KAZAKHMYS PLC

6TH FLOOR
CARDINAL PLACE
100 VICTORIA STREET
LONDON SW1E 5JL
Tel: +44 (0) 20 7901 7800
Company registered in England and Wales
Company Number: 5180783

29 March 2011

KAZAKHMYS PLC AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

This preliminary results announcement includes the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2010, including the Group's proportionate share of the unaudited earnings of ENRC PLC (ENRC), in which the Group has a 26% shareholding, on an equity accounted basis.

2010 HIGHLIGHTS

- ***Group EBITDA (excluding special items) of $2,835 million***
  - $1,932 million from subsidiaries and joint ventures including discontinued operations
  - $903 million contribution from ENRC
  - Significant benefit from higher metals prices
- ***Copper production costs remained globally competitive at 89 USc/lb***
  - Beating the target set at the start of 2010
  - Cost pressures increased over the course of 2010
- ***Underlying Profit for the year of $1,489 million***
  - $476 million contribution from ENRC
  - EPS of 2.79 US cents based on Underlying Profit
- ***Lower rate of tax in 2010***
  - All-in effective tax rate (CIT and MET) reduced on higher metals prices
- ***Strong financial position ahead of significant capital expenditure programme***
  - Net debt of $350 million from continuing operations, compared to $689 million at 31 December 2009
  - Draw down of first $700 million of CDB loan to fund growth projects
  - Market value of ENRC holding $4,998 million at 28 March 2011
- ***Dividend***
  - Final dividend already declared of 16.0 US cents per share
  - Full year dividend increased by 144% from 2009

$ million (unless otherwise stated)	**Year ended 31 December 2010**	Year ended 31 December 2009
Revenues[1]	**3,237**	2,404
Earnings[2]:		

Group EBITDA (excluding special items)[3]	**2,835**	1,634
Profit before taxation	**1,590**	1,028
Underlying Profit	**1,489**	602
EPS[2]:		
Basic and diluted ($)	**2.72**	1.04
Based on Underlying Profit[4] ($)	**2.79**	1.13
Free Cash Flow[5]	**718**	579
Cash cost of copper after by-product credits[6] (USc/lb)	**89**	72

[1] From continuing operations only.
[2] Includes ENRC's published unaudited results.
[3] Reconciliation of Group EBITDA (excluding special items) to operating profit is found in note 5(a)(iii).
[4] Reconciliation of EPS based on Underlying Profit is found in note 10(b).
[5] Net cash flow from operating activities less sustaining capital expenditure on tangible and intangible assets.
[6] Total of Kazakhmys Copper cash operating costs excluding purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sold.

All references to $ refer to US dollars unless otherwise stated.

Matthew Hird, Chief Financial Officer commented: "Cash generation improved during 2010, benefiting from rising metals prices and controlled costs. Optimisation of our existing assets and managing costs will continue to be a key focus. We entered 2011 financially strong and in a good position to take our major growth projects forward."

For further information please contact:

Kazakhmys PLC		
John Smelt	Head of Corporate Communications	**Tel: +44 20 7901 7882**
		Tel: +44 78 7964 2675
Irene Burton	Financial Analyst	**Tel: +44 20 7901 7814**
Zulfira Mukhamediyarova	Senior Manager - Media Relations	**Tel: +77 27 266 3317**
Merlin		
David Simonson		**Tel: +44 20 7726 8400**
Ian Middleton		**Tel: +44 20 7726 8400**
Fiona Crosswell		**Tel: +44 20 7726 8400**

REGISTERED OFFICE
6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL.

FORWARD-LOOKING STATEMENT
Certain statements included in these results contain forward-looking information concerning Kazakhmys' strategy, business, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which Kazakhmys operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within Kazakhmys' control or can be predicted by Kazakhmys.

Although Kazakhmys believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements.

No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Kazakhmys PLC, or any other entity, and shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the Rules of the UK Listing Authority and applicable law, Kazakhmys undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

AVAILABILITY OF THIS ANNOUNCEMENT
This announcement will shortly be available on the Company's website (www.kazakhmys.com).

ANNUAL GENERAL MEETING
The 2011 Annual General Meeting will be held at 12.15pm on Friday 13 May 2011 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED.

The 2010 Annual Report and Accounts and details of the business to be conducted at the Annual General Meeting will be mailed to shareholders and posted on the Company's website (www.kazakhmys.com) in early April 2011.

CHIEF FINANCIAL OFFICER'S REVIEW

Preliminary results announcement
On 3 March 2011, Kazakhmys PLC issued a trading update which covered the production and selected unaudited financial results of the Kazakhmys Group's subsidiary and joint venture businesses for the year ended 31 December 2010. The trading update excluded the contribution from ENRC PLC (ENRC), in which the Group has a 26% shareholding.

This preliminary results announcement includes the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2010, including the Group's proportionate share of ENRC's unaudited earnings, on an equity accounting basis.

Revenues
During 2010 demand for industrial metals, such as copper and zinc, was mainly driven by the recovery in the world's major economies. The robust demand growth led to stronger commodity prices, in particular, copper, which traded on the LME in a range of $6,091 to $9,740 per tonne during 2010, and averaged $7,539 per tonne, a 46% gain on the prior year. The Group had an average realised copper price of $7,523 per tonne, which was 50% higher than the average realised price of $5,024 per tonne in 2009.

As a result of the improved metal prices, revenues from continuing operations were $833 million higher than 2009 at $3,237 million for the year. Revenues from copper products were $2,384 million compared to $1,711 million in 2009, despite a reduction in sales volumes of copper cathode equivalent from 341 kt to 317 kt. Gold, silver and zinc contributed $683 million, a $112 million increase over the prior year, also driven by higher prices.

EBITDA
Segmental EBITDA (excluding special items) for the year ended 31 December 2010 was 60% above the prior year at $1,932 million, reflecting the strengthening of prices for all of Kazakhmys Copper's major products despite the lower sales volumes of copper cathode equivalent. Kazakhmys Power contributed $144 million to Segmental EBITDA, an increase of $24 million over 2009 reflecting the improved tariffs offset by the reduced ownership in Ekibastuz GRES-1 since 26 February 2010.

Group EBITDA (excluding special items) for the year was $2,835 million, 74% higher than in the prior period. Included within Group EBITDA is Kazakhmys' share of ENRC's EBITDA of $903 million, which is based on ENRC's published unaudited results for the year ended 31 December 2010, and which has more than doubled compared to 2009.

Special items
In 2010, the Group's most significant operating special item is the Group's commitment to fund major social projects in Kazakhstan at a cost of $130 million. This charge represents the full cost of the projects which are expected to take up to two years to complete.

In addition to the operating special items recognised by the Group in 2010, tax related special items were also recognised. These mainly relate to the reversal of a provision for withholding tax of $98 million payable on unremitted earnings to be distributed from Kazakhstan which as a result of an internal Group restructuring is no longer required.

Total operating special items for continuing operations amounted to $125 million compared to $88 million in 2009. The tax related special items in 2010 amounted to a credit of $70 million compared to a $16 million charge in the prior year.

Taxation
The effective rate of tax for 2010 was 12.7% compared to a rate of 25.4% in the prior year principally as a result of the greater contribution from ENRC's earnings which are included in the consolidated income statement on an after-tax basis and the reversal of the previously held withholding tax provision.

The all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's subsidiary businesses, was 37.5% compared to 42.5% in 2009. The Group's all-in effective tax rate is lower when compared to the prior year primarily due to the proportionately lower mineral extraction tax (MET) charge as compared to the increased underlying profitability of the Group.

Earnings per share (EPS)
The increase in both EPS measures over the prior year is a result of the higher underlying profitability of the Group during the period as there were no significant movements in the weighted average number of shares outstanding during the period. Earnings per share based on Underlying Profit from continuing and discontinued operations was $2.79 compared to $1.13 for the prior year as the Group benefited from significantly higher prices and stronger equity accounted earnings from ENRC.

Cash flows
Cash flows from operating activities were significantly stronger in 2010 compared to the prior year as the higher commodity prices improved profitability. In addition, a less adverse working capital movement offset the higher sustaining capital expenditure. Despite a significant increase in tax payments, both for corporate income tax (CIT) and MET, Free Cash Flow, a key performance indicator of the Group's ability to translate earnings into cash flow, was $718 million compared to $579 million in 2009.

The capital expenditure programme in 2009 had been scaled back in response to the prevailing market conditions at the start of that year. The 2010 capital expenditure programme was expanded in light of the more favourable commodity prices with expenditure on sustaining the current business operations increasing to $380 million from $241 million. Expansionary and new project capital expenditure rose from $187 million to $286 million. The total capital expenditure incurred in the year was $666 million, compared to $428 million in 2009.

Balance sheet
As at 31 December 2010, the equity attributable to owners of the Company was $8,206 million, compared to $6,582 million as at 31 December 2009, an increase of $1,624 million, as the Group's retained earnings grew due to the profits generated during the year.

The Group's net debt position (excluding discontinued operations) was $350 million compared with $689 million at 31 December 2009. The strong revenue driven cash inflows in 2010 reduced the Group's net debt position as the cash flows generated were sufficient to support the capital expenditure programme, fulfil the Group's tax payments during the year and strengthen the Group's liquidity position.

Gross debt of continuing operations stood at $1,819 million compared to $1,650 million at 31 December 2009, an increase of $169 million following the draw down of $700 million ($688 million net of fees) under the $2.7 billion CDB/Samruk-Kazyna financing line which was signed in December 2009, offset by the continued repayments of the pre-export facility (PXF) which have reduced the amount outstanding under the PXF by $525 million during the year.

At 31 December 2010, the ENRC shareholding had a market value of $5,431 million based on the public price quotation on the London Stock Exchange, compared to $4,879 million at 31 December 2009.

FINANCIAL REVIEW

BASIS OF PREPARATION
The financial information has been prepared in accordance with IFRS using accounting policies consistent with those adopted in the financial statements for the year ended 31 December 2009,

except for those Standards and Interpretations required to be applied for the first time for the year ended 31 December 2010. The application of these new standards has not had a retrospective impact and therefore no restatement of the comparative financial information is required.

As explained in note 4 of the consolidated financial information, MKM and the Kazakhmys Power Division, which represent separate business segments of the Group, were classified as held for sale at 31 December 2009, with MKM continuing to be treated as a discontinued operation throughout 2010. On 26 February 2010, the Group completed the disposal of 50% of the Ekibastuz GRES-1 power station, the major asset within the Kazakhmys Power Division, at which time the retained 50% interest in Ekibastuz GRES-1 was classified as a continuing operation for the remainder of the year and equity accounted as a joint venture. The other asset within the Kazakhmys Power Division, the Maikuben West coal mine, has been treated as a discontinued operation throughout the year ended 31 December 2010.

