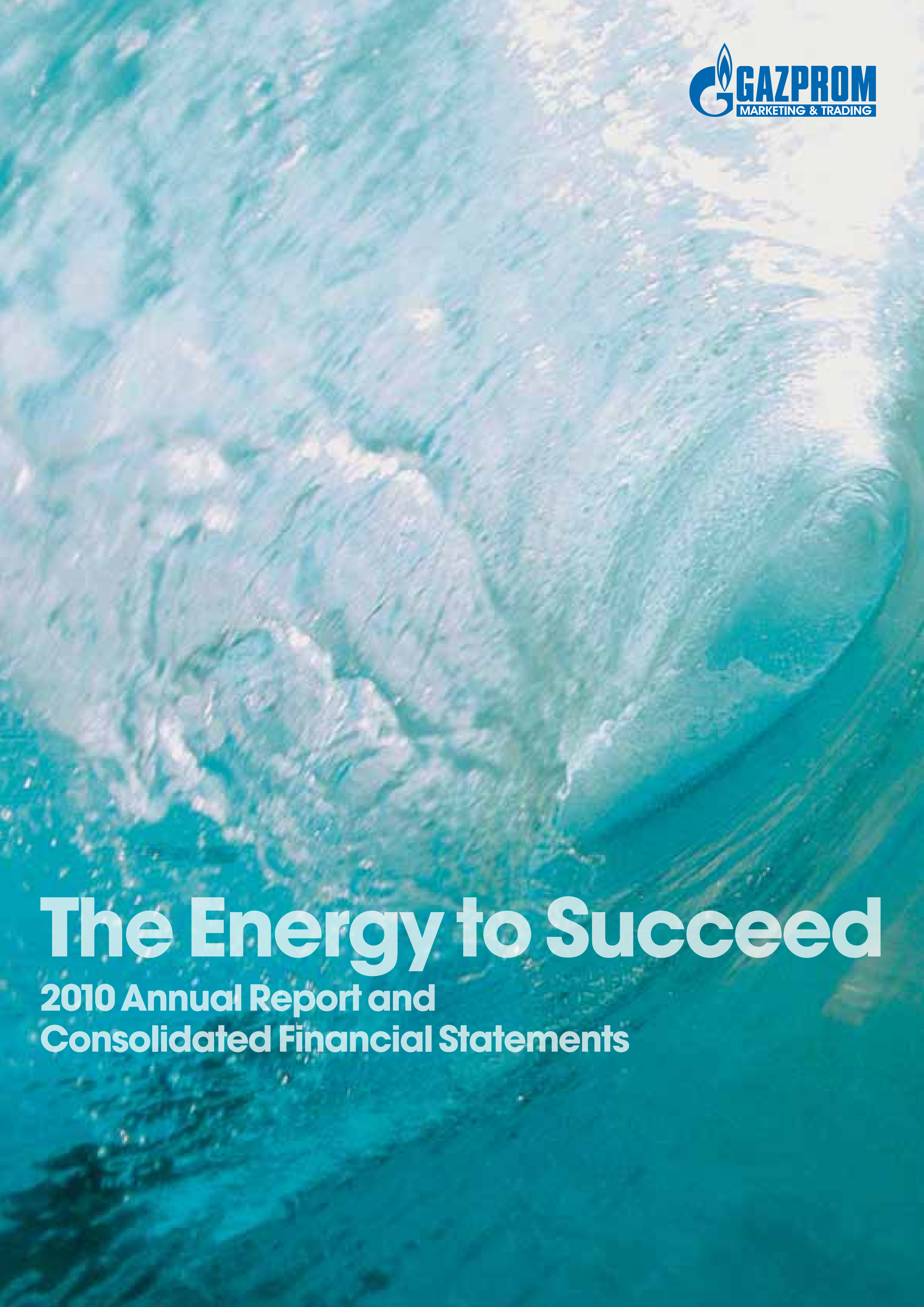

GAZPROM
MARKETING & TRADING

The Energy to Succeed

2010 Annual Report and Consolidated Financial Statements

Contents

Directors' report

The Directors present the Annual Report and the audited financial statements of Gazprom Marketing & Trading Limited ("GM&T" or "the Company") and its subsidiary undertakings (collectively referred to as "the Group") for the year ended 31 December 2010.

Principal activity

The Group's principal activity is the marketing and trading of energy products including natural gas, LNG, electricity, oil and carbon emissions allowances in the UK, continental Europe, the United States, Asia and other world energy markets.

Review of the business

Introduction

The Directors are pleased to present the consolidated financial statements of the Group for the year ended 31 December 2010.

As described in last year's Directors' Report, the Group has, in recent years, invested in the development of its global marketing and trading activities and the network of companies which facilitate this international reach. The consolidated financial statements of the Group have been compiled to demonstrate the fact that it now comprises eleven individual legal entities covering the UK, continental Europe, North America and Asia.

Financial results

The Group's financial results have once again exceeded those of the previous year with a consolidated net profit after tax of £174.2m (2009: £114.8m). The Group increased its total equity to £432.5m (2009: £258.9m) and net income has increased by 51% to £359.9m (2009: £238.7m).

The key performance indicator, net profit after tax, has risen eight years in succession. These profits have largely been retained within the Group, enabling it to demonstrate strong and reliable balance sheet growth. In the current year the Group declared and paid a dividend of £28.7m to its immediate parent company GAZPROM Germania GmbH, representing 25% of the net profit after tax for the year ended 31 December 2009 (dividend relating to year ended 31 December 2008: £14.0m).

