices grew at a rate of 3.1% less than that assumed for each year, then the recoverable amount would equal the carrying amount;
- if the discount rate increased from 12.4% to 13.5%, then the recoverable amount would equal the carrying amount.

Maikuben West coal mine cash generating unit:

- if coal sales volumes were to decrease by 1.3% for each year, then the recoverable amount would equal the carrying amount;
- if the rate of growth in coal prices was less than forecast such that coal prices grew at a rate of 1.2% less than that assumed for each year, then the recoverable amount would equal the carrying amount;
- if the discount rate increased from 15.8% to 16.3%, then the recoverable amount would equal the carrying amount.

The amounts by which the units' recoverable amount exceeds their carrying amount is $146 million for the Ekibastuz power plant and $4 million for the Maikuben West coal mine.

19. PROPERTY, PLANT AND EQUIPMENT

$ million	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2008	991	1,470	263	556	3,280
Business acquisition	642	323	1	23	989
Additions	40	224	96	236	596
Transfers	273	129	4	(406)	—
Disposals	(9)	(31)	(4)	(12)	(56)
Net exchange adjustment	(8)	(14)	(3)	(2)	(27)
At 31 December 2008	1,929	2,101	357	395	4,782
Additions	8	174	23	141	346
Transfers	156	69	—	(225)	—
Disposals	(5)	(11)	(3)	(9)	(28)
Transfer to assets classified as held for sale	(625)	(454)	(13)	(46)	(1,138)
Net exchange adjustment	(384)	(358)	(65)	(39)	(846)
At 31 December 2009	1,079	1,521	299	217	3,116
Additions	**43**	**181**	**54**	**293**	**571**
Capitalised depreciation	—	—	—	**10**	**10**
Transfers	**26**	**57**	**3**	**(86)**	—
Disposals	**(18)**	**(69)**	**(9)**	**(4)**	**(100)**
Net exchange adjustment	**7**	**9**	**1**	**3**	**20**
At 31 December 2010	**1,137**	**1,699**	**348**	**433**	**3,617**
Depreciation and impairment					
At 1 January 2008	347	762	100	10	1,219
Depreciation charge	68	194	30	—	292
Disposals	(6)	(28)	(3)	—	(37)
Impairment	82	26	—	12	120
Net exchange adjustment	(3)	(6)	(1)	—	(10)
At 31 December 2008	488	948	126	22	1,584
Depreciation charge	65	183	27	—	275
Disposals	(2)	(9)	(2)	—	(13)
Impairment	56	106	12	26	200
Transfer to assets classified as held for sale	(90)	(236)	(11)	—	(337)
Net exchange adjustment	(90)	(162)	(25)	(3)	(280)
At 31 December 2009	427	830	127	45	1,429
Depreciation charge	**51**	**139**	**30**	—	**220**
Disposals	**(11)**	**(64)**	**(8)**	**(1)**	**(84)**
Impairment	**15**	**10**	**1**	**(13)**	**13**
Net exchange adjustment	**2**	**5**	**1**	—	**8**
At 31 December 2010	**484**	**920**	**151**	**31**	**1,586**
Net book value					
At 31 December 2008	1,441	1,153	231	373	3,198
At 31 December 2009	652	691	172	172	1,687
At 31 December 2010	**653**	**779**	**197**	**402**	**2,031**

During 2010, the site restoration and clean up provisions within Kazakhmys Copper were reassessed and as a result an additional $11 million has been recognised (2009: $nil, 2008: $nil) with a corresponding adjustment to property, plant and equipment additions. These amounts are non-cash items and are recorded within site restoration and clean up provisions.

(a) Impairment

During 2010, property, plant and equipment of $13 million (2009: $200 million, 2008: $120 million) was impaired which relates to the Kazakhmys Copper segment (see note 9(a)).

(b) Fully depreciated assets

At 31 December 2010, the cost of fully depreciated property, plant and equipment within Kazakhmys LLC was $492 million (2009: $380 million, 2008: $333 million), within MKM was $41 million (2009: $22 million, 2008: $8 million), and within other Group entities was $4 million (2009: $5 million, 2008: $8 million).

(c) MKM investment grants and subsidies

Within MKM there were no significant investment grants and subsidies received from the German government during 2010, 2009 and 2008. As at 31 December 2010, the gross carrying value of property, plant and equipment previously subsidised by the German government amounted to $9 million (2009: $12 million, 2008: $13 million).

20. MINING ASSETS

$ million	Mine development costs	Mine stripping costs	Construction in progress	Total
Cost				
At 1 January 2008	360	58	68	486
Business acquisition	—	46	—	46
Additions	15	9	62	86
Capitalised depreciation	—	1	3	4
Transfers	4	—	(4)	—
Disposals	(3)	(45)	—	(48)
Net exchange adjustment	(3)	(1)	(1)	(5)
At 31 December 2008	373	68	128	569
Additions	3	6	67	76
Capitalised depreciation	1	—	2	3
Transfers	61	—	(61)	—
Transfer to assets classified as held for sale	—	(36)	—	(36)
Net exchange adjustment	(67)	(14)	(24)	(105)
At 31 December 2009	371	24	112	507
Additions	**56**	**15**	**61**	**132**
Capitalised interest	**6**	**—**	**—**	**6**
Capitalised depreciation	**1**	**1**	**1**	**3**
Transfers	**105**	**—**	**(105)**	**—**
Net exchange adjustment	**2**	**—**	**—**	**2**
At 31 December 2010	**541**	**40**	**69**	**650**
Depletion and impairment				
At 1 January 2008	29	1	—	30
Depletion charge	14	44	—	58
Disposals	(3)	(45)	—	(48)
Impairment	115	11	—	126
At 31 December 2008	155	11	—	166
Depletion charge	12	1	—	13
Impairment	23	36	—	59
Transfer to assets classified as held for sale	—	(36)	—	(36)
Net exchange adjustment	(28)	(2)	—	(30)
At 31 December 2009	162	10	—	172
Depletion charge	**18**	**20**	**—**	**38**
Net exchange adjustment	**1**	**—**	**—**	**1**
At 31 December 2010	**181**	**30**	**—**	**211**
Net book value				
At 31 December 2008	218	57	128	403
At 31 December 2009	209	14	112	335
At 31 December 2010	**360**	**10**	**69**	**439**

During 2010, mining assets of $nil (2009: $59 million, 2008: $126 million) were impaired, analysed between $nil (2009: $23 million, 2008: $112 million) for the Kazakhmys Gold segment, $nil (2009: $36 million, 2008: $nil) for the Kazakhmys Power segment and $nil (2009: $nil, 2008: $14 million) for the Kazakhmys Copper segment (see note 7(a)(iii)).

As at 31 December 2010, the Group capitalised $6 million (2009: $nil, 2008: $nil) of borrowing costs incurred on the outstanding debt during the period on the CDB/Samruk-Kazyna financing facilities at an average rate of interest of 5.32%.

21. INVESTMENT IN JOINT VENTURE

$ million	2010
At 1 January	—
Recognition at fair value[1]	703
Share of profits from joint venture[2,3]	38
Net share of gains of joint venture recognised in other comprehensive income[3]	1
At 31 December	**742**

1 Fair value has been determined by reference to the enterprise value of Ekibastuz GRES-1 LLP using a discounted cash flow basis at the date of acquisition (see note 5).
2 Share of profits from joint venture is net of tax.
3 Based on the financial statements for the period ended 31 December 2010 of Ekibastuz GRES-1 LLP.

The investment in joint venture relates to the Group's 50% shareholding in Ekibastuz GRES-1 LLP. Details of the acquisition of the joint venture are described in note 5.

The following is a summary of the financial information of the Group's investment in the joint venture based on Ekibastuz GRES-1 LLP's financial statements for the period ended 31 December 2010:

$ million	2010
Share of joint venture's assets and liabilities	
Non-current assets	447
Current assets	67
	514
Non-current liabilities	(86)
Current liabilities	(24)
	(110)
Net assets	404
Carrying amount of the investment	**742**

As there have been no significant events or circumstances surrounding the assumptions used in the fair value determination of Ekibastuz GRES-1 LLP and having considered the operational and financial performance of the business since the acquisition of the joint venture, the Directors do not believe that an impairment indicator has arisen with regards to the Group's investment in Ekibastuz GRES-1 LLP at 31 December 2010.

$ million	2010
Share of joint venture's revenue and profit	
Revenue	138
Operating profit	66
Net finance costs	(2)
Income tax expense	(26)
Profit for the period	**38**

22. INVESTMENT IN ASSOCIATE

In 2007, the Group acquired an 18.8% interest in Eurasian National Resources Corporation PLC, a company incorporated in the United Kingdom ("ENRC") at a price of $806 million. At the time of the listing of ENRC on the main board of the London Stock Exchange in December 2007, new shares were issued by ENRC to which the Group did not subscribe and hence the Group's interest in ENRC reduced from 18.8% to 14.6% taking into account the full exercise of the over-allotment option.

On 24 July 2008, the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC, which it received on 28 July 2008. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was $2,110 million. In addition stamp duty of $10 million was incurred, taking the total cost of the transaction to $2,120 million. Following completion of these transactions, the Group's share holding in ENRC increased to 22.2%.

Between 31 July and 8 August 2008, the Group purchased for a total cost of $800 million, a further 35,733,717 shares in ENRC thereby taking the Group's total holding in ENRC to 25.0% of the issued share capital.

Between 2 October and 27 October 2008, the Group purchased, for a total cost of $108 million, a further 12,647,009 shares in ENRC thereby taking the Group's total holding in ENRC to 334,824,860 or 26.0% of the issued share capital.

After the completion of these transactions, the total number of shares held by the Group in ENRC at 31 December 2008, 2009 and 2010 was 334,824,860 of the 1,287,750,000 issued ordinary shares of ENRC.

$ million	2008	2009	2010
Investment in associate			
At 1 January	—	4,045	**3,869**
Reclassified from available for sale investment	3,442	—	**—**
Additions	3,028	—	**—**
Share of profits from associate[1]	255	223	**522**
Net share of (losses)/gains of associate recognised in equity	(6)	(315)	**27**
Impairment recognised against unrealised gain on available for sale investment in equity	(2,636)	—	**—**
Dividends received	(38)	(84)	**(62)**
At 31 December	4,045	3,869	**4,356**

1 Share of profits from associate is net of tax.

At 31 December 2010, the Group's 26.0% in ENRC had a market value of $5,431 million (31 December 2009: $4,879 million, 31 December 2008: $1,600 million) which is determined by reference to the published price quotation on the London Stock Exchange.

In light of the positive movement in share prices seen during the 2010 and 2009 financial years, particularly those of natural resource companies, and the upward trend in short and long term commodity prices, the Directors do not believe that any impairment indicators existed with regard to the Group's investment in ENRC at 31 December 2010 and 2009.

At the year ended 31 December 2008, following the piecemeal acquisition of ENRC, the Group's investment in associate was impaired by $2,636 million. This impairment charge was recognised directly in equity against the unrealised gain on the available for sale investment, and with no impact on the consolidated income statement. The impairment arose due to the requirements of IFRS 3 'Business combinations' and IAS 28 'Investments in associates' which requires the cost of acquisition of each tranche to be compared to the fair value of the net identifiable assets of the acquiree. With the exception of the acquisition of the final tranche of ENRC shares in October 2008, the acquisitions in July and August 2008 were undertaken at a time prior to the sharp decrease in commodity prices and share prices of listed natural resource companies, and the prevailing market value of ENRC at that time was considerably in excess of the recoverable amount. The Group's cost of investment in the associate in excess of the fair value, arising from the piecemeal acquisition, was impaired and recognised against the unrealised gain within equity (from when the shareholding was classified as an available for sale investment) arising prior to the time when the Group equity accounted for its investment in ENRC. The recoverable amount used in assessing the impairment charge was value in use using a discounted cash flow model. The future cash flows were discounted using a pre-tax discount rate of 13%.

The accounting period end of ENRC is 31 December.