The income and expenses of the held for sale businesses are reported separately from the continuing operations of the Group. The assets and liabilities of these businesses are also separately shown within the consolidated balance sheet as single line items within current assets and current liabilities, as held for sale. The consolidated cash flow statement includes the cash flows of the continuing and discontinued operations for both the current and prior periods.

INCOME STATEMENT
A summary of the consolidated income statement is shown below:

$ million (unless otherwise stated)	**2010**	2009
Continuing Operations		
Revenues	**3,237**	2,404
Operating costs excluding depreciation, depletion, amortisation, MET and special items	**(1,530)**	(1,389)
EBITDA (excluding special items) from subsidiaries	**1,707**	1,015
EBITDA (excluding special items) from joint venture	**86**	-
Segmental EBITDA (excluding special items) from continuing operations	**1,793**	1,015
Less: interest and taxation expense of joint venture	**(28)**	-
Special items:		
Less: impairment of property, plant and equipment	**(13)**	(50)
Less: impairment of mining assets	**-**	(23)
Less: major social projects	**(130)**	-
Less: provisions released/(raised) against inventories	**18**	(14)
Less: loss on disposal of property, plant and equipment	**-**	(1)
Less: MET	**(236)**	(164)
Less: depreciation, depletion and amortisation	**(268)**	(214)
Operating profit	**1,136**	549
Share of profits from associate	**522**	223
Profit before finance items and taxation	**1,658**	772
Net finance (expenses)/income	**(68)**	256
Profit before taxation	**1,590**	1,028
Income tax expense	**(202)**	(261)
Profit for the period from continuing operations	**1,388**	767
Discontinued operations		
Profit/(loss) for the period from discontinued operations	**62**	(214)
Profit for the period	**1,450**	553
Non-controlling interests	**-**	1
Profit attributable to equity holders of the Company	**1,450**	554
EPS – basic and diluted ($)		
From continuing operations	**2.60**	1.44
From discontinued operations	**0.12**	(0.40)
	2.72	1.04
EPS based on Underlying Profit ($)		

From continuing operations	**2.59**	1.02
From discontinued operations	**0.20**	0.11
	2.79	1.13

Revenues and EBITDA (excluding special items)
The Group's revenues from continuing operations were $3,237 million in 2010, an increase of $833 million over the prior year. The growth in revenues reflects stronger prices across all of the Group's major commodities. Revenues from copper products were $2,384 million compared to $1,711 million in 2009, despite a reduction in sales volumes of copper cathode equivalent of 24 kt. Gold, silver and zinc contributed $683 million, a $112 million increase over the prior year.

Production costs (excluding depreciation, depletion, amortisation, MET and special items) increased by 23% on 2009, as the higher commodity prices, expanded stripping works and greater ore output impacted the cost of raw materials, consumables, fuel and other inputs. Administration expenses (excluding depreciation and special items) were 31% higher than in 2009, driven primarily by greater social spending in light of stronger commodity prices and higher consultancy fees incurred by the Group's operational improvement and restructuring programmes.

Salary cost inflation was low in 2010 as pay rises were targeted on specific categories of workers and as the outsourcing of services reduced Kazakhmys Copper's headcount.

Net other operating income was $7 million compared to net operating costs of $131 million in the prior period, as costs in 2009 included $129 million of losses on the copper hedging programme intended to protect production from the higher cost mines in the Zhezkazgan Region.

The average US dollar exchange rate for the year ended 31 December 2010 was 147.35 KZT/$, compared to 147.50 KZT/$ in 2009. The closing US dollar exchange at 31 December 2010 was 147.40 KZT/$ compared to 148.36 KZT/$ at 31 December 2009.

Special items
Special items are non-recurring or variable in nature which do not impact the underlying trading of the Group. The principal special items recognised in 2010 are:

Operating related special items:

- In the first half of 2010, the Group committed to fund major social projects in Kazakhstan at a cost of $130 million. The charge represents the full cost of the projects which are expected to take up to two years to complete. These commitments are considered a special item due to the unique nature and quantum of the expenditure when compared to previous social development projects undertaken by the Group; and

- In 2008, Kazakhmys Copper recognised an impairment loss in respect of stockpiled ore for which processing was considered uneconomic at the prevailing commodity prices. During 2010, with the improved commodity prices, the stockpiles have been partially processed and as a result, an $18 million impairment provision previously recognised has been reversed.

Tax related special items:

- A provision for withholding tax of $98 million which was recognised at 31 December 2009, payable on unremitted earnings to be distributed from Kazakhmys LLC to settle an intercompany loan by way of dividend payments, has been released in the year. In the second half of 2010, as a result of an internal Group restructuring, this loan was settled by alternative means, such that no dividend will be distributed by Kazakhmys LLC to settle it, and the corresponding withholding tax provision is no longer required; and

- An additional deferred tax charge of $16 million has been recognised in the year as a result of a change in future tax rates in Kazakhstan. The future phased reduction in tax rates, envisaged under the 2009 tax legislation whereby the rate would be progressively reduced to 15% in 2014, was removed in the 2010 tax legislation, and instead the 2010 rate of 20% will be maintained for future years. The revised rate of 20% has therefore been applied to the Group's long-lived assets in calculating the Group's deferred tax balances.

In 2009, the special items related primarily to impairments of property, plant and equipment largely due to the curtailment of the Group's capital expenditure programme and a focus on selected projects at Kazakhmys Copper ($50 million) and mining assets at Kazakhmys Gold ($23 million). Additionally in the prior year, a provision against inventory of $14 million was recognised at Kazakhmys Copper in respect of certain by-products, reflecting a fall in their market value.

Total operating special items for continuing operations amounted to $125 million compared to $88 million in 2009. Operating special items in respect of discontinued operations of $70 million (2009: $256 million) are discussed within the discontinued operations section below.

Equity accounting

The Group's equity accounted investments include the 50% joint venture, Ekibastuz GRES-1, and the 26% stake in ENRC.

Following the disposal of 50% of Ekibastuz GRES-1, a subsidiary within the Kazakhmys Power Division, to Samruk-Kazyna on 26 February 2010, the Group recognised the 50% retained interest in Ekibastuz GRES-1 as an equity accounted joint venture. Included in the Group's results for continuing operations is the Group's share of the profits from the joint venture for the period from 27 February 2010 to 31 December 2010, net of tax, of $38 million. The Ekibastuz GRES-1 joint venture is considered an integral part of the Kazakhmys Power business, and as a consequence its results are included within operating profit.

The Group also equity accounts for its 26% interest in ENRC. The share of profits from the associate recognised in the consolidated income statement for the full year, net of tax, is $522 million based on the unaudited results of ENRC for the year ended 31 December 2010 which were published on 23 March 2011. ENRC's contribution to the Group has increased from $223 million in 2009, mainly due to the improved profitability of ENRC, driven by commodity price rises and higher sales volumes in its key markets.

Dividends received from ENRC of $62 million during 2010 have not been recognised in the consolidated income statement, but are instead netted off against the carrying value of the investment in associate in the consolidated balance sheet, in accordance with equity accounting principles.

Based on the 2010 final dividend announced by ENRC on 23 March 2011 of 18.0 US cents per share, the Group should receive $60 million in June 2011.

Reconciliation of EBITDA (excluding special items)

Consistent with other international mining companies, EBITDA (excluding special items) has been chosen as the key measure in assessing the underlying trading performance of the Group. This performance measure removes depreciation, depletion, amortisation and non-recurring or items variable in nature which do not impact the underlying trading performance of the Group.

As with the prior period, MET is excluded from the EBITDA (excluding special items) key financial indicator. The Directors believe that the exclusion of MET provides a more informed measure of the operational profitability of the Group given the nature of the tax as further explained in the 'Taxation' section.

A reconciliation of Group EBITDA (excluding special items) by division is shown below:

$ million	**2010**	2009
Continuing operations		
Kazakhmys Copper	**1,715**	1,027
Kazakhmys Gold	**29**	24
Kazakhmys Power (share of EBITDA of joint venture)[1]	**86**	-
Kazakhmys Petroleum	**(1)**	(1)
Corporate unallocated	**(36)**	(35)
Total continuing operations	**1,793**	1,015
Discontinued operations		

Kazakhmys Power[2]	**58**	120
MKM	**81**	76
Total discontinued operations	**139**	196
Segmental EBITDA (excluding special items)	**1,932**	1,211
Share of EBITDA of associate[3]	**903**	423
Group EBITDA (excluding special items)	**2,835**	1,634

[1] The share of EBITDA (excluding special items) of the joint venture, Ekibastuz GRES-1, for the period from 27 February 2010 to 31 December 2010, is included within the Kazakhmys Power Division as part of continuing operations.
[2] Includes 100% of the EBITDA (excluding special items) of Ekibastuz GRES-1 until the date of the disposal on 26 February 2010 and the EBITDA (excluding special items) for the year ended 31 December 2010 of the Maikuben West coal mine.
[3] The share of EBITDA (excluding special items) of the associate excludes the MET of the associate.

Segmental EBITDA (excluding special items) for the year ended 31 December 2010 was 60% above the prior year at $1,932 million, reflecting the strengthening of prices for all of Kazakhmys Copper's major products despite the lower sales volumes of copper cathode equivalent. Kazakhmys Power's EBITDA is shown solely in discontinued operations in 2009, whilst in 2010, the results of Ekibastuz GRES-1 are split between discontinued operations for the period to 26 February 2010, the date of the 50% disposal, and continuing operations for the period thereafter. The Maikuben West coal mine is included in discontinued operations for the full year in 2009 and 2010. The total contribution to Segmental EBITDA from Kazakhmys Power of $144 million increased by $24 million in 2010, despite the reduced ownership for most of the year, as realised tariffs rose by 41% and demand grew. MKM's EBITDA was $81 million compared to $76 million in 2009, as industrial production recovered in its core market, Germany, and as the rise in copper price resulted in a $43 million positive IFRS inventory adjustment (2009: $58 million).

Group EBITDA (excluding special items) for the year was $2,835 million, 74% higher than in the prior period. Included within Group EBITDA is Kazakhmys' share of ENRC's EBITDA of $903 million, which is based on ENRC's published unaudited results for the year ended 31 December 2010, and which more than doubled compared to 2009.

Net finance items

Net finance expenses for the year were $68 million compared to net income of $256 million for the previous year. The net finance income in 2009 included a net foreign exchange gain of $336 million within continuing operations arising from the retranslation of US dollar denominated monetary assets and liabilities of the Group's Kazakhstan subsidiaries following the devaluation of the tenge in February 2009. The foreign currency movements in 2010 have resulted in a net exchange loss of $17 million, of which the 1% appreciation of the tenge contributed a $20 million loss.