Key developments

The Group's vision is to become the leading marketing and trading group in global energy markets. The Group will achieve this by building a unique environment of excellence in providing the world with energy solutions that are second to none.

In 2010 the Group once again restructured its reporting lines to reflect more accurately its commercial activities and its global scope. The Group now comprises a total of nine sub-business units within three global strategic business units, 1) Gas & Power; 2) LNG, Shipping & Clean Energy; and 3) Oil, LPG & FX.

2010 was a challenging year for energy trading companies, with low volatility in the markets for much of the year and tough trading conditions. Despite this, the Group's diversified business model demonstrated its resilience – with particular successes in the LNG Trading & Development, Clean Energy and Retail sub-business units.

Geographies

The Group continued to develop and grow its established activities in western European markets in 2010. The liberalisation of eastern and south-eastern European energy markets also presented significant opportunities; GM&T commenced trading in Slovakia, Bulgaria and Italy, and obtained regulatory permission for the Greek, Romanian and Italian markets. The Group traded across the Austrian-Czech border for the first time and continues to explore the feasibility of trading in new geographies, subject to operational and regulatory viability. The intention is to develop a presence across continental Europe, and create additional demand for Gazprom gas.

In Asia, Gazprom Marketing & Trading Singapore Pte Ltd ("GMTS") commenced trading in carbon emission reduction certificates, foreign exchange and both financial and physical oil products. GMTS also started to promote smart metering, allowing a variety of primarily commercial and industrial customers to manage more effectively their gas and electricity use. New infrastructures and systems were put in place and relationships have been established with a wide array of trading partners and counterparties in the region.

In the United States, the Group consolidated its presence in the market and continued its expansion with a number of counterparties through its subsidiary Gazprom Marketing and Trading USA Inc ("GMTUSA"). Based in Houston, GMTUSA is now one of the 20 biggest shippers of gas in the United States.

Business activities

In April 2010, Gazprom Global LNG Ltd ("GGLNG") signed a deal with Sempra Energy to supply two cargoes every month to its Lake Charles terminal on the Gulf coast of the United States. GGLNG and GMTS closely coordinated their marketing activities in 2010, with the majority of cargoes being sold into the Asia Pacific market.

In 2010 GMTS sold LNG cargoes into Japan, Korea, China and Taiwan, utilising its position as one of Asia's key shipping hubs. The Group also signed a deal with Gaz de France for a supply from Egypt.

Directors' report continued

In October 2010, the shipping and logistics activities of GGLNG and GMTS were combined to establish a shipping resource to provide competitive and reliable services for the multi-commodity trading activities of the Group. GM&T became an associate member of the Society of International Gas Tanker and Terminal Operators ("SIGTTO") in March 2010 and a member of the Chemical Distribution Institute ("CDI") in June.

Despite regulatory uncertainty surrounding key carbon emissions trading markets following the Copenhagen meetings, GM&T continued to grow its carbon trading activities. With InfiniteEARTH, it announced approval of the first ever methodology for the reduction of emissions from deforestation and forest degradation ("REDD") under the Voluntary Carbon Standard programme. The Group believes that REDD projects and the associated trading activities can add significant value. One project employing this methodology has been signed for the Rimba Raya project in Borneo. The Group was also a participant, with Citigroup, in China's first cap and trade scheme in Tianjin province.

The Group traded physical oil and biomass products for the first time in 2010 and continues to identify and develop new markets for energy and related products.

In June 2010 GM&T acquired the remaining stake in the UK automated meter reading ("AMR") services company, TruRead Limited, following the acquisition of a 30% stake in 2008. This further strengthens the Group's position as an innovative end-to-end smart energy management provider to both suppliers and end customers worldwide. TruRead was renamed Gazprom Global Energy Solutions ("GGES") during the year.

Infrastructure

The Group continually seeks to improve its systems and control environment. In 2010 the Group conducted a significant review of its trading and reporting systems, with the aim of improving their effectiveness and facilitating expansion. Elements of the new trading system, Endur, and the enterprise management system, SAP, are already in use and further elements will become operational during 2011. These integrated systems will enable more effective management and improve the quality of information available to external stakeholders.

Gazprom Group

Recognising the importance of marketing and trading operations to the upstream production companies, the Group continues to position itself as a crucial part of GAZPROM Germania and the wider Gazprom Group of companies. It remains closely aligned with the strategic goals of the Gazprom Group which in turn fully supports the Group in its own ambitions. During the year Gazprom's backing enabled GM&T to arrange a $250m revolving credit facility. It also renewed an additional $150m facility in support of the LNG business.

Part of the Group's strategy involves integration with both the Gazprom Group and Gazprom export in terms of optimising creative ideas for the portfolio and creating demand for Gazprom gas. In 2010, the Group worked on several projects with the Gazprom Group including (in association with Gazprom export) the development of the Bergermeer storage facility in the Netherlands. GGLNG continues to cooperate closely with the Gazprom Group on various projects and is collaborating on developing the marketing of volumes from the Shtokman LNG project.

The future

GM&T has grown at a remarkable pace and 2010 saw the Group undertake a reassessment of its five-year strategy and goals. There is a strong focus on efficiency of the Group's support functions with regard to managing growth. The Group expects its future prospects to develop significantly, based around the following key elements:

- delivering a material contribution to the financial performance of Gazprom Group;
- presence in all energy commodities;
- positioning in all geographies; and
- investment in people, systems and processes.

With the structure in place to facilitate growth, the Group expects to continue delivering world class service to its customers and shareholders from its balanced portfolio of businesses.