The following is a summary of the financial information of the Group's investment in ENRC based on ENRC's unaudited published results:

$ million	2008	2009	2010
Share of associate's assets and liabilities			
Total assets	2,604	2,500	**3,723**
Total liabilities	(446)	(419)	**(1,114)**
Net assets	2,158	2,081	**2,609**
Carrying amount of the investment	4,045	3,869	**4,356**

$ million	2008	2009	2010
Share of associate's revenue and profit			
Revenue	721	996	**1,717**
Operating profit	370	316	**659**
Gain arising related to the acquisition of joint venture	—	—	**77**
Profit before finance items, taxation and share of profit from joint ventures and associates	370	308	**736**
Net finance costs and share of profits from joint ventures and associates	(16)	17	**(8)**
Income tax expense and non-controlling interests	(99)	(102)	**(206)**
Profit for the year	255	223	**522**

23. INVENTORIES

$ million	2008	2009	2010
Raw materials and consumables	318	222	**263**
Work in progress	312	247	**314**
Finished goods	194	123	**101**
Gross value of inventories	824	592	**678**
Inventories provision	(90)	(92)	**(93)**
	734	500	**585**

The carrying amount of inventory that has been written down to net realisable value is $79 million (2009: $109 million, 2008: $93 million).

The carrying amount of inventory recorded at fair value less costs to sell is $9 million (2009: $33 million, 2008: $nil).

24. PREPAYMENTS AND OTHER CURRENT ASSETS

$ million	2008	2009	2010
Advances paid for goods and services	82	144	**75**
Advanced payment of deferred consideration arising from business acquisition	—	102	**—**
VAT reclaimable	116	42	**59**
Amounts due from related parties	15	28	**7**
Other	34	24	**26**
Gross value of prepayments and other current assets	247	340	**167**
Provision for impairment of receivables	(9)	(15)	**(12)**
	238	325	**155**

Provision for impairment as at 31 December 2009 includes a provision against the advance paid to Vertex LLP, a related party (included within 'other companies'—see note 38), amounting to $3 million (2009: $8 million, 2008: $nil).

The advanced payment of deferred consideration of $102 million is in respect of the cash collateralised standby letter of credit to AES Corporation following the early completion of the management contract with AES Corporation in March 2009. The issuing bank behind the standby letter of credit paid this amount to AES Corporation in January 2010.

25. TRADE AND OTHER RECEIVABLES

$ million	2008	2009	2010
Trade receivables	267	199	**321**
Amounts due from related parties	60	83	**94**
Amounts due from third parties	207	116	**227**
Interest receivable	2	3	**2**
Other receivables	8	—	**—**
Gross value of trade and other receivables	277	202	**323**
Provision for impairment of receivables	(44)	(52)	**(59)**
	233	150	**264**

Included within trade receivables is an amount of $21 million (2009: $13 million within trade receivables, 2008: $8 million within trade payables) in respect of provisionally priced metal sales which are marked-to-market using forward prices in accordance with the Group's revenue recognition accounting policy.

Provision for impairment as at 31 December 2010 includes a provision on the receivables from JSC Water/Heat Supply, a related party (included within "companies under trust management"—see note 38), amounting to $44 million (2009: $35 million, 2008: $25 million).

26. CURRENT INVESTMENTS

$ million	2008	2009	2010
At 1 January	57	32	**58**
Additions	103	74	**367**
Disposals	(128)	(43)	**(69)**
Net exchange adjustment	—	(5)	**—**
At 31 December	32	58	**356**

Current investments consist of bank deposits with initial terms of maturities of more than three months held with institutions in the UK and Kazakhstan.

27. CASH AND CASH EQUIVALENTS

$ million	2008	2009	2010
Cash deposits with maturities of less than three months	44	722	**906**
Cash at bank	496	180	**206**
Petty cash	—	1	**1**
Continuing operations[1]	540	903	**1,113**
Discontinued operations	—	42	**13**
Cash and cash equivalents in the statement of cash flows	540	945	**1,126**

1 Includes approximately $500 million (2009: $nil, 2008: $nil) cash drawn down under the CDB/Samruk-Kazyna financing line which is reserved for specific development projects in accordance with the relevant facility agreements (see note 30).

28. SHARE CAPITAL AND RESERVES

(a) Allotted share capital

	Number	£ million	$ million
Authorised capital—ordinary shares of 20 pence each			
At December 2008	**750,000,000**	**150**	**—**
Allotted and called up share capital			
At 1 January 2008	460,123,288	92	170
Purchase of Company's issued share capital	(5,169,000)	(1)	(2)
Shares issued	80,286,050	16	32
At December 2008, 2009 and 2010	**535,240,338**	**107**	**200**

In January 2008 the Company completed a share buy-back programme and cancelled 5,169,000 ordinary shares at a cost of $121 million including expenses.

In July 2008 the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was $2,110 million.

(b) Own shares

The provision of shares to the Company's share-based payment plans is facilitated by an Employee Benefit Trust (see note 29). The cost of shares purchased by the trust is presented against retained earnings. The employee benefit trust has waived the right to receive dividends on these shares.

At 31 December 2010, the Group, through the Employee Benefit Trust, owned 617,514 shares in the Company (2009: 379,825, 2008: nil) with a market value of $15 million and a cost of $11 million (2009: $8 million and $7 million respectively).

(c) Capital reserves

$ million	Reserve fund	Net unrealised gains reserve	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2008	42	1,595	447	4	—	2,088
Unrealised gain on available for sale investment	—	1,041	—	—	—	1,041
Impairment of associate recognised against unrealised gain on available for sale investment in equity	—	(2,636)	—	—	—	(2,636)
Gains on cash flow hedges taken to equity	—	—	—	—	(142)	(142)
Gains on cash flow hedges included in income statement	—	—	—	—	143	143
Purchase of Company's issued share capital	—	—	—	2	—	2
Exchange differences on retranslation of foreign operations	—	—	(36)	—	—	(36)
Share of losses of associate recognised in other comprehensive income	—	(2)	(1)	—	(8)	(11)
At 31 December 2008	42	(2)	410	6	(7)	449
Exchange differences on retranslation of foreign operations	—	—	(1,133)	—	—	(1,133)
Losses on cash flow hedges taken to equity	—	—	—	—	138	138
Losses on cash flow hedges included in income statement	—	—	—	—	(138)	(138)
Share of losses of associate recognised in other comprehensive income	—	2	(317)	—	5	(310)
At 31 December 2009	42	—	(1,040)	6	(2)	(994)
Exchange differences on retranslation of foreign operations[1]	**—**	**—**	**31**	**—**	**—**	**31**
Recycling of exchange differences on disposal of share in subsidiary	**—**	**—**	**196**	**—**	**—**	**196**
Share of gains of joint venture recognised in other comprehensive income	**—**	**—**	**1**	**—**	**—**	**1**
Share of gains of associate recognised in other comprehensive income	**—**	**2**	**25**	**—**	**—**	**27**
At 31 December 2010	**42**	**2**	**(787)**	**6**	**(2)**	**(739)**

1 Of the $31 million (2009:$1,133 million) of foreign exchange differences recognised in the currency translation reserve for the year, $1 million (2009: $101 million) relates to discontinued operations.

(i) Reserve fund

In accordance with legislation of the Republic of Kazakhstan the reserve fund comprises prescribed transfers from retained earnings amounting to 15% of Kazakhmys LLC's charter capital.

(ii) Net unrealised gains reserve

The net unrealised gains reserve is used to record the fair value movements of available for sale investments.

(iii) Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not the US dollar into the Group's presentation currency.

(iv) Capital redemption reserve

As a result of the share buy-back programme, transfers are made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

(v) Hedging reserve

The hedging reserve is used to record the fair value movements of derivative financial instruments that have been designated as cash flow hedges.

29. SHARE-BASED PAYMENT PLANS

Commencing from 2007, the Company established a Long Term Incentive Plan (LTIP) and a Deferred Share Bonus Plan (DSBP). The total expense for the year ended 31 December 2010 arising from these plans was $3.1 million (2009: $1 million, 2008: $1 million).

Both plans are discretionary benefits offered by the Company for the benefit of its employees. The main purpose is to increase the interest of the employees in Kazakhmys' long-term business goals and performance through share ownership. They represent incentives for employees' future performance and commitment to be aligned to the goals of the Group. The shares issued under these plans are dilutive ordinary shares as the Company purchased 246,337 shares at a cost of $4.2 million through an Employee Benefit Trust during the year. For any future awards, the Company may issue new shares to the Employee Benefit Trust rather than purchase the shares in the open market.

(a) Long Term Incentive Plan

Under the LTIP, awards over shares are granted to senior management of the Company at nil cost. The vesting of the shares is dependent on the total shareholder return (TSR) of the Group as compared to a group of listed comparator companies, as well as a requirement for the recipients of awards to remain in employment with the Company over the vesting period.

The first awards, granted on 3 December 2007, under the LTIP were made with either a two year vesting period or a three year vesting period. Awards over 11,226 shares were granted with a two year vesting period and awards over 37,862 shares were granted with a three year vesting period. All awards under this grant did not vest and have lapsed.

On 7 April 2008, awards over 66,202 shares were granted with a three year vesting period.

On 7 April 2009, awards over 262,987 shares were granted with a three year vesting period. A further 74,240 shares were granted on 26 November 2009 with a three year vesting period.

On 9 April 2010, awards over 94,277 shares were granted with a three year vesting period. A further 116,532 shares were granted on 17 May 2010 with a three year vesting period.

Additional awards were granted to senior management in April 2011 and these will be subject to the same vesting criteria as the awards granted on 9 April 2010.

The fair value of the shares was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the shares were granted. This model simulates the TSR and compares it against the group of comparator companies. It takes into account historic dividends and share price fluctuations to predict the distribution of relative share performance.

The following table shows the movements in the number of shares during the year:

	2008	2009	2010
Number			
Outstanding at 1 January	49,088	115,290	**441,291**
Granted on 7 April 2008—3 year vesting period	66,202	—	**—**
Granted on 7 April 2009—3 year vesting period	—	262,987	**—**
Granted on 26 November 2009—3 year vesting period	—	74,240	**—**
Granted on 9 April 2010—3 year vesting period	—	—	**94,277**
Granted on 17 May 2010—3 year vesting period	—	—	**116,532**
Lapsed on 31 December	—	(11,226)	**(37,862)**
Outstanding at 31 December	115,290	441,291	**614,238**
Exercisable at 31 December	—	—	**—**

The following table lists the inputs to the model:

	2008	2009		2010	
	Shares granted with a 3 year vesting period April 2008	Shares granted with a 3 year vesting period April 2009	Shares granted with a 3 year vesting period November 2009	Shares granted with a 3 year vesting period April 2010	Shares granted with a 3 year vesting period May 2010
Number of awards	66,202	262,987	74,240	**94,277**	**116,532**
Fair value at grant date	£ 11.43	£ 3.23	£ 8.11	**£ 11.15**	**£ 7.86**
Share price at grant date	£ 16.97	£ 4.22	£ 12.13	**£ 15.91**	**£ 12.01**
Exercise price	£ nil	£ nil	£ nil	**£ nil**	**£ nil**
Expected volatility	44.5%	74.0%	77.9%	**66.1%**	**84.3%**
Expected weighted average life at 31 December 2010	0.3 years	1.3 years	1.9 years	**2.3 years**	**2.4 years**

The award over shares is not affected by the risk free rate of interest since no investment is required by the recipient, and therefore no interest could be earned elsewhere. On vesting of the award, the participants are entitled to cash equal to the value of dividends (excluding the dividend tax credit) that would have been paid on those shares between the grant date and the date of vesting. Therefore, expected dividend yield does not affect the valuation of the awards and has been set at zero to achieve this effect. Expected volatility is based on historic share price movements.

(b) Deferred Share Bonus Plan

On 7 April 2008, awards over 11,403 shares were granted to employees based on an average share price at grant date of £15.95 with a two year vesting period. Under the DSBP, the awards were based on the deferred amount of an employee's 2007 bonus.

On 7 April 2009, awards over 63,740 shares were granted to employees based on an average share price at grant date of £4.22 with a two year vesting period. Under the DSBP, the awards were based on the deferred amount of an employee's 2008 bonus.

On 9 April 2010, awards over 31,499 shares were granted to employees based on an average share price at grant date of £15.91 with a two year vesting period. Further awards over 8,237 shares were granted to employees based on an average share price at grant date of £15.91 with a one year vesting period. Under the DSBP, the awards were based on the deferred amount of an employee's 2009 bonus.