The Group's interest charges incurred on borrowings outstanding during 2010 have decreased by $4 million on the prior year to $47 million. The charge includes $20 million in respect of the pre-export finance debt facility ("PXF"), which carries a margin of US$ LIBOR plus 1.25% and $11 million for the CDB/Samruk-Kazyna financing facilities, drawn down for the first time during 2010, which incur interest at US$ LIBOR plus 4.80%. The marginal decrease in the interest charge for the year is a result of the lower average debt outstanding due to the repayment of the PXF over the year, partially offset by the higher average effective interest rate due to the drawing down of the CDB/Samruk-Kazyna financing facilities.

Taxation

In 2009, the Government of Kazakhstan introduced a phased reduction in the Corporate Income Tax ("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 enacted which removed the phased reduction in CIT and maintained a flat rate of 20% for future years.

The table below shows the Group's effective tax rate as well as the all-in effective tax rate which takes into account the impact of MET and removes the effect of special items and non-recurring items on the Group's tax charge. The all-in effective tax rate excludes the effect of equity accounted earnings as these are derived from businesses that are not controlled by the Group and which are included in the consolidated income statement on a post-tax basis.

$ million	**2010**	2009

Profit before taxation from continuing operations	**1,590**	1,028
Add: MET	**236**	164
Add: special items	**125**	88
Add: hedging losses	**-**	129
Less: foreign exchange gain arising on devaluation of the tenge	**-**	(336)
Less: share of profits from joint venture	**(38)**	-
Less: share of profits from associate	**(522)**	(223)
Adjusted profit before taxation from continuing operations	**1,391**	850
Income tax expense	**202**	261
Add: MET	**236**	164
Less: tax effect of special items and foreign exchange gain arising on devaluation of the tenge	**(14)**	(64)
Add: release of deferred withholding tax liability	**98**	-
Adjusted tax expense from continuing operations	**522**	361
Effective tax rate (%)	**12.7**	25.4
All-in effective tax rate[1](%)	**37.5**	42.5

[1] The all-in effective tax rate is calculated as the income tax expense plus MET and removing the tax effect of special items and other non-recurring items, divided by profit before taxation which is adjusted for MET, special items and other non-recurring items and the share of profits from the joint venture and associate.

Effective and all-in effective tax rate

The table above shows the Group's effective tax rate as well as the all-in effective tax rate. The all-in effective tax rate excluded the effect of the hedging losses in 2009, as these are not expected to arise in the future.

The effective rate of tax for 2010 was 12.7% compared to a rate of 25.4% in the prior year principally as a result of the greater contribution from ENRC earnings which are included in the consolidated income statement on an after-tax basis. The all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's subsidiary businesses, was 37.5% compared to 42.5% in 2009. The Group's all-in effective tax rate is lower when compared to the prior year primarily due to the proportionately lower MET charge as compared to the increased underlying profitability of the Group.

MET is determined independently of the profitability of operations. Consequently, in periods when the copper price is at elevated levels, the profitability of the operations increases, but the all-in effective tax rate decreases as the impact of MET lessens due to its revenue-based nature. Whilst higher copper prices result in a higher absolute amount of taxes being levied, the all-in effective tax rate decreases. Conversely, during periods of low copper prices, the all-in effective tax rate increases.

Mineral extraction tax

MET, which was introduced on 1 January 2009, is a revenue tax based on the volume and metal content of extracted ore and global commodity prices. Over the course of the year, metal content and extracted ore at Kazakhmys Copper have declined slightly, however, given the significant increases in commodity prices, particularly for copper, the Group has recognised an expense of $236 million in relation to MET within cost of sales, compared to $164 million in 2009.

Transfer pricing

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 replaced it with the concept of the "arm's length" principle. However, this new legislation did not reflect the arm's length concept which forms the underlying basis of transfer pricing legislation within many OECD countries.

In June 2010, amendments to Kazakhstan's transfer pricing legislation were passed into law and made largely retrospective from 1 January 2009. The amendments clarified certain areas of ambiguity contained within the 2009 transfer pricing legislation. A provision of $22 million has been recognised as at 31 December 2010 (2009: $28 million) where external and intercompany sales contracts

entered into during the year did not conform to the requirements of the amended transfer pricing legislation. The transfer pricing charge increases the Group's effective tax rate by 1.4% (2009: 2.7%).

Deferred income tax
The income tax expense for the year includes a charge of $16 million (2009: $6 million) in respect of deferred income tax. This additional charge arises from the new tax legislation which will maintain CIT in Kazakhstan at 20% beyond 2012, rather than the phased reduction in CIT as previously envisaged under the legislation enacted in 2009. The deferred tax balances within the Group's Kazakhstan businesses have been recalculated applying a flat rate of 20% in future years.

Equity accounted earnings
The Group's interests in the earnings of ENRC and Ekibastuz GRES-1 are included, net of tax, in the consolidated income statement in arriving at profit before taxation, thereby reducing the Group's effective tax rate by 6.9% (2009: 7.0%).

Non-deductible items
The tax impact of non-deductible expenses was $75 million in 2010, $26 million greater than 2009, primarily due to the increased social spend in Kazakhstan during 2010 which includes the $130 million charge recognised for major social projects. Under Kazakhstan tax legislation, the deductibility of social expenditure is capped with costs above a threshold not deductible for tax purposes. In addition, certain intercompany interest amounts incurred during 2010 are not deductible for tax purposes in accordance with UK tax legislation. In 2009, the largest non-deductible expense was the $129 million loss incurred on the copper hedging programme in Kazakhmys Copper. The impact of the non-deductibility of these costs increased the Group's effective tax rate by 4.7% in 2010 (2009: 4.8%).

Withholding taxes
In previous periods, a withholding tax provision of $98 million was recognised for taxes payable on the unremitted earnings of subsidiaries in Kazakhstan. In the second half of 2010, following an internal Group restructuring, no dividends are expected to be remitted from these earnings and as a result, the provision is no longer appropriate. Accordingly, the $98 million withholding tax provison has been released in 2010, reducing the Group's effective tax rate by 6.2%.

Future tax rates
Future tax rates are materially affected by the application of CIT and MET. The CIT rate is frozen in Kazakhstan at 20% but as explained above, the Group's all-in effective tax rate will be dependent on copper prices in the future given the revenue-based nature of MET.

Discontinued operations
As explained above in the 'Basis of preparation', the Kazakhmys Power Division and MKM have been classified as being held for sale and as discontinued operations within the consolidated financial statements.

$ million	**2010**	2009
Kazakhmys Power		
Profit/(loss) before tax excluding impairment losses	**71**	(10)
Impairment losses	**-**	(69)
Taxation charge	**(12)**	(5)
Impairment loss on remeasurement to fair value	**(12)**	-
Profit/(loss) for the year	**47**	(84)
MKM		
Profit before tax excluding impairment losses	**74**	49
Impairment losses	**-**	(32)
Taxation (credit)/charge	**(1)**	11
Impairment loss on remeasurement to fair value	**(58)**	(158)
Profit/(loss) for the year	**15**	(130)
Profit/(loss) from discontinued operations	**62**	(214)

Following the announcement on 10 December 2009 that the Group had agreed to dispose of 50% of Ekibastuz GRES-1, a wholly owned subsidiary within the Kazakhmys Power Division, it was classified along with MKM and the Maikuben West coal mine as being held for sale and as a discontinued operation within the consolidated financial statements for 2009. The partial disposal of Ekibastuz GRES-1 completed on 26 February 2010 and the Group has retained a 50% non-controlling interest in the entity which is equity accounted as a joint venture and included within continuing operations from that date.

The profit after tax of the Kazakhmys Power Division classified as being held for sale (100% of Ekibastuz GRES-1 for the period to 26 February 2010 and the Maikuben West coal mine for the twelve months ended 31 December 2010) and MKM, together with impairment losses and any write down to fair value, are included within the consolidated income statement as part of the profit for the year from discontinued operations.

Kazakhmys Power
As discussed above, Kazakhmys Power's results for the year ended 31 December 2010, in respect of discontinued operations, includes 100% of Ekibastuz GRES-1 only for the period to 26 February 2010, the date the 50% disposal completed, and the Maikuben West coal mine for the full year. Kazakhmys Power's results in discontinued operations for the year ended 31 December 2009 include Ekibastuz GRES-1 and the Maikuben West coal mine for the full year.

Kazakhmys Power made an EBITDA (excluding special items) contribution of $58 million within discontinued operations, with Ekibastuz GRES-1 being $36 million. The EBITDA of the Ekibastuz GRES-1 joint venture, included within continuing operations, was $86 million, giving a combined contribution from Ekibastuz GRES-1 of $122 million in 2010. In the prior year, Ekibastuz GRES-1 contributed EBITDA of $120 million, $2 million lower than in 2010 as the higher tariff ceiling and sales volumes more than offset the impact of the 50% disposal in February 2010.

At 31 December 2010, an impairment loss of $12 million has been recognised to write down the Maikuben West coal mine to its fair value, being the expected sales proceeds from its disposal. In 2009, an impairment loss of $69 million was recognised to write down the Maikuben West coal mine to its recoverable amount on a value-in-use basis.

Kazakhmys Power recorded a net profit for 2010 whilst in 2009 the division was loss making. In the prior year the devaluation of the tenge in February 2009 resulted in a $53 million foreign exchange loss and $69 million was recognised as an impairment charge as detailed above. Excluding the impact of the foreign exchange loss and impairment charge, the profit before tax of Kazakhmys Power would have been $43 million in 2009.

On 26 February 2010, the Group completed the disposal of 50% of Ekibastuz GRES-1 to Samruk-Kazyna for $681 million, realising a gain on disposal of $14 million. The gain consists of a $94 million excess of the proceeds over the net assets disposed, a $196 million transfer from equity of the unrealised foreign exchange losses which arose on consolidation when the assets and liabilities of the tenge denominated Ekibastuz GRES-1 were translated to US dollars, and a fair value gain of $116 million on the remeasurement of the 50% retained interest which was subsequently treated as an equity accounted joint venture.

MKM
EBITDA (excluding special items) rose from $76 million in 2009 to $81 million in 2010 as MKM's core markets recovered. MKM increased sales of its higher margin products and maintained tight control over costs. Additionally, the upwards movement in copper price during 2010 led to a positive IFRS inventory adjustment of $43 million compared to $58 million in 2009.

The net profit of MKM was $15 million in 2010 as the improvement in business performance was offset by a pre-tax impairment loss of $58 million to remeasure MKM's net assets to fair value. A deferred tax credit of $12 million was recognised taking the post-tax MKM write off to $46 million. In 2009, MKM made a loss of $130 million which included an impairment loss of $187 million to write down the business to its recoverable amount on a value-in-use basis and subsequently remeasuring MKM's net assets to fair value. Partially offsetting the write down of $187 million in 2009 was a $27 million deferred tax credit.