Principal risks facing the Group

Risk management is an essential component of the Group's operations. Whilst the Group continues to pursue an ambitious strategy, the directors ensure that there is effective risk control and management in place. This is particularly relevant in the energy sector which can be one of the most volatile of commodity markets.

The principal risks that the Group faces can be categorised as financial risk (such as commodity price risk, credit risk, foreign exchange risk and liquidity risk) or operational risk.

Directors' report continued

In 2007 the Board of Directors approved a revised Governing Policy for Energy Risk Management that defines the scope, objectives, policy and strategies for the management of financial and operational Risks within GM&T. One of the key features reinforced in the revised policy is GM&T's Risk Oversight Committee ("ROC") which was established by the Board in 2004 to supervise the development, implementation and operation of the risk management framework.

The Group's management of Financial Risks is described in Note 19 to the consolidated financial statements.

The main operational risks faced by the Group and the actions taken by the Group to mitigate these risks are described below.

Risk	Mitigating Action
Regulation Energy markets in many countries are subject to significant and changing regulatory requirements. The Group is exposed to increased costs of complying with such regulation, the risk of penalties (financial and non-financial) for non-compliance and the cost of directly imposed financial obligations (taxes or levies).	The Group has a specialist regulatory risk team which maintains awareness of regulatory requirements and actively engages with regulatory authorities to shape those requirements. Significant controls exist within the Group to ensure that regulatory requirements are a dhered to.
Markets dependent on legislative environments Certain markets in which the Group operates, as well as the demand for, and supply of products in which the Group deals, are directly dependent on the status and progress of various national and international legislative initiatives. The most notable ones at present are the future of the European Union Emissions Trading Scheme ("EU ETS") and the proposed US Cap and Trade scheme.	Each business unit maintains a high level of awareness of the impact of legislation (actual and potential) on the markets in which it operates, and this awareness continues to inform its ongoing strategy. Furthermore the Group seeks to diversify its geographical portfolio wherever possible. Although this is primarily in order to further its strategic aims, such diversification also serves to minimise its exposure to adverse legislative developments within individual markets.
Human Resources The Group is highly dependent on its employees' knowledge and abilities to generate revenues and achieve its aims. The loss of key employees could impact the Group's ability to continue trading profitably.	The Group invests in training for its employees and seeks to maintain a competitive remuneration structure to both recruit and retain key staff. Furthermore the Group places considerable value on the involvement of its employees and continues to keep them informed on matters relevant to the Group's performance and to involve them in decision making.
Technology The Group relies on a number of IT systems and programs to maintain its ongoing operating activities as well as its supporting functions. The failure, even temporary, of these systems could result in significant financial and reputational cost to the Group, as well as affecting its abilities to operate in its chosen markets, and meet the requirements of regulators, employees and other stakeholders.	The Group invests in appropriate systems and continually reviews its systems in use to ensure that they are fit for purpose. The performance of these systems is continuously and vigorously monitored. The Group has also embarked on a program to upgrade its systems and introduce both a unified trading system for its operations and a single enterprise management system. Parts of these systems are already in place and it is anticipated that further elements of these systems will be delivered during 2011.

Directors' report continued

Key Performance Indicator	2010	2009	Change
Net Income (£m)	359.9	238.7	+51%
EBITDA (£m)	233.7	166.2	+41%

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation).

Net Profit after Tax (£m)	174.2	114.8	+52%
Cash generated from operations (£m)	213.3	112.2	+90%
Return on Equity	50%	46%	+4 percentage points

Return On Equity is calculated as annual Net Profit divided by average Equity expressed as a percentage.

Gas sales volume (million m^3)	60,779	37,279	+63%
LNG sales volumes (million m^3)	2,513	1,887	+33%
Power sales (TWh)	35.1	28.9	+21%
Number of products	8	7	+1

The number of commodity products in which the Group actively participates.

Directors' report continued

Directors and their interests

The directors who served during the year, and up to the date of this report, were as follows:

H–J Gornig

Y A Komarov

AV Kruglov

A I Medvedev

AV Mikhalev

VVVasiliev

There are no directors' interests requiring disclosure under the Companies Act 2006.

Statement of going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Group is set out in the financial statements. The liquidity position and borrowing facilities of the Group are set out in Note 19 to the financial statements. Having considered the Group's financial position, including the amounts payable to other Gazprom Group companies and the Group's forecasts and projections, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook, and 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 in preparing the accounts.

Auditors

The Board of Directors in accordance with Section 418 of the Companies Act 2006 have confirmed the following statement, that in respect of the audit of Gazprom Marketing & Trading Limited and its subsidiaries for the period from 1 January 2010 to 31 December 2010:

- all relevant audit information has been made available to the Group's auditors; and
- as directors we have taken all appropriate steps to make ourselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Approved by the Board of Directors

A V Mikhalev
Director
7 March 2011

V V Vasiliev
Director
7 March 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's, and the parent company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain both the Group's, and the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Gazprom Marketing & Trading Limited

We have audited the financial statements of Gazprom Marketing & Trading Limited for the year ended 31 December 2010 which comprise the Group and parent company income statements, the Group and parent company statements of comprehensive income, the Group and parent company balance sheets, the Group and parent company statements of changes in equity, the Group and parent company cash flow statements and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2010 and of the Group and parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Gazprom Marketing & Trading Limited continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Carl D. Hughes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
7 March 2011