Additional shares under the DSBP were granted to employees in April 2011 based on the deferred amount of an employee's 2010 bonus. The number of shares granted to employees were based on the cash value of the deferred bonus and the average share price for a period of time prior to the grant date in April 2011. The shares granted will vest after a period of one or two years after grant date. At 31 December 2010, the cash value of the awards eligible for the DSBP, for which shares were granted in April 2011, was $1.8 million.

30. BORROWINGS

$ million	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2010						
CDB/Samruk-Kazyna facility[1] – US$ LIBOR + 4.80%	2023	5.32%	US dollar	**—**	**688**	**688**
Pre-export finance facility[1] – US$ LIBOR + 1.25%	2013	1.52%	US dollar	**519**	**612**	**1,131**
Revolving trade finance facility[2] – EURIBOR + 3.00%	2012	3.55%	Euro	**61**	**130**	**191**
				580	**1,430**	**2,010**
31 December 2009						
Pre-export finance facility[1] – US$ LIBOR + 1.25%	2013	2.08%	US dollar	518	1,132	1,650
Revolving trade finance facility[2] – EURIBOR + 3.00%	2012	3.29%	Euro	—	157	157
				518	1,289	1,807
31 December 2008						
Pre-export finance facility – US$ LIBOR + 1.25%	2013	3.92%	US dollar	429	1,650	2,079
Revolving trade finance facility – EURIBOR + 1.45%	2010	4.74%	Euro	69	52	121
				498	1,702	2,200

1 Relates to continuing operations.
2 Relates to discontinued operations (see note 6(b)).

(a) Continuing operations

Pre-export finance facility

On 29 February 2008 Kazakhmys Finance PLC, a wholly owned subsidiary of the Company, signed a five year pre-export finance facility for $2.1 billion with a syndicate of banks to be used for general corporate purposes, including the acquisition of the Ekibastuz GRES-1 power plant and Maikuben West coal mine and incremental purchases of shares in ENRC. As at 31 December 2010, 2009 and 2008, the facility was fully drawn. The loan is secured on the value of copper sales contracts with certain designated customers. Monthly loan repayments commenced in March 2009 and will continue through to February 2013 following a one year availability period. Arrangement fees with an amortised cost as at 31 December 2010 of $6 million (2009: $12 million and 2008: $21 million), gross cost before amortisation of $26 million (2009 and 2008: $26 million), have been netted off against these borrowings in accordance with IAS 39. Interest is payable on the drawn balance at a rate of US$ LIBOR + 1.25%. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited act as guarantors of the loan. The pre-export finance facility contains change of control clauses, which are disclosed in the Financial Information section of the Listing Document.

China Development Bank ("CDB") and JSC Sovereign Wealth Fund Samruk-Kazyna ("Samruk-Kazyna") financing line

Summary of the transaction

On 30 December 2009, Kazakhmys announced that it had secured a $2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a $3.0 billion financing line agreed between CDB and Samruk-Kazyna. Of the $2.7 billion secured for the Group, facility agreements were signed for $2.1 billion on 30 December 2009, and for a further $200 million on 12 January 2010, for the development of the Group's projects at Bozshakol and Bozymchak and other development projects, with the balance of $400 million remaining available over the next three years. The $2.7 billion financing line included a stipulation whereby $100 million of the $400 million balance could be utilised by Samruk-Kazyna for the funding of the Moynak hydro-electric plant in Kazakhstan. Samruk-Kazyna has now funded this asset through alternative means and the full $400 million is available to Kazakhmys. Samruk-Kazyna has separately signed an agreement for $300 million of the $3.0 billion to be used elsewhere and not for the benefit of the Group. As part of this financing package, the Company, along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna's obligations under the $3.0 billion financing line, including 85% of the $300 million which was not on-lent for the benefit of the Group. These agreements were subject to shareholder approval at 31 December 2009.

The financing arrangements with CDB and Samruk were agreed on competitive terms, particularly given the prevailing market conditions and the difficulty experienced by CIS companies in accessing credit. Under the terms of the facility agreements, Kazakhmys secured a significant amount of funds on flexible and long-dated terms which will be used to develop Kazakhmys' growth projects.

Related party transaction

Samruk-Kazyna is an entity wholly owned and controlled by the Government of Kazakhstan, the ultimate owner and controller of a 26% stake in the Company. The transaction therefore constitutes a "related party transaction" for the purposes of the Listing Rules. Due to the size of the $255 million guarantee liability, the UK Listing Authority confirmed on 1 March 2010 that the transaction falls within the modified requirements for a "smaller related party transaction" set out in Listing Rule 11.1.10 (see note 38).

Details of the transaction

The transaction consists of a two-tier structure, with loans from CDB to Samruk-Kazyna and 'back-to-back' arrangements between Samruk-Kazyna and Kazakhmys. Samruk-Kazyna has signed facility agreements with Kazakhmys Finance PLC ("Kazakhmys Finance"), pursuant to which Samruk-Kazyna will lend $2.3 billion of the $2.7 billion loan facility lent to it by CDB. It is intended that the remaining $400 million will be lent by CDB to Samruk-Kazyna and on-lent by Samruk-Kazyna to Kazakhmys Finance over the next two years for funding the development of the Group's projects approved by CDB and Samruk-Kazyna.

The agreements between Samruk-Kazyna and Kazakhmys Finance operate 'back-to-back' with the agreements between CDB and Samruk-Kazyna, such that any payment (both interest and principal) by Kazakhmys Finance to Samruk-Kazyna will result in a corresponding payment by Samruk-Kazyna to CDB. Other relevant terms, such as the period during which the loans are available and the termination dates of the agreements, also correspond. The funds are available for drawing any time within a three year period and once drawn will attract interest semi-annually at an annualised rate of US$ LIBOR + 4.8%. The loans have a final maturity of between 12 and 15 years from the first drawdown and repayment of principal commences from the end of the third year following the first drawdown under each facility.

As part of the financing package, the Company and JSC Kazakhtelecom ('Kazakhtel'), a subsidiary of Samruk-Kazyna, have provided a guarantee to CDB for a maximum of $2.0 billion of the $3.0 billion of loans made and to be made by CDB to Samruk-Kazyna (the 'Guarantee'). The Company's liability under the Guarantee is capped at $1.7 billion of principal plus 85% of any interest and any other duly payable costs and expenses. Any payments under the Guarantee will be netted off against payments to be made by Kazakhmys Finance under the loan agreements between it and Samruk-Kazyna. As the Guarantee is several and covers the separate $300 million loan made by CDB to Samruk-Kazyna (but not lent on for the benefit of the Group), the Company will be liable as to 85% of that amount (i.e. up to $255 million) if Samruk-Kazyna fails to make a payment due under that loan to CDB. Furthermore, the Company has granted a separate $2.7 billion parent company guarantee to Samruk-Kazyna, pursuant to which the Company guarantees repayment of all amounts lent by Samruk-Kazyna to Kazakhmys Finance, as is typical in such corporate loan facilities.

The guarantees under this financing package took effect on 1 March 2010 following receipt of confirmation from the UK Listing Authority that shareholder approval for the transaction was not required.

Accounting for the transaction

As at 31 December 2010, $700 million was drawn under the facility agreements signed to date. Arrangement fees with an amortised cost as at 31 December 2010 of $12 million, gross cost before amortisation of $14 million, have been netted off against these borrowings in accordance with IAS 39. Interest is payable on the drawn balance at a rate of US$ LIBOR + 4.80%.

The fair value of the Guarantee has been determined using a discounted cash flow analysis. The probability of a default by Samruk-Kazyna in respect of its obligations under the $3.0 billion financing line between Samruk-Kazyna and the CDB, with the consequence that CDB calls on the Guarantee, has been determined using the historical default rate for entities with Kazakhstan's sovereign rating as provided by a recognised credit rating agency. The cashflows that would result from such a default by Samruk-Kazyna have been discounted using a risk-free discount rate. The right to net off payments made by the Company to the CDB under the Guarantee against the balance payable by Kazakhmys Finance to Samruk-Kazyna under the financing line between these parties is governed by English law and has been assumed to be effective in the event of such a default by Samruk-Kazyna. Using this valuation basis, the fair value of the Guarantee is less than $5 million, an immaterial figure in the context of a financing line available to the Group of $2.7 billion.

Revolving credit facilities

The Group has available several revolving credit facilities entered into by Kazakhmys Finance PLC, for general corporate purposes and to provide standby liquidity. At 31 December 2010, facilities amounting to $250 million had a maturity date in March 2011 and a facility amounting to $50 million had a maturity date in September 2011. All facilities were undrawn as at 31 December 2010. In March 2011, Kazakhmys Finance PLC extended the term of the facilities expiring in March 2011 for an additional two years to March 2013.

Undrawn general and corporate facilities

$ million	2008	2009	2010
Revolving credit facility (within Kazakhmys Finance PLC)	200	150	**300**
Letter of credit and bank guarantee facilities (within Kazakhmys LLC)	79	60	**70**
	279	210	**370**

(b) Discontinued operations

Revolving trade finance facility

In May 2006 MKM entered into a revolving trade finance facility with a syndicate of banks for a four year loan to finance the repayment of external borrowings and intercompany balances due to Kazakhmys LLC, and to fund working capital. In June 2009 the facility was refinanced with a new €170 million facility for three years with a final maturity in June 2012. Interest is payable on the drawn balance at a rate of EURIBOR + 3.00%. The loan is secured over the inventories and receivables of MKM.

Undrawn facilities

$ million	2008	2009	2010
Revolving trade finance facility (within MKM)	23	86	**33**

31. EMPLOYEE BENEFITS

The following tables summarise the components of net benefit expense recognised in the consolidated income statement and amounts recognised in the consolidated balance sheet for the respective plans:

$ million	2008	2009	2010
Kazakhstan (post-retirement benefits)	38	50	**58**
Germany (part-time contracts)	2	—	**—**
Recognised liability for employee benefit obligations	40	50	**58**

(a) Continuing operations—Kazakhstan

$ million	2008	2009	2010
Net liability at 1 January	34	38	**50**
Employer's share of current service cost	1	2	**1**
Employer's share of past service cost	—	14	**9**
Net actuarial losses recognised in the period	1	1	**—**
Interest cost on benefit obligation	4	3	**4**
Benefits provided to employees	(2)	(1)	**(6)**
Net exchange adjustment	—	(7)	**—**
Net liability at 31 December	38	50	**58**

Kazakhmys LLC provides post-retirement benefits in Kazakhstan which are unfunded. These benefits include one-time retirement grants, financial aid, dental care, medical benefits, long-term disability allowances, sanatorium visits, annual financial support to pensioners, free tickets for city buses, privilege tickets for shuttle buses and funeral aid. The actuarial gain on prior period service costs which existed as at 31 December 2010 amounted to $nil (2009: actuarial gain of $3 million, 2008: $15 million loss). A discount rate of 8.0% (2009: 8.0%, 2008: 7.5%) has been used in calculating the employee benefit liabilities and associated charges, as measured in tenge.

The Group continues to pay the non-monetary benefits described in note 11.

(b) Discontinued operations—Germany

$ million	2008	2009	2010
Net liability at 1 January	3	2	**—**
Benefits provided to employees	(1)	(1)	**—**
Transfer to liabilities directly associated with the assets classified as held for sale	—	(1)	**—**
Net liability at 31 December	2	—	**—**

In Germany, MKM has obligations arising from part-time contracts for older employees that have been collectively agreed with the employees' trade union. Non-current investments amounting to $nil (2009: $1 million, 2008: $1 million) were set aside to fund MKM's obligations relating to part-time contracts.