Underlying Profit

Underlying Profit is seen as a more informed measure of the performance of the Group as it removes non-recurring or variable non-trading items from the profit for the period, and their resulting tax and minority interest impacts. It therefore provides a more consistent basis for comparing the underlying trading performance of the Group between 2009 and 2010.

The Group's Underlying Profit for the year from continuing operations increased from $545 million to $1,383 million in 2010, as the Group benefited from significantly higher prices and stronger equity accounted earnings from ENRC.

The reconciliation of Underlying Profit from profit attributable to equity holders of the Company is set out below.

$ million	**2010**	2009
Net profit attributable to equity holders of the Company from continuing operations	**1,388**	768
Special items:		
Subsidiary businesses		
Impairment of property, plant and equipment	**13**	50
Impairment of mining assets	**-**	23
Provisions released/(raised) against inventories	**(18)**	14
Loss on disposal of property, plant and equipment	**-**	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 the tenge:		
Subsidiary businesses	**-**	(336)
Associate	**-**	(55)
Tax effect of non-recurring items:		
Subsidiary businesses	**(2)**	52
Associate	**-**	11
Change in deferred tax liabilities:		
Release of deferred withholding tax liability	**(98)**	-
Impairment of Kazakhmys Gold	**-**	6
Change in tax rates in Kazakhstan:		
Subsidiary businesses	**16**	6
Associate	**12**	4
Minority interest effect of non-recurring items	**-**	1
Underlying Profit from continuing operations	**1,383**	545
Net profit/(loss) attributable to equity holders of the Company from discontinued operations	**62**	(214)
Special items:		
Impairment of goodwill	**-**	16
Impairment of other intangible assets	**-**	2
Impairment of property, plant and equipment	**26**	150
Impairment of mining assets	**-**	36
Provisions against inventories	**44**	52
Gain on disposal of share in subsidiary	**(14)**	-
Net foreign exchange loss arising on devaluation of the tenge	**-**	53
Tax effect of non-recurring items	**-**	(11)
Release of deferred tax liabilities:		
Impairment of MKM and Maikuben West	**(12)**	(34)
Release of deferred tax liabilities due to change in tax rates in Kazakhstan	**-**	7
Underlying Profit from discontinued operations	**106**	57

Total Underlying Profit	1,489	602

Earnings per share

$ million (unless otherwise stated)	2010	2009
Net profit attributable to equity holders of the Company	**1,450**	554
Total Underlying Profit	**1,489**	602
Weighted average number of shares in issue (million)	**534.7**	535.1
EPS – basic and diluted ($)	**2.72**	1.04
EPS based on Underlying Profit ($)	**2.79**	1.13

Basic earnings per share rose to $2.72 from $1.04, an increase of 162% from continuing and discontinued operations. Earnings per share based on Underlying Profit from continuing and discontinued operations was $2.79 compared to $1.13 for the prior year. Earnings per share based on Underlying Profit from continuing operations increased by 154% to $2.59.

The increase in the EPS measures is a result of the higher underlying profitability of the Group during the period. There have been no significant movements in the weighted average number of shares outstanding during the period.

Key financial indicators

The definitions of our key financial indicators are shown in the Glossary and these measures, on a total Group basis including continuing and discontinued operations, are set out below:

	2010	2009
Group EBITDA (excluding special items) ($ million)	**2,835**	1,634
EPS based on Underlying Profit ($)	**2.79**	1.13
Free Cash Flow ($ million)	**718**	579
Net cash cost of copper excluding purchased concentrate (USc/lb)	**89**	72

Dividends

The policy established at the time of Listing was for the Company to maintain a dividend policy which took into account the profitability of the business and underlying growth in earnings of the Group, as well as its cash flows and growth requirements. The Directors would also ensure that dividend cover is prudently maintained. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

The Directors recommend a final ordinary dividend of 16.0 US cents per share, which together with the interim ordinary dividend of 6.0 US cents per ordinary share gives a total full year ordinary dividend of 22.0 US cents per share (2009: 9.0 US cents per share) based on the earnings for 2010. The total ordinary dividend reflects an approximate 12% pay-out ratio of the Group's full year Underlying Profits as adjusted for the removal of ENRC's and Ekibastuz GRES-1's equity accounted earnings but including dividends received from ENRC during the year. Subject to approval of the shareholders at the Annual General Meeting to be held on 13 May 2011, the dividend shall be paid on 17 May 2011.

CASH FLOWS

A summary of cash flows is shown below:

$ million	2010	2009
Segmental EBITDA before joint venture and associate	**1,651**	867
Impairment losses	**84**	385
Loss on disposal of property, plant and equipment	**-**	1
Share based payments	**3**	1
Dividends received from associate	**62**	84
Foreign exchange loss adjustment	**(8)**	25

Working capital movements[1]	**(49)**	(216)
Interest paid	**(50)**	(63)
MET paid	**(230)**	(120)
Income taxes paid	**(365)**	(144)
Net cash flows from operating activities	**1,098**	820
Sustaining capital expenditure	**(380)**	(241)
Free Cash Flow	**718**	579
Expansionary and new project capital expenditure	**(286)**	(187)
Major social projects	**(60)**	-
Interest received	**10**	10
Dividends paid	**(80)**	-
Payment of deferred consideration arising on the acquisition of business	**-**	(83)
Advance payment of deferred consideration arising on the acquisition of business	**-**	(102)
Proceeds from disposal of property, plant and equipment	**16**	14
Purchase of own shares	**(4)**	(7)
Cash (disposed)/received in relation to disposal of subsidiary	**(107)**	681
Other movements	**(10)**	(14)
Cash flow movement in net debt	**197**	891

[1] Working capital movements exclude any accruals relating to MET.

Summary of the year

Cash flows from operating activities were significantly stronger in 2010 compared to the prior year as the higher commodity prices improved profitability. In addition, a less adverse working capital movement offset the higher sustaining capital expenditure. Despite a significant increase in tax payments, both for CIT and MET, Free Cash Flow, a key performance indicator of the Group's ability to translate earnings into cash flow, was $718 million compared to $579 million in 2009.

Working capital

Working capital levels for the Group increased by $49 million during the year (2009: $216 million). The adverse working capital movement is primarily due to:

- inventory increases at Kazakhmys Copper of $83 million as there was a build-up in work in progress in the fourth quarter of 2010 of material to be processed in 2011;
- a decrease of $66 million in prepayments and advances, resulting from the receipt of goods and services related to the Group's ongoing development projects;
- a positive movement in trade payables and other payables of $191 million at Kazakhmys Copper, principally being the accrual of $130 million related to the major social project expenditure;
- an increase in the level of trade receivables within the Kazakhmys Copper Division of $118 million due to larger revenues in the latter part of the year and the timing of receipts; and
- a significant increase at MKM in the value of inventory of $70 million and trade receivables of $25 million driven by the higher copper prices experienced in the second half of 2010.

In the prior period, the negative working capital movement at Kazakhmys Copper related to the build up of work in progress which led to higher inventory levels, an increase in trade receivables reflecting higher prices and the negative final pricing adjustments of provisionally priced contracts recorded at the beginning of 2009. Additionally, in the prior period, MKM recorded a negative working capital movement of $118 million as the value of its inventory and receivables rose, reflecting movements in the copper price.

Despite these adverse working capital movements, working capital levels continue to be tightly controlled and managed across all of the Group's businesses.

Interest cash flows
Interest paid during the year was $50 million, $13 million below the prior period. The decrease in interest payments primarily relates to the PXF where a lower average effective interest rate and the lower principal outstanding saw interest payments fall. The interest on the CDB/Samruk-Kazyna financing line is payable bi-annually.

Interest received is at similar levels to 2009 at $10 million as larger average cash balances were offset by lower credit interest rates during 2010.

Income taxes and mineral extraction tax
In 2010, income taxes paid were $365 million, significantly above the $144 million paid in 2009. This increase is primarily as a result of the improved earnings of the Group for the year and the settlement of approximately $90 million in respect of 2009 tax liabilities. At 31 December 2010, Kazakhmys Copper had a net income tax receivable balance of approximately $12 million due to payments on account made during 2010, with the overall position of the Group being similar.

In addition to the income taxes paid during 2010, $230 million was paid in respect of MET. Of the total MET expense recognised of $236 million, $50 million remained unpaid at 31 December 2010, and this was settled in early 2011.

Free Cash Flow
The Group's Free Cash Flow of $718 million improved from $579 million in the prior year as the higher earnings generated by the Group were offset by larger income tax and MET payments of $595 million compared with $264 million in 2009.

Capital expenditure
The capital expenditure programme in 2009 had been scaled back in response to the prevailing market conditions at the start of that year. The 2010 capital programme was expanded in light of the more favourable commodity prices with expenditure on sustaining the current business operations increasing to $380 million from $241 million. Expansionary and new project capital expenditure rose from $187 million to $286 million. The total capital expenditure incurred in the year was $666 million, compared to $428 million in 2009.

The major items of expansionary capital expenditure during the period include the feasibility study on the sulphide ore deposit at Bozshakol, the continued development of the West Nurkazgan mine, geological and exploratory work at East Nurkazgan, geological work at Zhomart phase 2 and drilling and assaying at the Akbastau and Kosmurun development projects in Kazakhmys Copper. In Kazakhmys Gold, expenditure on construction and equipment relating to the development of the Bozymchak project was incurred. At Kazakhmys Petroleum, exploration work on the existing wells continued during 2010.

Sustaining capital expenditure within Kazakhmys Copper included expenditure on the smelters and concentrators to maintain output levels, and the purchase of new mining equipment to improve availability.

Additionally, as part of the Group's social development programme, $60 million has been spent on major social projects in Kazakhstan, with the balance of $70 million to be settled in 2011.

Investing cash flows
The most significant investing cash flows during the two periods relate to deferred payments for the acquisition of Ekibastuz GRES-1 in 2009, and the subsequent disposal of 50% in Ekibastuz GRES-1 in 2010. In 2009, the net cash inflow related to the Ekibastuz GRES-1 acquisition and 50% disposal was $496 million compared to a $107 million outflow in 2010, resulting from the deconsolidation of Ekibastuz GRES-1's net funds position following the 50% disposal of Ekibastuz GRES-1 in February 2010.

In the prior year, the Group paid $83 million in April 2009 under the earnout agreement relating to the 2008 financial year, and in October 2009 the Group paid an additional $102 million to AES

Corporation under the termination agreement. In December 2009 the Group received the $681 million sales proceeds as a prepayment from Samruk-Kazyna.

Dividends received
The Group received dividends of $62 million from ENRC in 2010, compared to $84 million in 2009, representing the final 2009 dividend and the 2010 interim dividend of ENRC. As explained above, dividends received have been credited against the carrying value of the investment in ENRC and are not included within earnings.