Income statement
Year ended 31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Notes	£'000s	£'000s	£'000s	£'000s
Continuing operations					
Trading activities:					
Net trading income		317,514	225,532	160,862	162,606
Non-trading activities:					
Revenue		601,073	365,146		
Cost of sales		(558,728)	(351,985)		
Gross profit from non-trading activities		42,345	13,161	—	—
Net income		359,859	238,693	160,862	162,606
Administrative expenses	5	(130,285)	(76,054)	(89,416)	(56,663)
Operating profit	5	229,574	162,639	71,446	105,943
Investment revenue	6	747	1,055	9,968	778
Finance costs	7	(6,469)	(1,689)	(6,109)	(1,348)
Profit before tax		223,852	162,005	75,305	105,373
Tax	9	(49,669)	(47,248)	(19,656)	(30,623)
Profit for the financial year		174,183	114,757	55,649	74,750
Profit attributable to:					
Owners of the parent		174,204	115,025	55,649	74,750
Non controlling interests		(21)	(268)	—	—
		174,183	114,757	55,649	74,750

Revenue of £9.20bn (Company: £8.87bn) and cost of sales of £8.96bn (Company: £8.71bn) in relation to the Group and Company's trading activities for the year ended 31 December 2009 has been reclassified in accordance with IAS 1.41 and presented on a net basis as net trading income. These amounts have been reclassified as the Directors believe that revenue and cost of sales are not meaningful measures of the performance of the Group or Company's trading activities. No other financial statement lines have been affected by this reclassification.

Consistent with previous reporting, no segmental analysis is provided. IFRS 8: Operating Segments is not applicable to the Group, as the Group's own debt or equity instruments are not traded in a public market.

Statement of comprehensive income
Year ended 31 December 2010

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Profit for the financial year	174,183	114,757	55,649	74,750
Cash flow hedges:				
Gains/(losses) arising during the period	29,082	(11,381)	—	—
Gains/(losses) on foreign currency translation	1,420	(1,395)	—	—
Tax on items taken directly to equity	(7,852)	3,187	—	—
Net profit recognised directly in equity	196,854	105,168	55,649	74,750
Transfers				
Transferred to profit or loss on cash flow hedges	11,381	14,322	—	14,322
Tax on items transferred from equity	(3,187)	(4,010)	—	(4,010)
Total comprehensive income for the year	205,048	115,480	55,649	85,062
Total comprehensive income attributable to:				
Owners of the parent	205,069	115,748	55,649	85,062
Non controlling interests	(21)	(268)	—	—
	205,048	115,480	55,649	85,062

Balance sheet
31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Notes	£'000s	£'000s	£'000s	£'000s
Assets					
Non-current assets					
Goodwill	11	1,926	1,926	—	—
Intangible assets	11	16,626	2,381	15,577	1,181
Property, plant and equipment	12	28,239	14,075	25,144	11,435
Derivative financial instruments	20	218,940	140,021	213,409	143,443
Investments in subsidiaries	13	—	—	19,210	14,506
Deferred tax asset	18	479	7,556	—	—
Trade and other receivables	15	23,432	—	30,228	—
		289,640	165,959	303,568	170,565
Current assets					
Inventories	14	85,111	85,905	77,653	85,659
Trade and other receivables	15	601,880	590,744	500,774	538,391
Derivative financial instruments	20	741,708	603,818	716,408	624,601
Cash and cash equivalents	16	298,020	112,451	153,295	54,726
		1,726,719	1,392,918	1,448,130	1,303,377
Total assets		2,016,359	1,558,877	1,751,698	1,473,942
Liabilities					
Current liabilities					
Trade and other payables	17	557,225	578,407	457,634	513,506
Derivative financial instruments	20	677,038	535,021	698,978	538,955
Current tax liabilities		24,347	25,526	8,865	19,524
Loans and overdrafts	17	133,397	48,052	132,173	48,052
		1,392,007	1,187,006	1,297,650	1,120,037
Net current assets		334,713	205,912	150,479	183,340
Non-current liabilities					
Trade and other payables	17	24,074	357	23,669	—
Derivative financial instruments	20	158,916	112,616	161,497	112,626
Deferred tax liabilities	18	8,885	19	723	81
		191,875	112,992	185,889	112,707
Total liabilities		1,583,882	1,299,998	1,483,539	1,232,744
Net assets		432,477	258,879	268,158	241,198
Equity					
Ordinary share capital	21	20,000	20,000	20,000	20,000
Cash flow hedge reserve		21,230	(8,194)	—	—
Foreign currency translation reserve		13	(1,610)	—	—
Non controlling interests					
Retained earnings		391,234	249,179	248,158	221,198
Equity attributable to:					
Owners of the parent		432,477	259,375	268,158	241,198
Non controlling interest		—	(496)	—	—
Total equity		432,477	258,879	268,158	241,198

These financial statements of Gazprom Marketing & Trading Limited (registered number 3768267) were approved by the Board of Directors and authorised for issue on 7 March 2011.