32. PROVISIONS

$ million	Site restoration and clean up	Payments for licences	Deferred consideration	Other	Total
At 1 January 2008	44	68	—	—	112
Business acquisition	—	3	169	18	190
Arising during the year	3	3	—	—	6
Utilised	—	(3)	(5)	—	(8)
Unwinding of discount	1	3	1	—	5
At 31 December 2008	48	74	165	18	305
Arising during the year	—	6	—	7	13
Utilised	(3)	(12)	(83)	(13)	(111)
Unwinding of discount	3	5	20	4	32
Foreign exchange loss	—	19	—	—	19
Transfer to liabilities directly associated with assets classified as held for sale	(3)	(2)	(102)	(8)	(115)
Net exchange adjustment	(8)	(15)	—	(8)	(31)
At 31 December 2009	37	75	—	—	112
Arising/(reversing) during the year	**11**	**(3)**	**—**	**27**	**35**
Utilised	**(2)**	**(8)**	**—**	**—**	**(10)**
Unwinding of discount	**3**	**5**	**—**	**—**	**8**
At 31 December 2010	**49**	**69**	**—**	**27**	**145**
Current	—	6	83	18	107
Non-current	48	68	82	—	198
At 31 December 2008	48	74	165	18	305
Current	—	17	—	—	17
Non-current	37	58	—	—	95
At 31 December 2009	37	75	—	—	112
Current	**—**	**8**	**—**	**27**	**35**
Non-current	**49**	**61**	**—**	**—**	**110**
At 31 December 2010	**49**	**69**	**—**	**27**	**145**

(a) Site restoration and clean up

The costs of decommissioning and reclamation of mines within the Group are based on the amounts included in the Group's contracts for subsoil use. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines at the dates of depletion of each of the deposits. The present value of the provision has been calculated using a discount rate of 8% (2009: 8%, 2008: 8%) per year. The liability becomes payable at the end of the useful life of each mine which ranges from one to 40 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, and the levels of discount and inflation rates.

(b) Payments for licences for mining assets

In accordance with its contracts for subsoil use the Group is liable to repay the costs of geological information provided by the Government of Kazakhstan for licensed deposits. The total amount payable by the Group is discounted to its present value using a discount rate of 8% (2009: 8%, 2008: 8%). The uncertainties include estimating the amount of the payments and their timing. The amounts are payable prior to 2019.

(c) Payments for licences for exploration assets

In accordance with the terms of the exploration licence, Kazakhmys Petroleum LLP is liable to make payments to the Government for geological information and social commitments in Astana and the Aktobe region. The present value of the obligations is estimated by applying a discount rate of 12% (2009: 12%, 2008: 12%).

(d) Deferred consideration

Provision for deferred consideration was made for future payments arising from the acquisition of Kazakhmys Power in 2008. On a gross basis $80 million was payable to AES Corporation in April 2009 and $102 million was required to cash collaterise the standby letter of credit in December 2009. No further amounts were paid in respect of this acquisition after December 2009.

(e) Other

Other provisions are recorded where the Group has a legal or constructive obligation and a future outflow of resources is considered probable. Other provisions primarily relate to environmental pollution charges incurred in prior periods where there remains uncertainty over their eventual amount and the timing of settlement (see note 37).

33. TRADE AND OTHER PAYABLES

$ million	2008	2009	2010
Payables under social obligations	—	—	**167**
Salaries and related payables	56	53	**57**
Trade payables	146	65	**55**
Royalties and mineral extraction tax payable	2	44	**50**
Other taxes payable	51	24	**34**
Interest payable	—	—	**12**
Payments received in advance	8	39	**7**
Amounts payable to related parties	10	5	**4**
Prepayment received for anticipated disposal of share in subsidiary	—	681	**—**
Other payables and accrued expenses	33	24	**17**
	306	935	**403**

34. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

$ million	2008	2009	2010
Profit before taxation from continuing operations	1,144	1,028	**1,590**
(Loss)/profit before taxation from discontinued operations	(58)	(220)	**61**
Interest income	(23)	(9)	**(9)**
Interest expense	66	61	**56**
Share-based payment	—	1	**3**
Depreciation and depletion	346	285	**245**
Amortisation	3	2	**3**
Share of profits from joint venture	—	—	**(38)**
Share of profits from associate	(255)	(223)	**(522)**
Impairment losses	400	385	**84**
Unrealised foreign exchange loss/(gain)	2	(196)	**21**
Gain on disposal of investments	(5)	—	—
Loss on disposal of property, plant and equipment	2	1	—
Operating cash flows before changes in working capital and provisions	1,622	1,115	**1,494**
Increase in inventories	(4)	(133)	**(145)**
(Increase)/decrease in prepayments and other current assets	(21)	(42)	**66**
Decrease/(increase) in trade and other receivables	91	(89)	**(107)**
Increase in employee benefits	3	19	**8**
Increase in provisions	7	27	**28**
Increase in trade and other payables	54	46	**107**
Cash flows from operations before interest, income taxes and dividends from associate	1,752	943	**1,451**

Non-cash transactions

Included in the cash flow statement are the following non-cash transactions:

- As stated in note 7(a)(v) the Group capitalised depreciation of $13 million (2009: $3 million, 2008: $4 million) for property, plant and equipment and mining assets.

- The Group capitalised to intangible assets an amount of $4 million (2009: $6 million, 2008: $3 million) and de-recognised $7 million (2009: $nil, 2008: $nil) relating to provisions for contractual reimbursements payable to the Government for geological information and social commitments.

- The reassessment of the site restoration and clean up provisions during the year has resulted in the capitalisation of $11 million (2009: $nil, 2008: $nil) to property, plant and equipment, with a corresponding increase in the site restoration and clean up provisions.

- As stated in note 28(a), in July 2008 the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was $2,110 million. This represents a non-cash transaction for the purposes of the consolidated cash flow statement.

35. MOVEMENT IN NET (DEBT)/LIQUID FUNDS

$ million	At 1 January 2010	Cash flow	Attributable to discontinued operations	Net exchange translation	At 31 December 2010
Cash and cash equivalents	**903**	**182**	**29**	**(1)**	**1,113**
Current investments	**58**	**298**	**—**	**—**	**356**
Borrowings	**(1,650)**	**(283)**	**102**	**12**	**(1,819)**
Net debt	**(689)**	**197**	**131**	**11**	**(350)**

$ million	At 1 January 2009	Cash flow	Attributable to discontinued operations	Net exchange translation	At 31 December 2009
Cash and cash equivalents	540	464	(42)	(59)	903
Current investments	32	31	—	(5)	58
Borrowings	(2,200)	396	157	(3)	(1,650)
Net debt	(1,628)	891	115	(67)	(689)

$ million	At 1 January 2008	Business acquisition	Cash flow	Net exchange translation	At 31 December 2008
Cash and cash equivalents	439	—	101	—	540
Current investments	57	—	(25)	—	32
Borrowings	(198)	(159)	(1,854)	11	(2,200)
Net liquid funds/(debt)	298	(159)	(1,778)	11	(1,628)

36. FINANCIAL RISK MANAGEMENT

The financial information disclosed in the tables relating to the years ended 31 December 2010, 31 December 2009 and 31 December 2008 represents continuing operations only.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group's Treasury department in close cooperation with the Group's business divisions under oversight of a Treasury Committee, which is chaired by the Chief Financial Officer. The responsibilities of the Treasury Committee include the monitoring of financial risks, management of the Group's cash resources, debt funding programmes and capital structure, approval of counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Group. The Treasury department operates as a service centre to the business divisions of the Group and not as a profit centre.

A Group Treasury Policy has been approved by the Board and is periodically updated to reflect developments in the financial markets and the financial exposures facing the Group. The Treasury Policy covers specific areas of financial risk management, in particular liquidity risk, credit risk, interest rate risk, foreign exchange risk and commodity price risk. The Group's Treasury Committee and the Group's Internal Audit department monitor compliance with the Treasury Policy on a regular basis.

The Group's Treasury department prepares monthly treasury reports for senior management which monitor all major financial exposures and treasury activities undertaken by the Group.

In addition, a treasury report is prepared for each Board meeting which includes a summary of the credit markets and their impact on the implementation of the Group's strategy, progress on the Group's financing initiatives and the significant financial exposures faced by the Group.

The Group's principal financial instruments comprise borrowings, cash and cash equivalents, current investments and derivatives used for risk management purposes. The Group's borrowings, surplus liquidity and derivative financial instruments are controlled and managed centrally by the Group's Treasury department. Liquidity retained within Kazakhstan is only held for working capital purposes.

The Group's accounting policies with regard to financial instruments are detailed in note 3.

(a) Derivatives, financial instruments and risk management

The Group periodically uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices, interest rates and exchange rates. The Group's philosophy is generally not to hedge its core revenue streams. In periods of significant market volatility or uncertainty, the Group may use derivative instruments as a means of reducing volatility and any negative impact on its operating cash flows. Strict limits on the size and type of any derivative hedge transaction are laid down by the Board and subject to strict internal controls. The Group does not hold any speculative financial instruments.

In 2008 and 2009 in light of significant market volatility and disruption in the financial sector, the Group entered into a number of interest rate swap contracts to convert debt carried at floating rates into debt which is carried at fixed interest rates in order to reduce the volatility of finance costs. The swaps were closed out during 2009 and no positions remain outstanding in respect of 2010 or future years. No such instruments have been entered into in respect of 2010 or future years.

During 2008, forward commodity contracts were used, in limited situations, to hedge against copper quotational period differences arising on the price fixations between purchases of copper cathode by Kazakhmys Sales Ltd from Kazakhmys LLC and sales of copper cathode by Kazakhmys Sales Ltd to end customers.

During 2009, the Group entered into a hedging programme which was intended to cover production from the higher cost mines in the Zhezkazgan region such that the viability of these mines was protected in the event of a decrease in the copper price below $3,000 per tonne. The hedges covered 90kt, or approximately 30% of the estimated copper production for 2009, and established a price protecting floor and a cap to the price receivable on the hedged copper sales. As a result of the recovery in copper prices, losses under this hedging programme amounted to $129 million and were recognised within other operating expenses (see note 8(e)). The hedging programme terminated in December 2009 and no positions remain outstanding in respect of 2010 or future years. During 2010, no hedges were entered into.

MKM uses natural hedging arising on back-to-back purchase and supply contracts to manage, to the fullest extent possible, its economic exposure to changes in the price of copper. In the event of any timing mismatch on the purchase and supply contracts, MKM uses commodity futures to manage its short-term exposure to changes in the price of copper. All commodity hedge contracts are for short-term duration (less than 12 months).

For cash flow hedges, the pre-tax amount transferred from equity to the income statement during the year is a loss of $nil (2009: $138 million, 2008: a gain of $143 million). In the 2009 income statement, a $129 million loss (2008: $143 million gain) was included in other operating expenses and $9 million loss (2008: $nil) was included in finance costs. As at 31 December 2009 and 2010 there are no amounts retained in equity as all the cash flow hedges have matured.

(b) Categories of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities by categories are as follows:

$ million	Notes	2008	2009	2010
Loans and receivables[1]	25,26,27	810	1,118	**1,742**
Financial liabilities measured at amortised cost[2]	30,32,33	(2,704)	(1,874)	**(2,202)**
Financial liabilities at fair value through profit or loss[3]		(2)	—	**—**

1 Loans and receivables comprise other non-current investments, trade and other receivables, current investments and cash and cash equivalents.

2 Financial liabilities measured at amortised cost comprise borrowings, provision for cash payments (payments for licences), trade and other payables (excluding payments received in advance and taxes payable that are non-financial instruments) and dividends payable by subsidiaries.

3 Financial liabilities at fair value through profit or loss comprise derivative financial instruments.

(c) Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by an operating company in currencies other than that company's functional currency. The functional currency of Kazakhmys LLC, Kazakhmys Power, Kazakhmys Gold and Kazakhmys Petroleum is the Kazakhstan tenge, with MKM having a Euro functional currency, Kazakhmys Services Ltd having a UK sterling functional currency, and the Company and the other entities within the Group having a US dollar functional currency. The currencies giving rise to this foreign currency risk are primarily the US dollar based revenues and certain costs, bank deposits, trade receivables and certain trade payables of Kazakhmys LLC, and the US dollar and UK sterling balances in respect of certain revenues, and trade receivables and payables of MKM. The Group generally does not enter into hedging positions in respect of its exposure to foreign currency risk.

No foreign exchange hedge transactions were entered into during 2010, 2009 and 2008.