Dividends paid
The Group paid ordinary dividends of $80 million in 2010 representing the final 2009 dividend of $48 million and the 2010 interim dividend of $32 million.

BALANCE SHEET

Summary of movements
As at 31 December 2010, the equity attributable to owners of the Company was $8,206 million, compared to $6,582 million as at 31 December 2009, an increase of $1,624 million, as the Group's retained earnings grew due to the profitability in the year. The slight appreciation of the tenge over the year to 31 December 2010 has led to a non-cash gain of $31 million being recognised in the foreign currency translation reserve within equity. The non-cash gain arises due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge. Whilst the Group was profitable for the year ended 31 December 2009, the impact of the devaluation of the tenge gave rise to a non-cash foreign exchange loss within equity of $1,133 million which reduced the Group's equity attributable to owners of the Company for the year.

The Group's capital employed position at 31 December 2010 is shown below:

$ million (unless otherwise stated)	**2010**	2009
Equity attributable to owners of the Company	**8,206**	6,582
Non-controlling interests	**13**	13
Borrowings	**1,819**	1,650
Capital employed	**10,038**	8,245

ENRC
Included on the Group's consolidated balance sheet at 31 December 2010, as an investment in associate, is the Group's 26% investment in ENRC, with a carrying value of $4,356 million compared to $3,869 million at 31 December 2009. The Group's share of equity accounted earnings of $522 million (2009: $223 million) for the year has been offset by $62 million (2009: $84 million) of dividends received from ENRC in 2010 and the share of gains of the associate recognised within equity of $27 million (2009: losses of $315 million). In 2009, the most significant portion of the losses recognised in equity related to the non-cash foreign exchange loss arising on the devaluation of the tenge and the resulting impact on ENRC's net assets.

At 31 December 2010, the ENRC shareholding had a market value of $5,431 million (2009: $4,879 million) based on the public price quotation on the London Stock Exchange.

Ekibastuz GRES-1 (Kazakhmys Power)
Following the completion of the sale of 50% of Ekibastuz GRES-1 to Samruk-Kazyna on 26 February 2010, the Group's retained 50% interest is included on the consolidated balance sheet within investment in joint venture at a carrying value of $742 million. The carrying value of the investment represents the fair value of 50% of Ekibastuz GRES-1 at acquisition, being the deemed cost at 26 February 2010 of $703 million, and the Group's share of the subsequent post-tax profits and equity movements of $39 million.

Net debt
Net debt consists of cash and cash equivalents, current investments and borrowings. A summary of the net debt position of continuing operations is shown below:

$ million	**2010**	2009

Cash and cash equivalents	**1,113**	903
Current investments	**356**	58
Borrowings	**(1,819)**	(1,650)
Net debt[1]	**(350)**	(689)

[1] Excludes MKM and Kazakhmys Power.

The Group's net debt position (net of capitalised arrangement fees of $18 million and excluding discontinued operations) was $350 million compared with $689 million at 31 December 2009. The strong revenue-driven cash inflows in 2010 reduced the Group's net debt position as the cash flows generated were sufficient to support the capital expenditure programme, fulfil the Group's tax payments during the year and strengthen the Group's liquidity position. The net debt of MKM and the Maikuben West coal mine at 31 December 2010 was $178 million (2009: $115 million).

Gross debt of continuing operations stood at $1,819 million compared to $1,650 million at 31 December 2009, an increase of $169 million following the draw down of $700 million ($688 million net of fees) under the $2.7 billion CDB/Samruk-Kazyna financing line which was signed in December 2009, offset by the continued monthly repayment of $44 million under the PXF. These monthly repayments have reduced the amount outstanding under the PXF by $525 million during the year. Of the funds drawn under the CDB/Samruk-Kazyna financing line, $400 million has been allocated to the Bozshakol project, $100 million for the development of the Bozymchak project, the gold/copper deposit in Kyrgyzstan, and $200 million is intended for the future development of the Group's mid-size projects in Kazakhstan.

The Group has available several revolving credit facilities for general corporate purposes and to provide standby liquidity. At 31 December 2010 all such facilities were undrawn. Of the corporate credit facilities of $300 million entered into by the Group, facilities amounting to $250 million have maturity dates in March 2013 and a facility amounting to $50 million has a maturity date in September 2011.

Cash and short-term deposits (current investments) of the Group's continuing businesses as at 31 December 2010 were $1,469 million, an increase from $961 million at 31 December 2009. The increase is attributed to higher cash inflows from operating activities coupled with the proceeds from borrowings drawn under the CDB/Samruk-Kazyna financing line, partially offset by continued monthly repayments under the PXF. Of the cash and short-term deposits as at 31 December 2010, approximately $500 million is reserved under the CDB/Samruk-Kazyna financing line for the development of the Group's projects under the terms of the individual facility agreements, with the balance being available to meet working capital needs and general corporate purposes.

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. The funds in the UK are 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. At 31 December 2010, $1,292 million (2009: $776 million) of cash and short-term deposits were held in the UK, with $177 million (2009: $181 million) being held in Kazakhstan.

Discontinued operations

As explained in the 'Basis of preparation', Kazakhmys Power and MKM have been classified as being held for sale and as discontinued operations within the consolidated financial statements. As a result of this classification, the assets and liabilities of these divisions are separately shown within the consolidated balance sheet as single line items within current assets and current liabilities. Current assets include $382 million in respect of assets classified as held for sale, relating to the assets of MKM and the Maikuben West coal mine (part of Kazakhmys Power). The decrease in the current assets from $1,615 million at 31 December 2009, relates to the disposal of 50% of the assets of Ekibastuz GRES-1 and the transfer of the remaining 50% of its assets to investment in joint venture, within continuing operations. The principal components of current assets include inventory and trade receivables balances at MKM of $200 million and $137 million, respectively. Current liabilities include $300 million of liabilities directly associated with assets classified as held for sale, the main component of which is borrowings within MKM of $191 million. As with the current assets, the liabilities of Ekibastuz GRES-1 were all derecognised when the disposal completed in February 2010.

MKM has a trade finance facility of €170 million for a three year period with interest being payable on drawn balances at a rate of EURIBOR plus 3.00%. The facility amortises over a 12 month period after June 2011 based on the drawn balance as at 31 May 2011. At 31 December 2010, borrowings under this facility were $191 million, up from $157 million at 31 December 2009, as a result of higher working capital requirements due to rising copper prices towards the end of the year.

RISK FACTORS

The significant risks identified by Kazakhmys are those that could materially affect the Group's financial condition, performance, strategies and prospects. These should be carefully considered in conjunction with the cautionary statement set out above. There may be other risks unknown, or currently believed immaterial, by Kazakhmys which might become material.

Operational risks

Health and safety

Mining is a hazardous industry and failure to adopt and embed health and safety management systems could result in harm to Kazakhmys' employees as well as fines and penalties and damage to the Group's reputation.

Impact

Health and safety incidents could lead to a number of adverse consequences, including harm to people, as well as production disruption, reputational damage and financial loss. Fatality levels at Kazakhmys are higher than at comparable internationally listed mining companies, with 26 fatalities recorded for 2010.

Action

Kazakhmys recognises that the highest standards of health and safety practices are vital to its success, and are a key responsibility of all employees. The Group's policies and procedures in these areas are designed to identify relevant risks and opportunities and provide a clear framework for conducting business. Further details on the measures being taken to improve health and safety practices, including the work of the Group's HSE function, are set out in the Corporate Responsibility section of the Annual Report and Accounts.

Business interruption

The business of mining, smelting and refining metals and the production of power is resource intensive, and involves a number of risks, including, but not limited to, geological and technological challenges, weather and other natural phenomena such as floods and earthquakes, fires, explosions, equipment failures, delays in supplies and loss of key inputs including electricity, water, coal, which can cause prolonged mine or plant shutdowns or periods of reduced production.

Impact

Any disruption to operational activities could have a negative impact on the Group's profitability and cash flows, and may require the Group to make large unplanned capital expenditures. In addition to revenue losses, long-term business interruption could result in a loss of customers and reputational damage.

Action

Work is being undertaken across the Group, with the support of appropriate in-house and third-party specialists, to address operational risk issues. A review of maintenance practices is underway with the objective of improving equipment availability and reducing outages. The Group is partially protected from the loss of key assets by the availability of geographically diversified mining and concentrating operations, two smelting complexes, the option of selling of concentrate to customers and access to multiple power sources. A combined property damage and business interruption catastrophic insurance programme is in place which can provide protection from some of the financial impact of a major incident at the Group's main concentrating, smelting and refining facilities, and power stations.

Assets controlled by third parties and joint ventures

Kazakhmys holds a 26% investment in ENRC PLC. The business and financial performance of this investment is not controlled by the Group. Furthermore in 2010, the Group has entered into a joint venture arrangement in respect of the ownership and management of the Ekibastuz GRES-1 power station. Kazakhmys has also engaged outsourcing companies to manage certain Group assets, principally engaged in the transportation of production materials by road and rail.

Impact
Decisions made by the board of ENRC PLC could have a material impact on the reported earnings of Kazakhmys. The board of ENRC PLC may take actions which are inconsistent with the Group's values and strategies. Furthermore, changes in market or macroeconomic conditions could impact the cash flows and the valuation of Kazakhmys' investment in ENRC PLC. The Group's partner in the Ekibastuz GRES-1 joint venture may have business interests inconsistent with those of the Group and may exercise its right to block certain actions. The partner may take actions which are inconsistent with the Group's policies or standards. Outsourcing companies may take actions which are inconsistent with the Group's objectives or operating procedures, including the failure to adequately maintain Kazakhmys' assets.

Action
Kazakhmys monitors the business and financial performance of its 26% investment in ENRC PLC. The Group has the ability to exercise its rights as the single largest shareholder of ENRC PLC and maintains an active dialogue with members of ENRC's board and senior management. Kazakhmys seeks to ensure that the appropriate governance structures are in place to manage its power joint venture in accordance with the Group's business interests and that they are consistent with the Group's policies and standards. Under the terms of the joint venture arrangement, Kazakhmys is entitled to appoint the operational management of the power plant until 2015, overseen by a supervisory board consisting of representatives of both joint venture partners. Kazakhmys actively monitors the performance of its outsourcing companies to ensure they fulfill their contractual obligations.

New projects
The development of new projects involves many risks including geological, engineering, procurement, financing and regulatory risks. If the Group fails to adopt an appropriate procurement and project management strategy, it may experience delays to project schedules and an increase in costs. Regulatory risks include failures to obtain and maintain applicable permits, licences or approvals from the relevant authorities to perform certain works.

Impact
Projects may fail to achieve the desired economic returns due to an inability to recover mineral reserves as planned and higher than expected capital and operating costs. Projects may also fail to complete or suffer delays which may reduce future production volumes and result in a financial loss to the Group. A reduction in future production volumes would also increase the cash cost on a per unit basis.