Signed on behalf of the Board

A. V. Mikhalev
Director

V. V. Vasiliev
Director

Statement of changes in equity 31 December 2010

Group	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Non controlling interests	Retained earnings	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2009	20,000	(10,312)	(215)	(228)	148,192	157,437
Loss in fair value hedging derivatives transferred to income	—	14,322	—	—	—	14,322
Deferred tax related to loss in fair value hedging derivatives transferred to income	—	(4,010)	—	—	—	(4,010)
Fair value loss on hedging derivatives	—	(11,381)	—	—	—	(11,381)
Deferred tax related to loss recognised in equity	—	3,187	—	—	—	3,187
Dividends paid	—	—	—	—	(14,038)	(14,038)
Loss on foreign currency translation	—	—	(1,395)	—	—	(1,395)
Loss attributable to non controlling interests	—	—	—	(268)	268	—
Profit for the year	—	—	—	—	114,757	114,757
Balance at 1 January 2010	**20,000**	**(8,194)**	**(1,610)**	**(496)**	**249,179**	**258,879**
Loss in fair value hedging derivatives transferred to income	—	11,381	—	—	—	11,381
Deferred tax related to loss in fair value hedging derivatives transferred to income	—	(3,187)	—	—	—	(3,187)
Fair value gain on hedging derivatives	—	29,082	—	—	—	29,082
Deferred tax related to fair value gain on hedging derivatives recognised in equity	—	(7,852)	—	—	—	(7,852)
Gain/(loss) on foreign currency translation	—	—	1,623	—	(203)	1,420
Dividends paid	—	—	—	—	(28,689)	(28,689)
Loss attributable to non controlling interests				(21)	21	—
Movement in respect of equity transactions	—	—	—	517	(3,257)	(2,740)
Profit for the year	—	—	—	—	174,183	174,183
Balance at 31 December 2010	**20,000**	**21,230**	**13**	**—**	**391,234**	**432,477**

Company	Share capital	Cash flow hedge reserve	Retained earnings	Total
	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2009	20,000	(10,312)	160,486	170,174
Gain in fair value hedging derivatives transferred to income	—	14,322	—	14,322
Deferred tax related to gain transferred to income	—	(4,010)	—	(4,010)
Dividends paid	—	—	(14,038)	(14,038)
Profit for the year	—	—	74,750	74,750
Balance at 1 January 2010	**20,000**	**—**	**221,198**	**241,198**
Dividends paid	—	—	(28,689)	(28,689)
Profit for the year	—	—	55,649	55,649
Balance at 31 December 2010	**20,000**	**—**	**248,158**	**268,158**

Cashflow statement
Year ended 31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Notes	£'000s	£'000s	£'000s	£'000s
Operating activities					
Operating profit		229,574	162,639	71,446	105,943
Depreciation of tangible fixed assets	12	2,137	1,449	1,431	930
Amortisation of intangible assets	11	2,025	2,131	847	1,500
Unrealised derivative fair value movements		(52,070)	(31,072)	(16,150)	(13,217)
Loss on disposal of property, plant and equipment		—	15	—	—
Operating cash flows before movements in working capital		181,666	135,162	57,574	95,156
Decrease/(increase) in inventories	14	38,224	(38,230)	45,435	(38,054)
Decrease in receivables	15	13,421	358,760	82,912	403,289
Decrease in payables	17	(37,192)	(314,000)	(92,865)	(373,057)
Decrease/(increase) in derivative financial instruments		16,964	(29,488)	16,776	(30,690)
Cash generated from operations		213,271	112,204	109,832	56,644
Interest paid		(6,312)	(1,689)	(5,891)	(1,348)
Income taxes paid		(46,206)	(44,303)	(29,673)	(33,906)
Net cash from operating activities		160,753	66,212	74,268	21,390
Investing activities					
Interest received		806	1,055	9,821	778
Purchases of property, plant and equipment	12	(16,957)	(2,826)	(15,140)	(1,228)
Purchases of intangible assets	11	(15,631)	(1,973)	(15,243)	(1,585)
Cash outflow on investment	13	(1,540)	—	(4,704)	(9,354)
Net cash (used in)/from investing activities		(33,321)	(3,744)	(25,266)	(11,389)
Financing activities					
Repayment of obligations under hire purchase agreements		(3)	(5)	—	—
Drawdown/(repayment) of loans		85,176	(26)	78,256	—
Dividend paid	10	(28,689)	(14,038)	(28,689)	(14,038)
Net cash inflow/(outflow) from financing activities		56,483	(14,069)	49,567	(14,038)
Net increase/(decrease) in cash and cash equivalents		183,915	48,399	98,569	(4,037)
Exchange gain on cash and cash equivalents		1,654	—	—	—
Cash and cash equivalents at the beginning of the year	16	112,451	64,052	54,726	58,763
Cash and cash equivalents at the end of the year	16	298,020	112,451	153,295	54,726

Notes to the financial statements
Year ended 31 December 2010

1 — General information

Gazprom Marketing & Trading Limited is a Group registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 46.

The principal activities of the Group are referred to in the Directors' report.

2 — Adoption of new and revised standards

The following accounting standards and interpretations, issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Group:

- IFRS 5 (amendment) "Non-current assets held for sale and discontinued operations" – effective for accounting periods beginning on or after 1 January 2010;
- IAS 1 (amendment) "Presentation of financial statements" – effective for accounting periods beginning on or after 1 January 2010 ;
- IFRS 2 (amendment) "Share-based payment" – revision effective for accounting periods beginning on or after 1 January 2010; and
- IAS 32 Financial Instruments: presentation – amendments relating to classification of rights issues – effective for accounting periods beginning on or after 1 January 2010.

The adoption of the amendments to IFRS 5, IAS 1, IFRS 2 and IAS 32 did not have a material impact on the presentation of the financial statements.

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the current financial year.