(i) Foreign currency exposure by company profile

The analysis in the table below of the net monetary assets and liabilities (including intercompany amounts) indicates the Group's exposure to currencies other than the functional currency of a company. These exposures represent the transactional exposures that may give rise to net currency gains and losses recognised in the income statement. As at 31 December 2010, 2009 and 2008 these exposures were as follows:

$ million	US dollar	UK sterling	Euro	KZT	Other
2010					
Company	**n/a**	**2**	**—**	**—**	**—**
Kazakhmys LLC	**376**	**—**	**—**	**n/a**	**(1)**
Kazakhmys Gold	**(54)**	**—**	**—**	**n/a**	**—**
Kazakhmys Petroleum	**(6)**	**—**	**—**	**n/a**	**—**
Other non-trading or holding companies	**(1)**	**(2)**	**18**	**(3)**	**—**
	315	**—**	**18**	**(3)**	**(1)**

$ million	US dollar	UK sterling	Euro	KZT	Other
2009					
Company	n/a	7	—	—	—
Kazakhmys LLC	2,131	—	—	n/a	—
Kazakhmys Gold	21	—	(1)	n/a	—
Kazakhmys Petroleum	(14)	—	—	n/a	—
Other non-trading or holding companies	(54)	—	—	1	1
	2,084	7	(1)	1	1

$ million	US dollar	UK sterling	Euro	KZT	Other
2008					
Company	n/a	—	—	—	—
MKM	23	7	n/a	—	1
Kazakhmys LLC	1,754	—	(3)	n/a	(3)
Kazakhmys Power	(267)	—	—	n/a	2
Kazakhmys Gold	6	—	—	n/a	—
Kazakhmys Petroleum	(25)	—	—	n/a	—
Other non-trading or holding companies	n/a	—	—	1	(3)
	1,491	7	(3)	1	(3)

(d) Foreign currency exposure by balance sheet account profile

The Group's exposure to foreign currency risk based on notional amounts is shown below:

$ million	US dollar	UK sterling	Euro	KZT	Other	Total
2010						
Trade and other receivables	**429**	**2**	**—**	**—**	**—**	**431**
Current investments	**53**	**—**	**—**	**—**	**—**	**53**
Cash and cash equivalents	**142**	**4**	**20**	**—**	**—**	**166**
Provisions for cash payments	**(69)**	**—**	**—**	**—**	**—**	**(69)**
Borrowings	**(82)**	**—**	**—**	**—**	**—**	**(82)**
Trade and other payables	**(158)**	**(6)**	**(2)**	**(3)**	**(1)**	**(170)**
	315	**—**	**18**	**(3)**	**(1)**	**329**

$ million	US dollar	UK sterling	Euro	KZT	Other	Total
2009						
Trade and other receivables	2,105	7	—	—	—	2,112
Current investments	53	—	—	—	—	53
Cash and cash equivalents	121	—	1	1	1	124
Provisions for cash payments	(75)	—	—	—	—	(75)
Borrowings	(86)	—	—	—	—	(86)
Trade and other payables	(34)	—	(2)	—	—	(36)
	2,084	7	(1)	1	1	2,092

$ million	US dollar	UK sterling	Euro	KZT	Other	Total
2008						
Trade and other receivables	1,682	7	—	—	1	1,690
Current investments	25	—	—	—	—	25
Cash and cash equivalents	141	—	—	1	1	143
Provisions for cash payments	(74)	—	—	—	—	(74)
Borrowings	(188)	—	—	—	—	(188)
Trade and other payables	(95)	—	(3)	—	(5)	(103)
	1,491	7	(3)	1	(3)	1,493

(e) Foreign currency sensitivity analysis

In accordance with IFRS 7, the impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2010. This sensitivity does not represent the income statement impact that would be expected from a movement in exchange rates over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% strengthening of the US dollar against the following currencies at 31 December would have increased equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009 and 2008:

	Impact on profit		
$ million	2008	2009	2010
KZT	134	215	**31**
Euro	2	—	**3**
UK sterling	—	1	**3**

A 10% weakening of the US dollar against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(f) Commodity price risk

The Group is exposed to the effect of fluctuations in the price of copper, which is quoted in US dollars on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of copper prices in the future. The Group is also exposed, to a lesser degree, to the prices of other metals, including zinc, gold and silver, which are products produced by the Group as by-products of the copper production process.

In accordance with IFRS 7, the impact of commodity prices has been determined based on the balances of financial assets and liabilities at 31 December 2010. This sensitivity does not represent the income statement impact that would be expected from a movement in commodity prices over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% increase/(decrease) in commodity prices would have increased/(decreased) profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular costs, remain constant. The analysis is performed on the same basis for 2009 and 2008:

	Impact on profit		
	2008	2009	2010
$ million			
Copper	1	1	**1**

As explained in note 36(a) above, the Group used forward commodity contracts to hedge against quotational period differences arising on price fixations within the UK sales operation during 2008, and for 2009 the Group entered into a hedging programme to protect the viability of higher cost mines in the Zhezkazgan region in the event of a decrease in the copper price below $3,000 per tonne. There were no commodity hedge contracts outstanding as at 31 December 2010, 2009 and 2008.

(g) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits. The Group's interest rate management policy is to generally borrow and invest at floating rates of interest. In some circumstances, an element of fixed rate funding may be considered appropriate. A limited amount of fixed rate hedging using interest rate swaps may be undertaken during periods where the Group's exposure to movements in short-term interest rates is more significant, or in periods when interest rates are perceived to be below long-term historical levels.

At 31 December 2010 and 2009 all borrowings were at floating rates (2008: 64% of the total debt was at a fixed rate). The exposure of the Group's financial assets and liabilities to interest rate risk is as follows:

	At 31 December 2010			
$ million	**Floating rate**	**Fixed rate**	**Non-interest bearing**	**Total**
Financial assets				
Non-current investments	**—**	**7**	**2**	**9**
Trade and other receivables	**—**	**—**	**264**	**264**
Current investments	**—**	**356**	**—**	**356**
Cash and cash equivalents	**372**	**709**	**32**	**1,113**
Total financial assets	**372**	**1,072**	**298**	**1,742**
Financial liabilities				
Provisions for cash payments	**—**	**69**	**—**	**69**
Borrowings	**1,819**	**—**	**—**	**1,819**
Trade and other payables[1]	**—**	**—**	**312**	**312**
Dividends payable	**—**	**—**	**2**	**2**
Total financial liabilities	**1,819**	**69**	**314**	**2,202**

1 Trade and other payables exclude payments received in advance and taxes payable that are non-financial instruments.

	At 31 December 2009			
$ million	**Floating rate**	**Fixed rate**	**Non-interest bearing**	**Total**
Financial assets				
Non-current investments	—	2	5	7
Trade and other receivables	—	—	150	150
Current investments	—	58	—	58
Cash and cash equivalents	245	616	42	903
Total financial assets	245	676	197	1,118
Financial liabilities				
Provisions for cash payments	—	75	—	75
Borrowings	1,650	—	—	1,650
Trade and other payables[1]	—	—	147	147
Dividends payable	—	—	2	2
Total financial liabilities	1,650	75	149	1,874

1 Trade and other payables exclude payments received in advance and taxes payable that are non-financial instruments.

$ million	At 31 December 2008			
	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets				
Non-current investments	1	2	2	5
Trade and other receivables	—	—	233	233
Current investments	—	32	—	32
Cash and cash equivalents	243	246	51	540
Total financial assets	244	280	286	810
Financial liabilities				
Provisions for cash payments	—	239	18	257
Borrowings[1]	800	1,400	—	2,200
Trade and other payables[2]	—	—	245	245
Derivative financial instruments	—	2	—	2
Dividends payable	—	—	2	2
Total financial liabilities	800	1,641	265	2,706

1 Of the floating rate borrowings of $2,200 million, $1,400 million has been hedged using interest rate swap contracts from floating to fixed rate (see below).

2 Trade and other payables exclude payments received in advance and taxes payable that are non-financial instruments.

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as LIBOR). Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

In accordance with IFRS 7, the impact of interest rates has been determined based on the balances of financial assets and liabilities at 31 December 2010. This sensitivity does not represent the income statement impact that would be expected from a movement in interest rates or outstanding borrowings over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. Considering the net debt position of the Group at 31 December 2010, any increase in interest rates would result in a net loss in the consolidated income statement, and any decrease in interest rates would result in a net gain. The effect on profit after tax of a 10% movement in US$ LIBOR and EURIBOR rates, based on the year-end borrowings and with all other variables held constant, is estimated to be $5.2 million (2009: $1.7 million, 2008: $1.7 million).

(h) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets. Investments in cash and cash equivalents, current investments and derivative financial instruments are with approved counterparty banks and other financial institutions in accordance with the Group's Treasury Policy. Counterparties are assessed prior to, during, and after the conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Credit risk relating to trade receivables

Given the number and geographical spread of the Group's ultimate customers and the solvency of major trade debtors, credit risk is believed to be limited in respect of trade receivables. The Group regularly monitors its exposure to bad debts in order to minimise this exposure.

Customer credit risk is managed by each division but is subject to Group oversight to ensure that each division's customer credit risk management system operates in a prudent and responsible manner. Credit evaluations are performed for all major customers and credit limits are established based on internal or external rating criteria. The credit quality of the Group's significant customers is monitored on an on-going basis, and receivables that are neither past due nor impaired are considered of good credit quality.

Letters of credit are obtained where customer credit quality is not considered strong enough for open credit.

There were no material impairments of trade receivables as at 31 December 2010, 2009 or 2008. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets.

Within Kazakhmys Copper, cash is received prior to delivery and transfer of title of the goods for sales to European customers. Sales to Chinese customers are made under letters of credit which are obtained prior to delivery and transfer of title of the goods.

Payment from European and Chinese customers is subject to provisional pricing and then final pricing adjustments. Kazakhmys Copper is therefore exposed to the residual final pricing adjustment for each sales transaction although such amounts are not considered material.

Kazakhmys LLC also provides certain social services to municipal authorities in the communities in which it operates as part of its contractual obligations under its subsoil licences. For most receivable balances due from municipal authorities, full provision is recognised in light of past payment history.

Kazakhmys Gold has a single long standing customer with short payment terms which are agreed via an annual sales contract.

Kazakhmys Power receives cash upfront or has short payment terms depending on the nature of the customer.

MKM has put in place credit insurance for the majority of its sales and credit limits are set by the credit insurance company depending on the financial strength and location of each customer. For those sales where credit insurance is not available, short payment terms and regular dialogue with customers ensures credit risk is kept to a minimum.

As at 31 December 2010, 10 (2009: 10, 2008: 10) customers accounted for 80% (2009: 87%, 2008: 34%) of the trade and other receivables balance of Kazakhmys Copper. By 23 March 2011, 98% (24 March 2010: 81%, 25 March 2009: 98%) of year-end balances due from these customers had been received in full.

(i) Risk for trade receivables by geographical region

The maximum exposure to credit risk for trade receivables at 31 December by geographic areas was:

	2008	2009	2010
$ million			
Europe	78	19	**79**
China	77	78	**135**
Kazakhstan	48	52	**41**
Other	30	1	**9**
	233	150	**264**

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

	2008		2009		2010	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
$ million						
Not past due	127	—	138	—	**213**	**—**
Past due 0-90 days	102	(2)	10	(2)	**41**	**(1)**
Past due 91-180 days	6	(2)	8	(5)	**10**	**(1)**
Past due 181-270 days	8	(6)	5	(4)	**4**	**(2)**
More than 270 days	34	(34)	41	(41)	**55**	**(55)**
	277	(44)	202	(52)	**323**	**(59)**

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

	2008	2009	2010
$ million			
At 1 January	33	44	**52**
Charged to income statement	10	23	**7**
Attributable to discontinued transactions	4	3	**—**
Written off	(3)	(2)	**—**
Transfer to assets classified as held for sale	—	(10)	**—**
Net exchange adjustment	—	(6)	**—**
At 31 December	44	52	**59**

(iii) Credit risk related to financial instruments and cash deposits

Credit risk relating to the Group's other financial assets, comprising principally cash and cash equivalents, current investments and derivative financial instruments arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the Group's Treasury Committee in accordance with a Board approved Treasury Policy. Investment of cash and deposits are made only with approved counterparties of high credit worthiness and within credit limits assigned to each counterparty. In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes, with the funds in the UK being held primarily with major European and US financial institutions with minimum ratings of Standard & Poors 'A-' and Moodys' 'A3' and triple-'A' rated liquidity funds. These limits are reviewed on a regular basis to take account of developments in financial markets and updated accordingly. The limits are set to minimise the concentration of risks and therefore mitigate any financial loss through potential counterparty failure.