Action
Prior to an investment decision being made, certain activities are performed including, where appropriate, feasibility and other technical studies. The Group ensures that sufficient expertise, from both in-house and third party specialists, is utilised on projects throughout their life cycle. Furthermore, there are procedures in place addressing areas such as budgeting and management of capital expenditure projects.

Specialist staff, mining equipment and supplies
Commodity price fluctuations can have an impact on industry demand for specialist staff and mining equipment and supplies. In periods of elevated commodity prices, competition for skilled personnel intensifies, both internationally and within Kazakhstan, and availability of mining equipment and supplies can be subject to long lead times and cost inflation. The remote location of some of the Group's operations also makes the attraction and retention of skilled staff at these sites more challenging.

Impact

Kazakhmys may suffer shortages of skilled workers and delays in obtaining mining equipment and supplies which limit the Group's ability to operate effectively. The cost of staff, mining equipment and supplies may rise, thereby increasing operating and capital costs which affect financial performance.

Action
The Group actively monitors the market for specialist staff and mining equipment and supplies to remain competitive in the hiring of staff and procurement of mining equipment and supplies. Kazakhmys has an extensive social programme for its employees and their dependents and invests in training facilities and staff development to raise skill levels. The Group assesses opportunities for outsourcing which can bring in external capabilities, and is currently assessing the performance of pilot studies outsourcing aspects of equipment maintenance. Further details on measures to manage talent risk and improve personnel attraction and retention are set out in the Corporate Responsibility section of the Annual Report and Accounts.

Political risk
Most of the Group's mining and power operations are in Kazakhstan. Accordingly, the Group is substantially dependent on the social, political, economic, legal and fiscal conditions prevailing in Kazakhstan.

Impact
Changes to Kazakhstan's foreign trade (export and import), foreign investments, property, tax, environmental and mining regimes or social responsibility expectations or other changes that affect the supportive business environment in Kazakhstan could negatively affect the Group's business, financial position and performance.

Action
The Government of Kazakhstan has actively pursued a programme of economic reform, helping to make it one of the most politically stable and economically developed countries in Central Asia. The Government of Kazakhstan has representation on the Board of Kazakhmys and is a significant shareholder in the Group. The Board continues to view the political, social and economic environment within Kazakhstan favourably, and looking forward, remains optimistic about the conditions for business in the region. Kazakhmys maintains a proactive dialogue with the Government of Kazakhstan across a range of issues, including taxation, the environment and community relations.

Reserves and resources
Kazakhmys' ore reserves for operating mines and development projects are largely based on the estimation method for reserves and resources established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves, and geological, technical and economic assumptions that were valid at the time of estimation may change significantly when new information becomes available.

Impact
Changes in reserves could adversely impact mine plans and the economic viability of projects resulting in economic losses, negatively impacting the Group's financial position and performance.

Action
The Group's ore reserves and mineral resources are published in accordance with the criteria of the JORC Code and can be found in the Reserves and Resources section of the Annual Report and Accounts. Kazakhmys engages the services of independent technical experts to annually convert reserve and resource calculations for operating mines and development projects from the in-house method established by the former Soviet Union to the method prescribed by the JORC code. In 2010, being five years since the audit of reserves and resources was undertaken for the Listing, the Group engaged an independent technical expert to undertake an audit of reserves and resources. The scope of the external audit is set out in the report of the independent competent person found in the Reserves and Resources section of the Annual Report and Accounts. A project is underway to digitise selected mine reserves which will be used in the future for determining estimates of reserves and resources and to support improved estimation of ore grades and mine planning.

Compliance risks
Subsoil use rights

In Kazakhstan and certain other countries in which the Group operates, all subsoil reserves belong to the State. Subsoil use rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. Rights may be terminated if the Group does not satisfy its licensing or contractual obligations, which may include financial commitments to State authorities and the satisfaction of mining, development, environmental, social, health and safety requirements. Recent legislation relating to subsoil use has come into force in Kazakhstan, which sets out stricter requirements on the performance of license obligations, technical documentation, work programmes and the level of goods and services sourced from Kazakhstan.

Impact
As many of Kazakhstan's subsoil use laws have been adopted relatively recently, the legal consequences of a given breach may not be predictable. However, non-compliance with the requirements of subsoil use contracts could potentially lead to regulatory challenges and subsequently to fines/litigation, and ultimately to the loss of operating licenses. The loss of any of the Group's subsoil use rights could have a material adverse effect on its mining operations.

Action
The Group's management makes every effort to engage with the relevant regulatory authorities and ensure compliance with all relevant legislation and subsoil use contracts, and where the contract is due for renewal, for example, Kazakhmys Petroleum's exploration licence, the Group engages with relevant authorities to renew or extend the license on equitable terms. The Group's procedures to ensure compliance with the terms of subsoil contracts have been updated to reflect the requirements of the new legislation. A specialist department is also tasked with monitoring compliance with the terms of the subsoil use contracts.

Environmental compliance
The Group operates in an industry that is subject to numerous environmental laws and regulations. As regulatory standards and requirements continually develop, the Group may be exposed to increased compliance costs and environmental emission charges. Policies and measures at a national and international level to tackle climate change will increasingly affect the business, presenting greater environmental and regulatory risks.

Impact
A violation of environmental laws, or failure to comply with the instructions of the relevant authorities, could lead to the suspension of operating licenses, challenges to subsoil use mining rights, fines and penalties, the imposition of costly compliance procedures, reputational damage and financial loss. New or amended environmental legislation or regulations may result in increased operating costs, additional capital investment or, in the event of non-compliance, the possibility of fines, penalties or other actions which may adversely affect Kazakhmys' financial results and reputation. Emissions charges in Kazakhstan have been increased over recent years and the authorities are adopting an increasingly robust stance on compliance with environmental standards.

Action
The Group has policies and procedures in place which set out the required operating standards for all employees. Kazakhmys monitors its emissions and in recent years has invested in reducing its environmental impact including the construction of the sulphuric acid plant at Balkhash and the ongoing programme to install electrostatic precipitators at the Ekibastuz GRES-1 power plant. Further details on the environmental measures being taken by the Group are set out in the Corporate Responsibility section of the Annual Report and Accounts.

Financial risks
Commodity prices
The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. Kazakhmys' financial results are strongly influenced by commodity prices which are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, Kazakhmys is exposed to demand from China, a major consumer of the metals in which the Group operates. Due to these factors, commodity prices may be subject to significant fluctuations, which could have a positive or negative impact on the Group's financial results.

Impact
Commodity prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings, cash flows and growth prospects.

Action
The Group keeps under regular review its sensitivity to fluctuations in commodity prices. The Group does not as a matter of course hedge commodity prices, but may enter into a hedge programme for certain commodities where the Board determines it is in the Group's interest to provide greater certainty over future cash flows, as was the case in 2009. The Group adopts a prudent approach in its financial planning reflecting the volatility in commodity prices.

Liquidity risk
The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without the loss of value.

Impact
Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action
The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows and future capital commitments. The Group has also secured funding for Bozshakol and selected medium-sized projects. Further details are set out in the Financial Review section of the Annual Report and Accounts.

Taxation
As the tax legislation in Kazakhstan has been in force for a relatively short period of time, tax risks in Kazakhstan are substantially greater than typically found in countries with more developed tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact
The uncertainty of interpretation and application, and the evolution, of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action
The Group makes every effort to comply with existing tax legislation, and works closely with the Government and tax authorities in the review of proposed amendments to tax legislation and regulation. Further details on the Group's tax strategy and risk management are set out in the Financial Review section in the Annual Report and Accounts.

RESPONSIBILITY STATEMENT

Each Director confirms to the best of his knowledge that:

- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards;

- the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation

taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

$ million (unless otherwise stated)	Notes	2010	2009
CONTINUING OPERATIONS			
Revenues	5(b)	**3,237**	2,404
Cost of sales		**(1,419)**	(1,144)
Gross profit		**1,818**	1,260
Selling and distribution expenses		**(55)**	(52)
Administrative expenses		**(658)**	(402)
Other operating income		**44**	28
Other operating expenses		**(37)**	(159)
Impairment losses	6	**(14)**	(126)
Share of profits from joint venture	12	**38**	-
Operating profit		**1,136**	549
Share of profits from associate	13	**522**	223
Profit before finance items and taxation		**1,658**	772
Analysed as:			
Profit before finance items and taxation excluding special items		**1,783**	860
Special items	7	**(125)**	(88)
Finance income	8	**91**	479
Finance costs	8	**(159)**	(223)
Profit before taxation		**1,590**	1,028
Income tax expense	9	**(202)**	(261)
Profit for the year from continuing operations		**1,388**	767
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	4	**62**	(214)
Profit for the year		**1,450**	553
Attributable to:			
Equity holders of the Company		**1,450**	554
Non-controlling interests		**-**	(1)
		1,450	553
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	10(a)	**2.60**	1.44
From discontinued operations ($)	10(a)	**0.12**	(0.40)
		2.72	1.04
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	10(b)	**2.59**	1.02
From discontinued operations ($)	10(b)	**0.20**	0.11
		2.79	1.13

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2010

$ million	Notes	2010	2009
Profit for the year		**1,450**	553
Other comprehensive income/(loss) for the year after tax:			
Exchange differences on retranslation of foreign operations		**31**	(1,134)
Losses on cash flow hedges taken to equity		**-**	138
Losses on cash flow hedges taken to income statement		**-**	(138)
Recycling of exchange differences on disposal of share in subsidiary	3	**196**	-
Share of other comprehensive income of joint venture	12	**1**	-
Share of other comprehensive income/(loss) of associate	13	**27**	(315)
Other comprehensive income/(loss) for the year		**255**	(1,449)
Total comprehensive income/(loss) for the year		**1,705**	(896)
Attributable to:			
Equity holders of the Company		**1,705**	(889)
Non-controlling interests		**-**	(7)
		1,705	(896)