- IFRIC 18 "Transfers of assets from customers" – effective for accounting periods beginning on or after 1 July 2010
- IAS 39 "Financial instruments: recognition and measurement – eligible hedged items" – revision applies retrospectively for accounting periods beginning on or after 1 July 2010
- IFRIC 17 "Distribution of non-cash assets to owners" – effective for accounting periods beginning on or after 1 July 2010
- IAS 27 (revised) "Consolidated and separate financial statements" – revision effective for accounting periods beginning on or after 1 July 2010
- IAS 38 (amendment) "Intangible assets" – amendment effective for accounting periods beginning on or after 1 July 2010
- IFRS 9 "Financial Instruments – Classification and Measurement" – effective for accounting periods beginning on or after 1 January 2013.

Improvements to IFRSs

The IASB issued amendments to a number of IFRSs in April 2009 as part of its annual improvement project. These amendments included changes to IFRS 5, IFRS 7, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38 and IAS 39. These amendments, resulting from the annual improvement project, were applicable for the year ended 31 December 2010. None of the amendments resulted in a material change to the Group's financial statements.

Notes to the financial statements Year ended 31 December 2010

3 — Accounting policies

Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on the going concern basis as disclosed in the Directors' statement of going concern as set out in the Directors' report.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of gas, LNG, electricity, oil, carbon emissions allowances and capacity in the normal course of business, net of discounts, rebates, VAT and other sales taxes or duty.

Retail energy supply contracts: revenue is recognised on the basis of energy supplied during the period. Revenue for energy supply activities includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (unread). Unread gas and electricity is estimated using historical consumption patterns.

Energy trading contracts: the Group undertakes a significant volume of transactions in the normal course of its business, which have, for the purposes of disclosure in the financial statements of the Group, been typified as "trading". These trading transactions are characterised by the undertaking of contracts, by the Group, for the purchase or sale of gas, electricity, LNG, oil and carbon emissions allowances from/to counterparties with the intention to undertake similar contracts to supply or purchase gas, electricity, LNG, oil and carbon emissions allowances from/to counterparties where the risks and rewards of ownership of the commodity did not pass to the Group in the course of the transactions.

Where these transactions occur, the fair value of the contracts to sell and the fair value of the contracts to purchase have been presented within net trading income.

Realised profits on commodity derivatives as well as unrealised profits and losses on open physical and derivative contracts are also included in net trading income. Net trading income is attributable to the Group's principal activity.

Gas storage services: storage capacity revenues and costs are recognised evenly over the contract period, whilst commodity revenues for the injection and withdrawal of gas are recognised at the point of gas flowing into or out of the storage facilities. Gas purchases and gas sales transactions entered into to optimise the performance of the gas storage facilities are presented within net trading income.

Interest income: interest income is recognised as the interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Cost of sales

Cost of sales of non-trading activities includes the cost of gas and electricity purchased during the period and related transportation, distribution costs, balancing charges, bought-in materials and services.

Intangible assets

Externally acquired and internally generated intangible assets are recognised at cost less accumulated amortisation and impairment charges. Amortisation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The amortisation rates are as follows:

Software and software licences	— 3 years
Intellectual property	— 3 years

Notes to the financial statements Year ended 31 December 2010

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Long leasehold property	— 40 years
Leasehold improvements	— over the term of the lease
Motor vehicles	— 4 years
Fixtures, fittings and equipment	— 3 years
Freehold property	— 50 years

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Impairment of tangible and intangible assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of the Group's assets has declined below their carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount. The amount of the reduction is recorded in the Income Statement in the period in which the reduction is identified. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Inventory

Gas held in storage, and carbon dioxide emissions allowances (such as "EUAs") kept in national carbon registries, are measured at fair value less costs to sell. The fair value is measured at the day-ahead price of gas and EUAs at the reporting date. Movements in the fair value of inventory between reporting dates are recognised directly in the Income Statement.

Bunker fuel and LNG heel for chartered vessels is recorded at cost on a first-in, first-out basis.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents comprise short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value and have an original maturity of three months or less.

Trade payables and receivables

Trade payables and receivables are initially measured at fair value, and are subsequently measured at amortised cost less impairment charges, using the effective interest rate method.

Leases

Leases are classified into finance or operating leases and treated accordingly.

Finance leases

A lease is classified as a finance lease where the Group obtains substantially all the risks and rewards of ownership of the related asset. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other long-term borrowings. The interest element of the finance cost is charged to the Income Statement over the lease period.

Operating leases

A lease is classified as an operating lease when a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases, net of lease incentives or premiums, are charged in the Income Statement on a straight-line basis over the period of the lease.

Foreign currency

Functional and presentation currency

The Group and Company's financial statements are presented in Sterling, which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except where hedging criteria are met.

Notes to the financial statements
Year ended 31 December 2010

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, that can be measured reliably, and it is probable that economic benefits will be required from the Group to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Where discounting is used, the increase in the provision due to the passage of time is recognised in the Income Statement within interest expense.

Onerous contract provisions are recognised where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. Contracts to purchase or sell energy are reviewed on a portfolio basis given the fungible nature of energy, whereby it is assumed that the highest priced purchase contract supplies the highest priced sales contract and the lowest priced sales contract is supplied by the lowest priced purchase contract.

Netting of balances

Financial assets and financial liabilities are reported on a net basis only where there is a legal right of offset and the intention to settle on a net basis.

Taxation including deferred tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred tax assets and liabilities are recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying value for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realised or if it can be offset against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Such assets are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

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

Employee benefit costs

The Group makes payments into defined contribution personal pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution schemes are recognised in the Income Statement in the period in which they become payable.

Financial instruments

Financial assets and financial liabilities are recognised in the Group Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Group no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets, as appropriate. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities.