No material exposure is considered to exist by virtue of the possible non performance of the counterparties to derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

$ million	2008	2009	2010
Non-current investments	5	7	**9**
Trade and other receivables	233	150	**264**
Current investments	32	58	**356**
Cash and cash equivalents	540	903	**1,113**
	810	1,118	**1,742**

(i) Liquidity risk

The Group maintains a balance between availability of funding and maximising investment return on its liquid resources through the use of liquid cash investments of varying maturities, credit facilities and longer term debt instruments. Management regularly reviews the funding requirements of the Group in selecting appropriate maturities for its liquid cash investments.

In the event that bank term deposits in Kazakhstan need to be liquidated at short notice in advance of their contracted maturity date, the terms of these investments permit their immediate conversion to cash, and in some instances, the forfeiture of interest accrued to the date of liquidation.

The Group's policy is to centralise debt and surplus cash balances to the maximum extent possible.

Undrawn general and corporate facilities

$ million	2008	2009	2010
Revolving credit facilities (within Kazakhmys Finance PLC)	200	150	**300**
Letter of credit and bank guarantee facilities (within Kazakhmys LLC)	79	60	**70**
Credit lines	279	210	**370**

Maturity of financial assets and liabilities

The table below analyses the Group's financial assets and liabilities, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
$ million						
2010						
Provisions for cash payments[1]	**—**	**—**	**(8)**	**(49)**	**(47)**	**(104)**
Borrowings[2]	**—**	**(143)**	**(429)**	**(1,024)**	**(554)**	**(2,150)**
Trade and other payables[3]	**—**	**(312)**	**—**	**—**	**—**	**(312)**
Dividends payable	**(2)**	**—**	**—**	**—**	**—**	**(2)**
	(2)	**(455)**	**(437)**	**(1,073)**	**(601)**	**(2,568)**
Non-current investments	**—**	**—**	**—**	**9**	**—**	**9**
Trade and other receivables	**—**	**264**	**—**	**—**	**—**	**264**
Current investments	**—**	**—**	**356**	**—**	**—**	**356**
Cash and cash equivalents[4]	**207**	**906**	**—**	**—**	**—**	**1,113**
	207	**1,170**	**356**	**9**	**—**	**1,742**
	205	**715**	**(81)**	**(1,064)**	**(601)**	**(826)**

1 Provisions for cash payments are presented on an undiscounted gross basis.
2 Borrowings include expected future interest payments.
3 Trade and other payables exclude payments received in advance and taxes payable that are non-financial instruments.
4 Includes approximately $500 million (2009: $nil, 2008: $nil) cash drawn down under the CDB/Samruk-Kazyna financing line which is reserved for specific development projects in accordance with the relevant facility agreements (see note 30).

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
$ million						
2009						
Provisions for cash payments[1]	—	—	(17)	(48)	(38)	(103)
Borrowings[2]	—	(137)	(410)	(1,149)	—	(1,696)
Trade and other payables[3]	—	(147)	—	—	—	(147)
Dividends payable	(2)	—	—	—	—	(2)
	(2)	(284)	(427)	(1,197)	(38)	(1,948)
Non-current investments	—	—	—	7	—	7
Trade and other receivables	—	150	—	—	—	150
Current investments	—	—	58	—	—	58
Cash and cash equivalents	326	577	—	—	—	903
	326	727	58	7	—	1,118
	324	443	(369)	(1,190)	(38)	(830)

1 Provisions for cash payments are presented on an undiscounted gross basis.
2 Borrowings include expected future interest payments.
3 Trade and other payables exclude payments received in advance and taxes payable that are non-financial instruments.

$ million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2008						
Provisions for cash payments[1]	—	(3)	(104)	(155)	(45)	(307)
Borrowings[2]	—	(62)	(499)	(1,804)	—	(2,365)
Trade and other payables[3]	—	(245)	—	—	—	(245)
Derivative financial instruments	—	—	(2)	—	—	(2)
Dividends payable	(2)	—	—	—	—	(2)
	(2)	(310)	(605)	(1,959)	(45)	(2,921)
Non-current investments	—	—	—	5	—	5
Trade and other receivables	—	233	—	—	—	233
Current investments	—	—	32	—	—	32
Cash and cash equivalents	496	44	—	—	—	540
	496	277	32	5	—	810
	494	(33)	(573)	(1,954)	(45)	(2,111)

1 Provisions for cash payments are presented on an undiscounted gross basis.
2 Borrowings include expected future interest payments.
3 Trade and other payables exclude payments received in advance and taxes payable that are non-financial instruments.

(j) Fair value of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the Consolidated Historical Financial Information.

	2008		2009		2010	
$ million	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Non-current investments	5	5	7	7	**9**	**9**
Trade and other receivables	233	231	150	150	**264**	**264**
Current investments	32	32	58	58	**356**	**356**
Cash and cash equivalents	540	540	903	903	**1,113**	**1,113**
Provisions for cash payments	(257)	(257)	(75)	(75)	**(69)**	**(69)**
Borrowings	(2,200)	(2,147)	(1,650)	(1,606)	**(1,819)**	**(1,819)**
Trade and other payables[1]	(245)	(243)	(147)	(147)	**(312)**	**(312)**
Derivative financial instruments	(2)	(2)	—	—	**—**	**—**
Dividends payable	(2)	(2)	(2)	(2)	**(2)**	**(2)**
	(1,896)	(1,843)	(756)	(712)	**(460)**	**(460)**

1 Trade and other payables exclude payments received in advance and taxes payable that are non-financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- cash and cash equivalents, current investments, trade and other receivables, trade and other payables and dividends payable approximate to their carrying amounts largely due to the short-term maturities of these instruments;

- during 2008 and 2009, the Group entered into interest rate swaps with various bank counterparties. The fair value of interest rate swaps were estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument;
- provisions for cash payments are discounted back to their present value; and
- the fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt and remaining maturities.

(k) Capital management

The over-riding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the commodity cycle and to maintain an optimal capital structure with a view to maximising returns to shareholders (either through ordinary or special dividends, or share buy-backs) and benefits to other stakeholders by reducing the Group's cost of capital.

At 31 December 2010, total capital employed (which comprises equity shareholders' funds, non-controlling interests and borrowings) of the Group amounted to $10,038 million (2009: $8,245 million, 2008: $9,697 million). Total capital employed is the measure of capital that is used by the Directors in managing capital.

As a result of acquisitions made during 2008 and the development of the Group's major projects during 2009 and 2010, the Group has moved into a net debt position from continuing operations of $350 million as at 31 December 2010 (2009: $689 million, 2008: $1,628 million). The Group manages net debt to ensure that it does not exceed two times normalised EBITDA through the commodity cycle, where normalised EBITDA excludes special items and equity accounted earnings from ENRC and Ekibastuz GRES-1 LLP (from 27 February 2010). Included within the debt facilities are financial covenants related to maximum borrowing levels (determined by reference to Net Debt to EBITDA and Debt to Equity ratios) and minimum tangible net worth for which compliance certificates are produced. All financial covenants were fully complied with during the year and up to the date of approval of the Consolidated Historical Financial Information. There are no covenants under negotiation at present.

37. COMMITMENTS AND CONTINGENCIES

(a) Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The Directors believe that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Group. As of 31 December 2010, 2009 and 2008, the Group was not involved in any significant legal proceedings, including arbitration.

(b) Kazakhstan taxation contingencies

(i) Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities. Kazakhstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. The Directors' interpretation of tax legislation as applied to the transactions and activities of the Group may not coincide with that of the tax authorities. As a result, the tax authorities may challenge transactions and the Group may be assessed with additional taxes, penalties and fines which could have a material adverse effect on the Group's financial position and results of operations.

(ii) Status of tax audits

Corporate income taxes

Kazakhmys Copper—31 December 2010 and 2009

During 2010, a tax audit for the years 2006 to 2008 was commenced at Kazakhmys LLC whose scope includes corporate income tax, value added tax, environmental taxes and other taxes charged to the income statement. In addition, the scope of the tax audit extends to excess profit tax for the period from the commencement date when subsoil use contracts were initially entered into until the end of 2008. The tax computation for the year ended 31 December 2009 remains open for inspection during a future tax audit. Consequently, the tax figures recorded in the Consolidated Historical Financial Information for these years may be subject to change depending on the conclusions reached.

Kazakhmys Power—Year ended 31 December 2008

Ekibastuz LLP was the subject of a tax audit for the years 2002 to 2006 with the main issue under discussion with the tax authorities surrounding the utilisation of carry-forward tax losses. The courts ruled in favour of the company, but the tax authorities have given notice that they intend to appeal against the judgement, with the appeal due to take place in 2009. In addition, Maikuben West LLP was the subject of a tax audit for the years 2003 to 2006. The courts ruled in favour of the company, but the tax authorities have given notice that they intend to appeal against the judgement, with the appeal due to take place in 2009. Management provided for its view of the potential exposure arising from the tax audits within Kazakhmys Power as at 31 December 2008, including fines and penalties, although the tax authorities may be successful in their challenges which could result in higher liabilities than those which have been provided.

Transfer pricing

Kazakhmys Copper—31 December 2010 and 2009

New transfer pricing legislation came into force on 1 January 2009. This new legislation removed the 10% safe harbour provision which was permitted under the previous transfer pricing legislation and has been replaced by the concept of the "arm's length principle." However, this new legislation did not fully reflect the arm's length concept which forms the underlying basis of transfer pricing legislation within many OECD countries. Subsequent to this new legislation being enacted, amendments to the new legislation were passed into law in June 2010 largely with a retrospective effect from 1 January 2009 which clarified certain areas of interpretation, including the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities. Notwithstanding these amendments, Kazakhmys LLC has recognised a transfer pricing provision of $28 million and $19 million at 31 December 2009 and 2010, respectively, based on the Directors' interpretation of the new transfer pricing legislation (including the impact of the amendments passed into law in June 2010) and the prevailing status of discussions with the tax authorities. The risk remains that the tax authorities may take a different position with regards to the interpretation of the new transfer pricing legislation, and amendments thereof, and the outcome of discussions with the Kazakhstan tax authorities may be materially different from management's expectations.

Kazakhmys Copper—31 December 2008

During 2007, Kazakhmys LLC was subject to a transfer pricing audit for the years 2001 to 2005. In producing the tax audit act arising from the transfer pricing audit for 2001 to 2005, the tax authorities allowed for a 10% deviation from LME and LBMA market prices, and also assumed that average LME prices for the month preceding the month when the bill of lading was issued were relevant for the purposes of transfer pricing rather than the quotation periods stipulated in the contracts that were used in determining revenues for accounting purposes. This same criteria was applied to 2008 export sales and therefore management believed that Kazakhmys LLC did not bear the risk of additional tax exposures relating to 2008 export sales. Assuming the approach adopted by the tax authorities in future tax audits is consistent with that which had been applied in prior years, no tax provision was made by Kazakhmys LLC in relation to transfer pricing on 2008 export sales. However, the risk remains that the Kazakhstan tax authorities may take a different approach at the time of a future tax audit, and seek to impose additional tax assessments for transfer pricing for the years 2006, 2007 and 2008.

Excess Profit Tax

Kazakhmys Copper—31 December 2010, 2009 and 2008

The issuance of the tax audit act following the tax audit performed in 2006 implicitly confirmed management's approach to excess profits tax for the years subject to audit (2003 to 2005). The cumulative nature of excess profits tax calculations may result in a further assessment of excess profits tax for the years already subject to audit if subsequent tax audits challenge the methodology adopted by Kazakhmys LLC. However, the Directors believe the excess profits tax methodology adopted by Kazakhmys LLC is in compliance with legislation, and interpretations thereof, and has been applied to the years subsequent to the period of the tax audit, i.e. 2006 to 2008. The Group has fully provided in its Consolidated Historical Financial Information for the potential tax liabilities relating to the application of excess profits tax using the methodology adopted by Kazakhmys LLC.

New tax legislation came into force in Kazakhstan on 1 January 2009 which removed the tax stabilisation of subsoil use contracts and changed the excess profits tax methodology. Based on production and material flows for the year ended 31 December 2009 within Kazakhmys LLC, the Directors' interpretation of the new tax legislation is that excess profits tax is no longer levied on Kazakhmys LLC's operations. The Directors' position is supported by discussions and correspondence with the Governmental authorities. However, the risk remains that the tax authorities may take a different position with regards to the interpretation of the new legislation and seek to impose excess profits tax on Kazakhmys LLC's operations for the years subsequent to 2008.