CONSOLIDATED BALANCE SHEET
At 31 December 2010

$ million	Notes	2010	2009
Assets			
Non-current assets			
Intangible assets		**509**	510
Tangible assets		**2,470**	2,022
Property, plant and equipment		**2,031**	1,687
Mining assets		**439**	335
Investment in joint venture	12	**742**	-
Investment in associate	13	**4,356**	3,869
Other non-current investments		**9**	7
Deferred tax asset		**9**	-
		8,095	6,408
Current assets			
Inventories		**585**	500
Prepayments and other current assets		**155**	325
Income taxes reclaimable		**45**	4
Trade and other receivables		**264**	150
Investments		**356**	58
Cash and cash equivalents		**1,113**	903
		2,518	1,940
Assets classified as held for sale	4	**382**	1,615
		2,900	3,555
TOTAL ASSETS		**10,995**	9,963
Equity and liabilities			
Equity			
Share capital	14(a)	**200**	200
Share premium		**2,648**	2,648
Capital reserves	14(c)	**(739)**	(994)
Retained earnings		**6,097**	4,728
Attributable to equity holders of the Company		**8,206**	6,582
Non-controlling interests		**13**	13
TOTAL EQUITY		**8,219**	6,595
Non-current liabilities			
Borrowings	15	**1,300**	1,132
Deferred tax liability		**16**	99
Employee benefits		**58**	50
Provisions		**110**	95
		1,484	1,376
Current liabilities			
Trade and other payables		**403**	935
Borrowings	15	**519**	518
Income taxes payable		**33**	60
Dividends payable		**2**	2
Provisions		**35**	17
		992	1,532
Liabilities directly associated with assets classified as held for sale	4	**300**	460
		1,292	1,992
TOTAL LIABILITIES		**2,776**	3,368
TOTAL EQUITY AND LIABILITIES		**10,995**	9,963

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

$ million	Notes	2010	2009
Cash flows from operating activities			
Cash inflow from operations before interest, income taxes and dividends from associate	16	**1,451**	943
Interest paid		**(50)**	(63)
Income taxes paid		**(365)**	(144)
Dividends from associate		**62**	84
Net cash inflow from operating activities		**1,098**	820
Cash flows from investing activities			
Interest received		**10**	10
Proceeds from disposal of property, plant and equipment		**16**	14
Purchase of intangible assets		**(4)**	(6)
Purchase of property, plant and equipment		**(590)**	(346)

Investments in mining assets		**(132)**	(76)
Licence payments for subsoil contracts		**(8)**	(12)
Acquisition of non-current investments		**(2)**	(2)
Investment in short-term bank deposits		**(298)**	(31)
Proceeds received in advance from disposal of share in subsidiary		**-**	681
Payments of deferred consideration arising from business acquisition		**-**	(185)
Cash disposed of in relation to disposal of subsidiary	3	**(107)**	-
Net cash flows (used in)/from investing activities		**(1,115)**	47
Cash flows from financing activities			
Purchase of own shares		**(4)**	(7)
Proceeds from borrowings - net of arrangement fees paid of $14 million (2009: $3 million)		**855**	253
Repayment of borrowings		**(572)**	(649)
Dividends paid by the Company		**(80)**	-
Net cash flows from/(used in) financing activities		**199**	(403)
Net increase in cash and cash equivalents		**182**	464
Cash and cash equivalents at the beginning of the year		**945**	540
Effect of exchange rate changes on cash and cash equivalents		**(1)**	(59)
Cash and cash equivalents at the end of the year	5(a)(iv)	**1,126**	945

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to equity holders of the Company						
$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2009		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 recycled to the 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	13	-	-	(310)	-	(310)	(5)	(315)
Total comprehensive (loss)/income for the year		-	-	(1,443)	554	(889)	(7)	(896)
Share-based payment		-	-	-	1	1	-	1
Own shares acquired	14(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	3	**-**	**-**	**196**	**-**	**196**	**-**	**196**
Share of gains in joint venture recognised in other comprehensive income	12	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Share of gains of associate recognised in other comprehensive income	13	**-**	**-**	**27**	**-**	**27**	**-**	**27**
Total comprehensive income for the year		**-**	**-**	**255**	**1,450**	**1,705**	**-**	**1,705**
Share-based payment		**-**	**-**	**-**	**3**	**3**	**-**	**3**
Own shares acquired	14(b)	**-**	**-**	**-**	**(4)**	**(4)**	**-**	**(4)**
Dividends paid by the Company	11	**-**	**-**	**-**	**(80)**	**(80)**	**-**	**(80)**
At 31 December 2010		**200**	**2,648**	**(739)**	**6,097**	**8,206**	**13**	**8,219**

[1] Refer to note 14(c) for an analysis of 'Capital reserves'.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 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 (note 4).

2. BASIS OF PREPARATION

The financial information for the year ended 31 December 2010 does not constitute statutory accounts as defined in Sections 435(1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's annual general meeting convened for 13 May 2011. The auditor has reported on these accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis of matter and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

(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 Review section of the Annual Report and Accounts. The financial position of the Group, its cash flows, financial risk management policies and available debt facilities are described in the Financial Review section of the Annual Report and Accounts. In addition, 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 are set out in the Notes to the Financial Statements in the Annual Report and Accounts.

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 approximately $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 existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) Basis of accounting

The consolidated financial statements have 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 financial statements are 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 financial statements set out the Group's financial position as at 31 December 2010 and the Group's financial performance for the year ended 31 December 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 intragroup 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.

(d) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have 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) of the IASB, as adopted by the European Union (EU), and in accordance with the provisions of the Companies Act 2006.

3. 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 (unless otherwise stated)	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 disposal.

The results of the prior year 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 12).

(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 12.

4. DISCONTINUED OPERATIONS

Discontinued operations consist of MKM (see note 4(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 4(b)).

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

$ million	**2010**	2009
Revenues	**1,510**	1,276
Cost of sales	**(1,285)**	(1,050)
Operating costs	**(86)**	(100)
Impairment losses	**-**	(101)
Net finance costs	**(8)**	(87)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(70)**	(158)
Profit/(loss) before tax from discontinued operations	**61**	(220)
Income taxes:		
Related to current year loss before taxation (current and deferred taxes)	**(25)**	(1)
Related to measurement to fair value less costs to sell (deferred tax)	**12**	7
	48	(214)
Gain on disposal of share in subsidiary (see note 3)	**14**	-
Attributable income tax expense	**-**	-
	14	-
Profit/(loss) for the year from discontinued operations	**62**	(214)
Analysed as:		
MKM	**15**	(130)
Kazakhmys Power	**47**	(84)

As described in note 3, 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	**2010**	2009
Assets		
Intangible assets	**-**	444
Property, plant and equipment	**21**	801

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

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

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

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

$ million	2010	2009
Operating activities	**43**	(8)
Investing activities	**(137)**	(65)
Financing activities	**65**	89
Net cash inflow	**(29)**	16

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

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

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).

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

(iii) Cash flows

The net cash flows incurred by MKM are as follows:

$ million	2010	2009
Operating activities	**(15)**	(28)
Investing activities	**(14)**	(6)
Financing activities	**35**	34

Net cash inflow	**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

On 26 February 2010 the Group sold 50% of its interest in Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power Division, 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 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 had been agreed with a prospective acquirer and a sale and purchase agreement had 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	**2010**	2009
Revenues	**123**	238
Cost of sales	**(32)**	(115)
Operating costs	**(33)**	(53)
Impairment losses	**-**	(69)
Net finance costs	**(1)**	(80)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(12)**	-
Profit/(loss) before tax from discontinued operation	**45**	(79)
Income taxes:		
Related to current year loss before taxation	**(12)**	(12)
Related to measurement to fair value less costs to sell (deferred tax)	**-**	7
	33	(84)
Gain on disposal of share in subsidiary (see note 3)	**14**	-
Attributable income tax expense	**-**	-
	14	-
Profit/(loss) for the year from discontinued operations	**47**	(84)

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 both 2010 and 2009.

(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	**2010**	2009
Assets		
Intangible assets	**-**	444
Property, plant and equipment	**21**	801

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

(iii) Cash flows

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

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

[1] The cash flows from investing activities include $107 million related to the cash disposed in relation to the sale of 50% of Ekibastuz GRES-1 (see note 3).

5. 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 4(a), the Directors have decided to dispose of MKM. As a result, at 31 December 2010 and 2009, 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 3), 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 4(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 financial statements.

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 Eastern 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 7).

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.

There are no inter-segment sales within the Group.

Segmental information is also provided in respect of revenues, by destination and by-product.

(a) Operating segments
(i) Income statement information

	Year ended 31 December 2010									
								Continuing operations		
$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Income statement	Joint venture[3]	Discontinued operations[1,2]
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 4(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 4(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 12 provides further detail on the financial results of the joint venture.
[4] Share of profits from the associate is net of tax.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
							Year ended 31 December 2009		
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 income/(costs)							169	256	(87)
Income tax (expense)/recovery							(255)	(261)	6
Profit/(loss) 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 4(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 4(b)).
[3] Share of profits from associate is net of tax.

(ii) Balance sheet information

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
							At 31 December 2010		
Assets									
Tangible and intangible assets[3]	**2,241**	**-**	**21**	**136**	**564**	**38**	**3,000**	**2,979**	**21**
Intragroup 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 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 4(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 4(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.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
							At 31 December 2009		

Assets									
Tangible and intangible assets[3]	1,894	-	1,245	93	527	18	3,777	2,532	1,245
Intragroup investments	-	-	-	-	-	6,442	6,442	6,442	-
Non-current investments[4]	6	-	-	1	-	3,869	3,876	3,876	-
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 the 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 4(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 4(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.

(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**
(Less)/add: impairment (reversal)/charge against inventories	**(18)**	**44**	**-**	**-**	**-**	**-**	**26**	**(18)**	**-**	**44**
Add: major social projects	**130**	**-**	**-**	**-**	**-**	**-**	**130**	**130**	**-**	**-**
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 4(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 4(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	
$ million	Kazakhmys Copper	MKM[2]	Kazakhmys Power[3]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[2,3]
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 note 4(a)).
[3] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 4(b)).
[4] 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 mineral extraction tax of the associate.

(iv) Net liquid funds/(debt)

								At 31 December 2010	
$ million	**Kazakhmys Copper**	**MKM[1]**	**Kazakhmys Power[2]**	**Kazakhmys Gold**	**Kazakhmys Petroleum**	**Corporate unallocated**	**Total**	**Continuing operations**	**Discontinued operations[1,2]**
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 4(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 4(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.

								At 31 December 2009	
$ million	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 4(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 4(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 the Kazakhmys Copper segment.

(v) Capital expenditure, depreciation and impairment losses

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
	Year ended 31 December 2010								
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 4(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 4(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 (2009: $nil) 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.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations[1,2]
	Year ended 31 December 2009								
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 4(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 4(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.