Notes to the financial statements Year ended 31 December 2010

The Group determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. Regular purchases and sales of financial assets or financial liabilities are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. When financial assets and financial liabilities are recognised initially, they are either measured at fair value, usually being the transaction price plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs. At the close of business on the Balance Sheet date the fair value of financial assets traded in an active market is determined by reference to the mid prices where there are financial liabilities with offsetting risks. The bid price is applied to any net open financial asset positions and the ask price is applied to any net open financial liability positions. Where the financial instrument is not traded in an active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models.

Energy contracts

The Group routinely enters into energy sale and purchase transactions in line with the Group's expected physical usage requirements and to optimise the performance of its portfolio. Transactions which are capable of net settlement and are not entered into (or continue to be held) for the purpose of receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are within the scope of IAS 39. Such transactions are treated as financial assets at fair value through profit or loss where the fair value is positive and financial liabilities at fair value through profit or loss where the fair value is negative. Movements on the fair value of such assets and liabilities are recognised directly in the Income Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains or losses are recognised in the Income Statement when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held for trading. Financial assets and liabilities are classified as held for trading if they are acquired for sale in the short-term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Financial assets and liabilities are carried in the Balance Sheet at fair value with gains or losses on financial assets at fair value through profit or loss recognised in the Income Statement.

Investment in subsidiaries

Investments in subsidiaries are carried in the parent company financial statements at cost less provision for impairment.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to hedge exposures to financial risks, such as commodity price risks and foreign exchange arising in the normal course of business. The accounting treatment of derivative contracts differs depending on whether the contract is for trading or hedging purposes. All derivative instruments are measured at fair value upon initial recognition and re-measured to fair value at each subsequent reporting date. Movements in the fair value of derivative instruments are recognised within the Income Statement unless the instrument is designated in an effective hedge relationship. Where there is no active market for a derivative financial instrument, fair value is determined using valuation techniques. These include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and option pricing models. Where one or more significant inputs into a valuation technique are based on data that is not from an observable market, no gain or loss is recognised on initial recognition in respect of that financial instrument. Gains and losses are recognised after initial recognition to the extent that it arises from a change in a factor that market participants would consider in setting a price. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

Notes to the financial statements Year ended 31 December 2010

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or,
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

Note 20 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in the Group Statement of Changes in Equity.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the Income Statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "revenue" line of the Income Statement where the hedged item is non-trading in nature, and in net trading income when the hedged item is trading in nature. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the Income Statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

Treatment of "day-one" gains and losses

In the normal course of its business the Group may acquire financial instruments where the fair value of the contractual cash flows over the course of the financial instruments' lives differ from the transaction cost, which is normally taken to be the best estimate of the financial instruments fair value on initial recognition, giving rise to "day one" gains or losses. Where these arise from the use of valuation techniques calculations reliant on non observable market data, the gains or losses are deferred and recognised in the Income Statement on a straight line or other appropriate basis.

Embedded derivatives

Derivatives embedded in other financial instruments or other non financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with gains or losses reported in the Income Statement. The closely-related nature of embedded derivatives is reassessed when there is a change in the terms of the contract which significantly modifies the future cash flows under the contract. Where a contract contains one or more embedded derivatives, and providing that the embedded derivative significantly modifies the cash flows under the contract, the option to fair value the entire contract may be taken and the contract will be recognised at fair value with changes in fair value recognised in the Income Statement.

Notes to the financial statements Year ended 31 December 2010

4 — Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Financial instruments not traded in active markets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. As described in note 20, the Group uses certain self-developed models to estimate the fair value of embedded call and written call options. The models require estimates of sensitive inputs such as implied volatilities, correlation and long term price assumptions which have a significant impact on the resulting valuations. Major transactions and contracts subject to these sensitivities are described below:

LNG accounting

The Group has entered into long term contracts for the purchase and supply of LNG for trading purposes. Due to the absence of active markets for LNG, pricing is linked to underlying natural gas indices such as Henry Hub, NBP and SoCal. As the Group enters into these positions with the intention of generating a profit from short term price fluctuations or dealer margin, these LNG contracts are treated as derivative financial instruments and are carried at fair value through profit or loss. Long term price assumptions have been made in order to determine the fair value of these instruments where a liquid market does not exist. In accordance with the accounting policies set out in note 3, no gain or loss is recognised on initial recognition unless the fair value of the contract can be referenced to fully observable market prices, or if the valuation technique employed incorporates solely observable input data.

These contracts afford the Group significant flexibility and optionality with regards to timing and location of deliveries. In line with industry practice and due to the unobservable nature of key inputs, this optionality has not been incorporated in the calculation of fair value.

Revenue recognition of uncertain carbon emission reduction certificate volumes

Carbon emission reduction certificate off-take agreements are treated as derivative financial instruments within the scope of IAS 39 as they are deemed to be net settled as the Group has a practice of taking delivery of and selling the certificates within a short period after delivery for the purpose of generating a profit from short term price fluctuations or dealer's margin.

Volumes of certificates to be received under these contracts are often uncertain and depend on the performance of each individual project. Expected volumes to be input into the fair value measurement are calculated using, where available, observable market based data and statistics. In some cases there is significant sensitivity in the valuation model to uncertain volumes that are not based on observable market data. Where this is the case, the Group applies the "day one" gains and losses rules described in note 3.

Recognition of post 2012 carbon portfolio

The Group has entered into Emission Reduction Purchase Agreement ("ERPA") contracts for the acquisition of post-2012 carbon credits generating from pre-2012 registered Clean Development Mechanism ("CDM") projects. In the ERPA valuation as of 31 December 2010, eligible post-2012 CERs are fair valued using reference prices obtained from market transactions or broker quotes.