Other taxes

Kazakhmys Copper—environmental pollution charge ("EPC") 31 December 2010

The tax audit being conducted for the years 2006 to 2008 referred to above, identified a potential exposure related to EPC resulting from a difference in interpretation on the applicability of the "Law on Foreign Investment" dated 27 December 1994 (the "Law"). The Law grants foreign investors stability, *inter alia*, over taxes and related legislative matters, for a period of 10 years from the date of investment by a foreign investor or from the commencement of the relevant operating licence being awarded to a foreign investor. In 1999, the relevant state agency confirmed that the predecessor company to Kazakhmys LLC was eligible for stabilisation under the Law, and consequently Kazakhmys LLC applied stabilised EPC rates in earlier years when calculating its EPC liabilities to 2008. The tax authorities have challenged the eligibility of Kazakhmys LLC to apply stabilised EPC rates under the Law.

The Directors have assessed the position of Kazakhmys LLC and have made a provision reflecting the probability that a settlement will be negotiated with the tax authorities following agreement being reached on the interpretation of the Law. The risk remains that the tax authorities or courts may take a different position with regards to the interpretation of the Law and its applicability to Kazakhmys LLC, and additional charges may arise over and above the provision recognised in the Consolidated Historical Financial Information as at 31 December 2010 (see note 32).

(iii) Period for additional tax assessments

The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes, except for excess profits tax. In respect of excess profits tax, they are able to raise additional tax assessments for five years after the expiration of the terms of the relevant subsoil contract.

(iv) Possible additional tax liabilities

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in Kazakhstan and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the Directors to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Group may be liable.

(c) UK taxation contingencies

(i) Status of tax audits

31 December 2010 and 2009

No tax audits have been commissioned for the UK companies, however the 2009 tax computation remains open to enquiry by the tax authorities until 31 January 2012. Consequently, the tax figures recorded in the Consolidated Historical Financial Information as they may relate to the 2009 tax computation may be subject to change.

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in the UK and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise.

31 December 2008

In 2008, the UK tax authorities agreed the 2005 tax computation for the Company but the 2006 and 2007 tax computations remained open for inspection. Consequently, the tax figures recorded in the financial statements for these years may be subject to change. The Directors believe that the Group is in substantial compliance with the tax laws promulgated in the UK and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise.

(ii) Transfer pricing

The Directors believe the Group is in substantial compliance with regards to UK transfer pricing legislation as an appropriate profit margin has been generated within the UK sales operation since its formation at the time of Listing to cover the transfer of risks and rewards from Kazakhstan to the UK.

(d) Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group has purchased a catastrophic insurance programme in the London market to mitigate the effect of the loss or damage of certain of its assets located at its facilities and the resultant business interruption, although such a programme may not provide full cover in the event of a major loss. The Group does not have material third party liability coverage in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. There is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(e) Environmental contingencies

Environmental regulations in Kazakhstan are continually evolving and new emissions legislation is expected to become effective from 2012. The outcome of the environmental regulations under proposal or any future environmental legislation cannot be reliably estimated at present. As obligations are determined, they will be provided for in accordance with the Group's accounting policies. The Directors believe that there are no significant liabilities under current legislation not accrued for in the Group's Consolidated Historical Financial Information, however they recognise that any future changes in legislation may have a significant impact on the Group's results. The provision that has been made for costs associated with restoration and abandonment of mine sites upon depletion of deposits (see note 32), is based upon the estimation of the Group's specialists. Where events occur that change the level of estimated future costs for these activities, the provision will be adjusted accordingly.

(f) Use of subsoil and exploration rights

In Kazakhstan, all subsoil reserves belong to the State, with the Ministry of Industry and New Technologies (the 'Ministry') granting exploration and production rights to third party bodies. Subsoil and exploration rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. These rights may be terminated by the Ministry if the Group does not satisfy its contractual obligations. The current subsoil rights will expire at varying dates up to 2062. In respect of Kazakhmys Petroleum the exploration contract will expire in May 2011 and the Group formally commenced the application process for the renewal of the exploration contract in February 2011.

(g) Other commitments

The table below sets out the Group's expenditure commitments in property, plant and equipment as at 31 December 2010, 2009 and 2008:

$ million	2008	2009	2010
Property, plant and equipment	298	196	**155**

The Group has capital expenditure commitments for the purchase of property, plant and equipment as well as commitments under its mining subsoil agreements and the petroleum exploration licence. Committed expenditure under these subsoil agreements relates to investments in community-related projects, and includes investments in social sphere assets, infrastructure and public utilities.

(h) Operating lease commitments

The operating lease expense for the year was $4 million (2009: $1 million, 2008: $1 million). At 31 December 2010, 2009 and 2008, the Group had the following total commitments under non-cancellable operating leases:

$ million	2008	2009	2010
Within one year	5	4	**5**
After one year but not more than five years	26	23	**23**
More than five years	73	54	**59**
	104	81	**87**

(i) Discontinued operations—German taxation contingencies

(i) Status of tax audits

In 2007 the German tax authorities finalised a tax audit of MKM for the years 1999 to 2002. The tax audit for the years from 2003 to 2005 is currently underway and the years 2006 to 2008 remain open for inspection. Consequently, the tax figures recorded in the Consolidated Historical Financial Information for these years may be subject to change.

The Directors believe that the Group is in substantial compliance with the tax laws promulgated in Germany and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional material tax liabilities will arise.

38. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Companies related to the Government				
2010	**—**	**—**	**—**	**—**
2009	—	—	—	681
2008	—	—	—	—
Companies under trust management[1]				
2010	**13**	**8**	**47**	**2**
2009	16	7	41	2
2008	14	11	37	1
Other[1]				
2010	**3**	**23**	**7**	**2**
2009	2	29	27	3
2008	4	48	13	9

1 A provision of $47 million (2009: $43 million, 2008: $25 million) has been set against the amounts owed by related parties. The bad debt expense in relation to related parties was $4 million for the period (2009: $23 million, 2008: $7 million).

(i) Government

Share ownership in the Company

On 24 July 2008, the Company issued 80,286,050 ordinary shares to the State Property and Privatisation Committee of the Government, thereby making the Government a 15% shareholder of the Company and a related party with effect from this date.

On 4 October 2010, the Group's Chairman, Vladimir Kim, sold 58,876,793 ordinary shares, approximately 11.0% of Kazakhmys' shares in issue, to Samruk-Kazyna. As a result of the transaction, the Government's interest in the Group increased to 139,162,843 ordinary shares, representing approximately 26.0% of the shares in issue. The Government's interest is held via The State Property & Privatisation Committee's existing 15.0% holding and the 11.0% shareholding of Samruk-Kazyna.

Sale of 50% of Ekibastuz GRES-1 LLP to Samruk-Kazyna

In December 2009 it was announced that the Group had agreed to dispose of 50% of Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power division, to Samruk-Kazyna, for consideration of $681 million. The transaction completed on 26 February 2010.

China Development Bank ("CDB") and Samruk-Kazyna financing line

As explained in note 30, the Group secured a $2.7 billion financing line with Samruk-Kazyna and the CDB. The terms and conditions of the financing line, including a guarantee issued by the Group over the debt obligations of Samruk-Kazyna to the CDB under the financing line, are considered to be on an arm's length basis.

Other transactions

Throughout the normal course of business, the Group conducts transactions with entities controlled by the Government. The principal activities relate to the payment of electricity transmission fees, use of railway infrastructure and payments to tax authorities. Transactions between the Group and Government departments and agencies are considered to be related party transactions. Disclosure of these routine transactions is not made where all of the following criteria are met:

- they were done in the ordinary course of business of the Government department and/or company;
- there is no choice of suppliers; and
- they have terms and conditions (including prices, privileges, credit terms, regulations etc.) that are consistently applied to all entities, public or private.

The Group did not have any non-arm's length or privileged transactions with entities controlled by the Government.

Dividend payment

The Government's share of the dividend paid by the Company in 2010 was $12 million (2009: $nil, 2008: $11 million).

(ii) ENRC

In 2010 the Group received dividends of $62 million from ENRC, the associated undertaking (2009: $84 million, 2008: $38 million).

(iii) Companies under trust management agreements

The Group operates a number of companies under trust management agreements with local and state authorities. The activities include heating distribution systems, road maintenance and aviation services. The purpose of these agreements is to provide public and social services without any material financial benefit for the Group.

(iv) Other

Transactions with other companies primarily relate to the provision of goods and services, on an arm's length basis, with companies whose boards or shareholders include members of senior management from the Group's subsidiaries.

During 2009 for commercial purposes, Kazakhmys LLC advanced amounts totalling $25 million to Eduard Ogay, the Chief Executive of Kazakhmys LLC, who engaged third parties to negotiate with suppliers to ensure that competitive terms and pricing were being obtained for the benefit of Kazakhmys LLC. The third parties repaid $5 million of the amounts advanced back to Eduard Ogay by 31 December 2009, who in turn repaid these amounts to Kazakhmys

LLC, such that the amount outstanding at 31 December 2009 was $20 million. This amount was repaid to Kazakhmys LLC by 29 March 2010. No further advances of this nature were made to Eduard Ogay by Kazakhmys LLC after 29 March 2010.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

39. COMPANY NON-CURRENT INVESTMENTS

$ million	2008	2009	2010
Cost			
At 1 January	2,819	7,289	**7,311**
Additions	2,350	22	**—**
Acquisition of ENRC shares via share exchange	2,110	—	**—**
Capitalised issuance costs	10	—	**—**
At 31 December	7,289	7,311	**7,311**
Provision for impairment			
At 1 January	—	991	**1,030**
Charged to the income statement	991	39	**—**
At 31 December	991	1,030	**1,030**
Net book value	6,298	6,281	**6,281**

(i) Kazakhmys LLC

During 2008, a Group reorganisation took place such that the Company's investment in Kazakhmys LLC was transferred to an intermediate holding company through a share for share exchange. As at 31 December 2010, Kazakhmys LLC is indirectly held by the Company whose beneficial interest is 99.73% (2009: 99.73%, 2008: 99.73%).

(ii) ENRC

The Company, via an intermediate holding company, holds 334,824,860 shares in ENRC representing 26.0% of the issued share capital (2009: 334,824,860 shares, 2008: 334,824,860 shares).

(iii) Other investments

Balances within additions reflect investments in intermediate holding companies through which the Group's entities are held in MKM, Kazakhmys Power, Kazakhmys Gold, Kazakhmys Petroleum and associated capitalised acquisition costs. The Company acquired these investments in intermediate holding companies through share for share exchanges.

40. COMPANY INTERCOMPANY AMOUNTS

Intercompany loans receivable of the Company as at 31 December 2010 includes $509 million due from Kazakhmys Finance PLC (2009: $32 million, 2008: $nil) which has been advanced by the Company for general corporate purposes. This balance is repayable on demand and accrues interest at US$ LIBOR minus 10 bps.

Intercompany borrowings of the Company at 31 December 2009 included:

- an amount of $1,463 million due to Kazakhmys Sales Limited, the Group's UK sales company, which was put in place following the novation of the previous loan payable to Kazakhmys LLC. This amount was fully repaid in August 2010 and was non-interest bearing.
- working capital balances owed to Kazakhmys Sales Limited amounting to $203 million (2008: $37 million). These balances were non-interest bearing and repayable on demand.
- at 31 December 2008 an amount of $2,046 million was due to Kazakhmys Finance PLC, the Group's financing company, which was advanced to the Company for the acquisition of the Kazakhmys Power business and incremental shares in ENRC and which has since been repaid. The amount was fully paid up in 2009.

41. COMPANY TRADE AND OTHER RECEIVABLES

$ million	2008	2009	2010
Intercompany receivables	22	—	**81**
Group tax relief receivables	—	—	**12**
Other receivables	—	7	**11**
	22	7	**104**

Kazakhmys Services Limited owes the Company $81 million (2009: $nil, 2008: Kazakmys Sales Ltd—$22 million) in relation to advances made for general corporate and working capital purposes. These amounts are interest free and are repayable on demand.

Group tax relief is due from Kazakhmys Sales Limited of $12 million (2009: $nil, 2008: $nil) as all UK Group companies are considered part of a tax group for corporation tax purposes. The Company is in a loss-making position and therefore in a net receivable position.

Other receivables of $11 million (2009: $7 million, 2008: $nil) relates to the balance owed to the Company in relation to advances made to the Employee Benefit Trust for the purchase of the Company's own shares for the purposes of fulfilling the share-based payments of the Company.