(b) Segmental information in respect of revenues

Revenues by product are as follows:

$ million	**2010**	2009
Kazakhmys Copper		
Copper cathodes	**2,110**	1,563
Copper concentrate	**-**	107
Copper rods	**274**	41
Total copper products	**2,384**	1,711
Silver	**271**	251
Gold bullion	**164**	127
Zinc metal	**-**	19
Zinc metal in concentrate	**193**	127
Other by-products	**82**	52
Other revenue	**88**	70
	3,182	2,357
Kazakhmys Gold		
Gold doré	**55**	47
	55	47
Continuing operations	**3,237**	2,404
MKM		
Wire	**500**	438
Sheets and strips	**560**	366
Tubes and bars	**293**	208

Metal trade	**34**	26
	1,387	1,038
Kazakhmys Power[1]		
Electricity generation	**64**	209
Coal	**59**	29
	123	238
Discontinued operations	**1,510**	1,276
Share of joint venture's revenues	**138**	-
Total revenues	**4,885**	3,680

[1] Kazakhmys Power revenues include 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	**2010**	2009
Continuing operations		
Europe	**1,330**	1,138
China	**1,567**	1,005
Kazakhstan	**329**	254
Other	**11**	7
	3,237	2,404
Discontinued operations		
Europe	**1,138**	865
China	**9**	14
Kazakhstan	**123**	202
Other	**240**	195
	1,510	1,276
Share of joint venture's revenues		
Kazakhstan	**116**	-
Other	**22**	-
	138	-
Total revenues	**4,885**	3,680

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.

6. IMPAIRMENT LOSSES

$ million	**2010**	2009
Impairment of property, plant and equipment – notes 6(a) and 6(e)	**13**	50
Impairment of mining assets – note 6(f)	**-**	23
Impairment (reversal)/charge against inventories – notes 6(b) and 6(g)	**(3)**	21
Provisions against trade and other receivables – note 6(c)	**7**	23
Impairment (reversal)/charge against prepayments and other current assets	**(3)**	9
Continuing operations	**14**	126
Discontinued operations – note 6(d)	**70**	259
	84	385

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 4(a) and 4(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.

7. 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	**2010**	2009
Continuing operations		
Special items within operating profit		
Major social projects[1]	**130**	-
Impairment of property, plant and equipment	**13**	50
Impairment of mining assets	**-**	23
Provisions (released)/raised against inventories	**(18)**	14
Loss on disposal of property, plant and equipment	**-**	1
	125	88
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 9	**(98)**	-
Impairment of Kazakhmys Gold	**-**	6
Change in tax rates in Kazakhstan	**16**	6
Associate		
Gain related to 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	**12**	4
	(128)	(375)
Discontinued operations		
Special items within Underlying Profit		
Gain on disposal of share in subsidiary – note 3(a)	**(14)**	-
Impairment of goodwill	**-**	16
Impairment of other intangible assets	**-**	2
Impairment of property, plant and equipment	**26**	150
Impairment of mining assets	**-**	36
Provisions against inventories	**44**	52
Foreign exchange loss on devaluation of the tenge	**-**	53
Change in deferred tax liabilities:		
Impairment of MKM and Maikuben West	**(12)**	(34)
Release of deferred tax liabilities due to change in tax rates in Kazakhstan	**-**	7
	44	282

[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.

8. FINANCE INCOME AND FINANCE COSTS

$ million	2010	2009
Finance income		
Interest income	**8**	8
Foreign exchange gains	**83**	471
Continuing operations	**91**	479
Interest income	**1**	1
Foreign exchange gains	**15**	17
Discontinued operations	**16**	18
	107	497
Finance costs		
Interest expense	**(47)**	(51)
Interest on employee obligations	**(4)**	(3)
Unwinding of discount on provisions	**(8)**	(6)
Finance costs before foreign exchange losses	**(59)**	(60)
Foreign exchange losses	**(100)**	(163)
Continuing operations	**(159)**	(223)
Interest expense	**(9)**	(10)
Unwinding of discount on provisions	**-**	(26)
Foreign exchange losses	**(15)**	(69)
Discontinued operations	**(24)**	(105)
	(183)	(328)

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.

9. INCOME TAXES

(a) Income statement

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

$ million	2010	2009
Current income tax		
Corporate income tax – current period (UK)	**26**	-
Corporate income tax – current period (overseas)	**292**	270
Corporate income tax – prior periods	**(26)**	1
Deferred income tax		
Corporate income tax – current period	**(90)**	(10)
Income tax expense attributable to continuing operations	**202**	261
Current income tax attributable to discontinued operations	**9**	8
Deferred income tax attributable to discontinued operations	**4**	(14)
Income tax expense attributable to discontinued operations	**13**	(6)
Total income tax expense	**215**	255

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

$ million	2010	2009
Profit before taxation from continuing operations	**1,590**	1,028
At statutory income tax rate of 28.0%	**445**	288
Tax effect of share of profits from joint venture	**(11)**	-
Tax effect of share of profits from associate	**(146)**	(62)
(Over)/underprovided in previous years – current income tax	**(26)**	1
Unrecognised tax losses	**(5)**	-
Effect of domestic tax rates applicable to individual Group entities	**(76)**	(67)
Effect of changes in future tax rates	**16**	6
(Reversal of)/provision for withholding tax on unremitted overseas earnings	**(98)**	18
Non-deductible items:		
Transfer pricing	**22**	28
Non-deductible interest	**6**	-
Non-deductible expenses	**75**	49
Income tax expense attributable to continuing operations	**202**	261
Income tax attributable to discontinued operations	**13**	(6)
Total income tax expense	**215**	255

Corporate income tax is calculated at 28.0% (2009: 28.0%) 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%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (2009: 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%).

Kazakhstan corporate income tax (“CIT”)
In 2009, the Government of Kazakhstan introduced a 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 Kazakhstan will have the effect of significantly lowering the Group’s overall future effective tax rate below the UK statutory corporate tax 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 (EPT) 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.

10. 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.

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

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

(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:

$ million	2010	2009
Net profit attributable to equity shareholders of the Company from continuing operations	**1,388**	768
Special items:		
Subsidiary businesses		
Impairment of property, plant and equipment	**13**	50
Impairment of mining assets	**-**	23
Provisions (released)/raised against inventories	**(18)**	14
Loss on disposal of property plant and equipment	**-**	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 the tenge:		
Subsidiary businesses	**-**	(336)
Associate	**-**	(55)
Tax effect of non-recurring items:		
Subsidiary businesses	**(2)**	52
Associate	**-**	11
Change in deferred tax liabilities:		
Release of deferred withholding tax liability – note 9	**(98)**	-
Impairment of Kazakhmys Gold	**-**	6
Change in tax rates in Kazakhstan:		
Subsidiary businesses – note 9	**16**	6
Associate	**12**	4
Minority interest effect of non-recurring items	**-**	1
Underlying Profit from continuing operations	**1,383**	545
Net profit/(loss) attributable to owners of the Company from discontinued operations	**62**	(214)
Special items:		
Impairment of goodwill	**-**	16
Impairment of other intangible assets	**-**	2
Impairment of property plant and equipment	**26**	150
Impairment of mining assets	**-**	36
Provisions against inventories	**44**	52
Gain on disposal of share in subsidiary	**(14)**	-

Net foreign exchange loss arising on devaluation of the tenge	**-**	53
Tax effect of non-recurring items	**-**	(11)
Release of deferred tax liabilities:		
Impairment of MKM and Maikuben West	**(12)**	(34)
Release of deferred tax liabilities due to change in tax rates in Kazakhstan	**-**	7
Underlying Profit from discontinued operations	**106**	57
Total Underlying Profit	**1,489**	602

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

11. DIVIDENDS PAID AND PROPOSED

(a) Dividends paid

The dividends paid during the year ended 31 December 2010 are as follows:

	Per share US cents	Amount $ 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**

(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 2008.

(b) Dividends declared after the balance sheet date

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

12. INVESTMENT IN JOINT VENTURE

$ million	2010
At 1 January	**-**
Recognition at fair value[1]	**703**
Share of profits from joint venture[2,3]	**38**
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 3).
[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 3.

The following is a summary of the financial information of the Group's investment in 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**

13. INVESTMENT IN ASSOCIATE

The Group holds 334,824,860 shares in ENRC representing 26.0% of the issued share capital. There have been no changes in this holding in 2009 and 2010.

$ million	2010	2009
Investment in associate		
At 1 January	**3,869**	4,045
Share of profits from associate[1]	**522**	223
Share of gains/(losses) of associate recognised in other comprehensive income	**27**	(315)
Dividends received	**(62)**	(84)
At 31 December	**4,356**	3,869

[1] Share of profits from associate is net of tax.

At 31 December 2010, the Group's 26.0% investment in ENRC had a market value of $5,431 million (31 December 2009: $4,879 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 financial year, particularly those of natural resource companies, and the upward trend in short and long-term commodity prices, the Directors do not believe that an impairment indicator has arisen with regards to the Group's investment in ENRC at 31 December 2010.

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

$ million	2010	2009
Share of associate's revenue and profit		

Revenue	**1,717**	996
Operating profit	**659**	316
Gain related to the acquisition of joint venture	**77**	-
Profit before finance items, taxation and share of profit from joint ventures and associates	**736**	308
Net finance costs and share of profit from joint ventures and associates	**(8)**	17
Income tax expense and non-controlling interests	**(206)**	(102)
Profit for the period	**522**	223

14. SHARE CAPITAL AND RESERVES

(a) Allotted share capital

	Number	£ million	$ million
Allotted and called up share capital – ordinary shares of 20 pence each			
At 31 December 2010 and 2009	535,240,338	107	200

(b) Own shares

The provision of shares to the Company's share-based payment plans is facilitated by an Employee Benefit Trust. 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) 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 2009	42	(2)	410	6	(7)	449
Exchange differences on retranslation of foreign operations[1]	-	-	(1,133)	-	-	(1,133)
Losses on cash flow hedges taken to equity	-	-	-	-	138	138
Losses on cash flow hedges recycled to the 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.

15. 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

[1] Relates to continuing operations.
[2] Relates to discontinued operations (see note 4(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 2009 and 2010, 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), gross cost before amortisation of $26 million (2009: $26 million), have been netted off against these borrowings in accordance with IAS 39. Interest is payable on the drawn balance at a rate of US$ LIBOR + 1.25%. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited act as guarantors of the loan.

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.

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.

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 + 4.80%. 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 cash flows 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 purpose facilities

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

(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	2010	2009
Revolving trade finance facility (within MKM)	**33**	86

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

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

Non-cash transactions
There were the following non-cash transactions:

- The Group capitalised depreciation of $13 million (2009: $3 million) for property, plant and equipment and mining assets (note 5(a)(v)).

- The Group capitalised to intangible assets an amount of $4 million (2009: $6 million) and de-recognised $7 million (2009: $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 to property, plant and equipment, with a corresponding increase in the site restoration and clean up provisions.

17. 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)

18. 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
Companies under trust management[1]				
2010	**13**	**8**	**47**	**2**
2009	16	7	41	2
Other[1]				
2010	**3**	**23**	**7**	**2**
2009	2	29	27	3

[1] A provision of $47 million (2009: $43 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).

(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 15, 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).

(ii) ENRC

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

19. 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. Subject to approval of shareholders at the Annual General Meeting to be held on 13 May 2011, this dividend shall be paid on 17 May 2011.

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