42. COMPANY CAPITAL RESERVES

$ million	Capital reserve	Capital redemption reserve	Total
At 1 January 2008	779	4	783
Purchase of Company's issued share capital	—	2	2
At 31 December 2008, 2009 and 2010	**779**	**6**	**785**

(i) Capital reserve

The capital reserve is a non-distributable reserve created when the shares issued pursuant to the share exchange agreements prior to the Company's listing were recorded at fair value. To the extent the Company receives dividends from Kazakhmys LLC's profits created in the period prior to the share exchange, the capital reserve is realised through a transfer to distributable retained earnings.

(ii) Capital redemption reserve

As a result of the share buy-back programme, transfers are made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

43. COMPANY TRADE AND OTHER PAYABLES

$ million	2008	2009	2010
Payables to related parties	60	—	—
Salaries and related payables	2	3	**5**
Other payables and accrued expenses	1	1	—
	63	4	**5**

44. RECONCILIATION OF COMPANY'S PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

$ million	Notes	2008	2009	2010
(Loss)/profit before taxation		(720)	1,876	**2,207**
Interest income		(3)	(1)	—
Interest expense		62	—	—
Share-based payment		—	1	**3**
Impairment loss	39	991	39	—
Dividend received		(322)	(1,930)	**(2,221)**
Unrealised foreign exchange loss		—	8	—
Operating cash flows before changes in working capital		8	(7)	**(11)**
Decrease in inventories		16	—	—
Decrease in prepayments and other current assets		5	4	**1**
Decrease/(increase) in trade and other receivables		86	15	**(85)**
(Decrease)/increase in trade and other payables		(140)	(59)	**1**
Cash flows from operations before interest, income taxes and dividends received		(25)	(47)	**(94)**

45. COMPANY MOVEMENT IN NET DEBT

$ million	At 1 January 2010	Cash flow	At 31 December 2010
Cash and cash equivalents	39	**(39)**	—
Borrowings	(1,666)	**1,666**	—
Net debt	(1,627)	**1,627**	—

$ million	At 1 January 2009	Cash flow	At 31 December 2009
Cash and cash equivalents	137	(98)	39
Borrowings	(3,546)	1,880	(1,666)
Net debt	(3,409)	1,782	(1,627)

$ million	At 1 January 2008	Cash flow	Non-cash movements[1]	At 31 December 2008
Cash and cash equivalents	134	3	—	137
Borrowings	(1,265)	(2,427)	146	(3,546)
Net debt	(1,131)	(2,424)	146	(3,409)

46. FINANCIAL RISK MANAGEMENT

The Company, as a holding company, has limited exposure to foreign exchange, credit and interest rate risks and these are shown below. The Company has no exposure to commodity, liquidity or price risks.

(a) Foreign currency risk

The Company has transactional currency exposures principally arising from transactions relating to corporate costs which are denominated in currencies other than the Company's functional currency being the US dollar. Corporate costs are primarily denominated in UK sterling. The Company generally does not enter into hedging positions in respect of its exposure to foreign currency risk.

(b) Credit risk

Credit risk for the Company relates to cash and cash equivalents. Balances within intercompany loans and trade and other receivables mostly relate to amounts owed by Group undertakings resulting in reduced credit risk for these balances.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

$ million	2008	2009	2010
Intercompany loans	—	95	**509**
Trade and other receivables	22	7	**104**
Cash and cash equivalents	137	39	—
	159	141	**613**

The maximum exposure to credit risk for trade receivables at 31 December 2010 by geographic area was Europe $613 million (2009: $102 million, 2008: $22 million).

(c) Interest rate risk

The Company has limited balances subject to interest rate risk. The exposure of the Group's financial assets and liabilities to interest rate risk is as follows:

	At 31 December 2010			
$ million	**Floating rate**	**Fixed rate**	**Non-interest bearing**	**Total**
Financial assets				
Intercompany loans	**509**	—	—	**509**
Trade and other receivables	—	—	**104**	**104**
Total financial assets	**509**	—	**104**	**613**
Financial liabilities				
Trade and other payables	—	—	**(5)**	**(5)**
Total financial liabilities	—	—	**(5)**	**(5)**

	At 31 December 2009			
$ million	**Floating rate**	**Fixed rate**	**Non-interest bearing**	**Total**
Financial assets				
Intercompany loans	—	—	95	95
Trade and other receivables	—	—	7	7
Cash and cash equivalents	39	—	—	39
Total financial assets	39	—	102	141
Financial liabilities				
Trade and other payables	—	—	(4)	(4)
Intercompany borrowings	—	—	(1,666)	(1,666)
Total financial liabilities	—	—	(1,670)	(1,670)

	At 31 December 2008			
$ million	**Floating rate**	**Fixed rate**	**Non-interest bearing**	**Total**
Financial assets				
Trade and other receivables	—	—	22	22
Cash and cash equivalents	137	—	—	137
Total financial assets	137	—	22	159
Financial liabilities				
Trade and other payables	—	—	(63)	(63)
Intercompany borrowings	—	—	(3,546)	(3,546)
Total financial liabilities	—	—	(3,609)	(3,609)

All the Company's interest bearing monetary assets are denominated in US dollars and have a maturity of less than one year.

(d) Fair value of financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the Company's Historical Financial Information:

	2008		2009		2010	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
$ million						
Intercompany loans	—	—	95	95	**509**	**509**
Trade and other receivables	22	22	7	7	**104**	**104**
Cash and cash equivalents	137	137	39	39	—	—
Intercompany borrowings	(3,546)	(3,546)	(1,666)	(1,666)	—	—
Trade and other payables	(63)	(63)	(4)	(4)	**(5)**	**(5)**
	(3,450)	(3,450)	(1,529)	(1,529)	**608**	**608**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Cash and cash equivalents, trade and other receivables, trade and other payables and intercompany loans and borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(e) Capital management

The over-riding objectives of the Company's capital management policy are to safeguard and support the business as a going concern through the commodity cycle and to maintain an optimal capital structure with a view to maximising returns to shareholders (either through ordinary or special dividends, or share buy-backs) and benefits to other stakeholders by reducing the Company's cost of capital (see note 36(k)).

47. COMPANY RELATED PARTY DISCLOSURES

(a) Transactions with related parties

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period.

$ million	Sales to and interest income from related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Kazakhmys Corporation LLC				
2008	3	—	2	—
Kazakhmys Finance PLC				
2010	**1**	—	**509**	—
2009	—	—	32	—
2008	—	—	—	2,046
Kazakhmys Sales Limited				
2010	—	—	**12**	—
2009	—	—	1	1,666
2008	—	—	20	1,550
Kazakhmys Services Limited				
2010	—	—	**81**	—
2009	—	—	62	—
2008	—	—	—	10

The Government became a related party on 24 July 2008. Transactions involving the Government are explained in note 38.

The Company received dividends of $55 million from Kazakhmys Sales Limited (2009: $17 million, 2008: $150 million), $2,166 million from Kazakhmys Investments Ltd (2009: $1,894 million, 2008: $nil) and $nil from Kazakhmys Eurasia BV (2009: $nil, 2008: $94 million) during the year. In addition, the Company received dividends of $nil from ENRC (2009: $19 million, 2008: $12 million), the Group's associated undertaking, during the year.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an on-going basis depending on the nature of the transaction.

48. SUBSIDIARIES

The Consolidated Historical Financial Information includes the financial statements of the Company and the principal subsidiaries listed in the following table:

	Principal activity	Operating division	Country of incorporation and incorporation	Equity interest at 31 December 2008 %	Equity interest at 31 December 2009 %	Equity interest at 31 December 2010 %
Kazakhmys Corporation LLC	Mining and processing copper	Kazakhmys Copper	Kazakhstan	99.7[1]	99.7[1]	**99.7**[1]
Kazakhmys Sales Limited	Sales and logistics	Kazakhmys Copper	United Kingdom	100.0	100.0	**100.0**
Dank LLP	Mining and processing gold	Kazakhmys Gold	Kazakhstan	100.0[1]	100.0[1]	**100.0**[1]
Charaltyn JSC	Exploration, mining and processing gold	Kazakhmys Gold	Kazakhstan	100.0[1]	100.0[1]	**100.0**[1]
Andas Altyn LLP	Mining and processing gold	Kazakhmys Gold	Kazakhstan	100.0[1]	100.0[1]	**100.0**[1]
Kazakhmys Gold Kyrgyzstan LLP	Gold mine development	Kazakhmys Gold	Kyrgyzstan	100.0[1]	100.0[1]	**100.0**[1]
Kazakhmys Petroleum LLP	Oil and gas exploration	Kazakhmys Petroleum	Kazakhstan	100.0[1]	100.0[1]	**100.0**[1]
Kazakhmys Finance PLC	Group financing	N/A	United Kingdom	100.0	100.0	**100.0**
Kazakhmys Services Limited	Management and services company	N/A	United Kingdom	100.0	100.0	**100.0**
Kazakhmys Investments Limited	Holding company	N/A	United Kingdom	100.0	100.0	**100.0**
MKM Mansfelder Kupfer und Messing GmbH[2]	Copper processing	MKM	Germany	100.0[1]	100.0[1]	**100.0**[1]
Ekibastuz GRES-1 LLP[3]	Electric power generation	Kazakhmys Power	Kazakhstan	100.0[1]	100.0[1]	**50.0**[1]
Maikuben-West LLP[2]	Coal mining	Kazakhmys Power	Kazakhstan	100.0[1]	100.0[1]	**100.0**[1]

1 Indirectly held by the Company.
2 Classified as held for sale (see note 6).
3 From 27 February to 31 December 2010, the investment is accounted for as a joint venture (see note 21) (At 31 December 2009 Ekibastuz GRES-1 LLP was classified as held for sale (see note 6)).

Only the principal subsidiaries are disclosed in the table above, as in the opinion of the Directors the disclosure of all direct and indirect subsidiary companies of the Group would result in disclosures of excessive length and that the key operating subsidiaries are included above.

49. GUARANTEES

The Company is the guarantor for the following:

- as explained in note 30, the Company, together with Kazakhmys LLC and Kazakhmys Sales Limited, is a guarantor of the $2.1 billion pre-export finance debt facility;
- as explained in note 30, the Company is the guarantor of the loan facilities signed between Kazakhmys Finance PLC (a 100% owned subsidiary of the Company) and Samruk-Kazyna under the CDB/Samruk-Kazyna financing line. As at

31 December 2010, Kazakhmys Finance PLC had signed loan facilities amounting to $2.3 billion and had drawn down $700 million under them. A further $400 million of loan facilities remain to be signed under the CDB/Samruk-Kazyna financing line;

- as explained in note 30, the Company is also party to a several but not joint guarantee to the CDB under the loan facilities between CDB and Samruk-Kazyna which is capped at $1.7 billion of principal plus 85% of any interest and other duly payable costs and expenses. A right of set-off exists under the loan facilities between Samruk-Kazyna and Kazakhmys Finance PLC in the event of any payment being made by the Company to the CDB under this guarantee; and

- the operating lease on the Company's head office in London.

50. EVENTS AFTER THE BALANCE SHEET DATE

(a) Post year-end dividend

The Directors recommend a final ordinary dividend in respect of the year ended 31 December 2010 of 16.0 US cents per share. Following the approval of shareholders at the Annual General Meeting held on 13 May 2011, this dividend was paid on 17 May 2011.

(b) Revolving credit facilities

On 10 March 2011, Kazakhmys Finance PLC signed and agreement to extend the $100 million revolving credit facility (see note 30(a)) for an additional two year term to March 2013. In addition, on 23 March 2011 the term of the $150 million revolving credit facility was also extended by two years until March 2013.

(c) Disposal of the Maikuben West Coal Mine

As set out in note 6(b), in 2010 the Group agreed the sale of the Maikuben West Coal Mine. Following the receipt of the required regulatory approval, the completion of sale of the Maikuben West Coal Mine took place on 17 May 2011, for a total consideration of $3 million.

(d) Renewal of petroleum exploration licence and development of petroleum exploration business

On 7 June 2011 Kazakhmys Petroleum was granted an extension to its exploration licence by the Ministry of Oil and Gas for an additional two years to 22 May 2013. The Group is currently evaluating options for funding the future development of its petroleum exploration business, the financial impact of which cannot be determined at this time.