Changes in the risk adjustment assumptions and the cash flow discount rate assumptions used within the ERPA valuation model together with the market for carbon credits will affect the reported fair value of the ERPA contracts at each period end.

Notes to the financial statements
Year ended 31 December 2010

5 — Operating profit

Total revenue for the Group was £11.2bn (2009:£9.2bn), and for the Company £9.6bn (2009: £8.9bn).

A fair value movement on derivatives of £43.0m and foreign exchange revaluation loss of £4.9m have been included within the net trading income of the Group (2009: £29.8m and loss of £66.2m).

For the Company, a fair value movement on derivatives of £7.1m and foreign exchange revaluation loss of £5.0m have been included within net trading income (2009: £13.2m and loss of £67.5m).

Operating Profit is stated after charging:

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Administrative expenses				
Depreciation				
– owned assets	2,133	1,444	1,431	930
– leased assets	4	5	—	—
Amortisation	2,025	2,131	848	1,500
Staff costs (refer to note 8)	70,747	45,354	49,919	32,015
Other personnel expenses	4,235	3,336	4,210	2,981
Marketing and agency expenses	8,373	404	8,023	3,861
Consultancy (excluding auditor's remuneration)	17,318	12,584	13,502	8,265
Auditor's remuneration (see below)	1,397	987	868	855
Travel expenses	8,692	4,857	5,313	3,045
Rentals under operating leases	2,294	1,180	1,120	379
Loss on disposal of tangible and intangible fixed assets	—	15	—	—
Other administrative expenses	13,067	3,757	4,182	2,832
	130,285	76,054	89,416	56,663

The analysis of the auditor's remuneration is as follows:

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	262	254	262	254
Fees payable for the audit of the Company's subsidiaries pursuant to legislation				
Fees payable to the Company's auditor	257	31	16	16
Fees payable to auditors other than the Company's	37	51	—	—
Total audit fees	556	336	278	270
Audit related services	112	92	100	80
Tax services	275	156	208	140
IT services	311	20	175	—
Other services	143	383	107	365
Total non-audit fees	841	651	590	585

Notes to the financial statements
Year ended 31 December 2010

6 — Investment revenue

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Interest income	747	1,055	731	778
Dividend income	—	—	9,237	—
	747	1,055	9,968	778

Dividend income received by the Company in 2010 represented a single distribution from Gazprom Global LNG Limited.

7 — Finance costs

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Interest costs, including bank interest and charges	6,469	1,689	6,109	1,348

8 — Directors' and employees' emoluments

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Directors' remuneration	4,973	4,031	4,877	3,981

The remuneration of the highest paid Director is £2,739,029 (2009: £2,204,598).

No contributions were made to personal pension plans in respect of any of the directors (2009: £2,167).

	Group		Company	
	2010	2009	2010	2009
Staff costs during the year	£'000s	£'000s	£'000s	£'000s
Wages and salaries	61,163	38,781	43,373	27,293
Social security costs	6,943	4,883	5,182	3,710
Pension costs	2,641	1,690	1,364	1,012
	70,747	45,354	49,919	32,015

	Group		Company	
	2010	2009	2010	2009
Average number of persons employed	413	258	227	171

The Group makes payments into defined contribution personal pension plans. It pays fixed contributions into separate funds. The total payments into these schemes for 2010 were £2.39m (2009: £1.43m).

Notes to the financial statements
Year ended 31 December 2010

9 — Tax

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
UK corporation tax – current year	36,468	43,166	19,258	29,691
UK corporation tax – prior year	(21)	2,236	(244)	2,236
Overseas taxes	8,322	1,052	—	—
Deferred taxation (note 18)	4,900	794	642	(1,304)
Tax expense in the Income Statement	**49,669**	47,248	**19,656**	30,623

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Profit before tax	223,852	160,005	75,305	105,373
Tax charge for year based on statutory rate of 28% (2009: 28%)	62,678	45,361	21,085	29,504
Effects of:				
Expenses not deductible for tax purposes	1,311	896	1,188	884
Prior year under provision	60	390	(120)	241
Non taxable income	—	—	(2,586)	—
Overseas tax rates	(20,858)	(807)	—	—
Deferred tax assets not recognised	1,644	1,433	—	—
Exchange differences	183	—	—	
Deferred tax rate change	(33)	—	(27)	—
Other tax impacts	4,684	(25)	116	(6)
Actual charge for the year	**49,669**	47,248	**19,656**	30,623

Factors that may affect the Group's future tax charge include changes in tax legislation and tax rates, the allocation of profits across the countries in which the Group operates and potential corporate acquisitions and disposals.

The Group is subject to audit and examination by tax authorities in the territories in which it operates. Provisions are held in respect of potential tax liabilities that may arise; however, the amount ultimately paid may differ from the amount accrued and could therefore affect the Group's overall profitability and cash flows in future periods.

10 — Dividends paid

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Amounts recognised as distributions to equity holders in the period:				
Final dividend for the year ended 31 December 2009 of 143.4p per share	28,689	—	28,689	—
Final dividend for the year ended 31 December 2008 of 70.2p per share	—	14,038	—	14,038
Total dividends paid	**28,689**	14,038	**28,689**	14,038

Notes to the financial statements
Year ended 31 December 2010

11 — Intangible assets

Group	Software £'000s	Goodwill £'000s	Others £'000s	Total £'000s
Cost				
At 1 January 2009	3,421	1,917	2,989	8,327
Additions	1,964	9	—	1,973
Disposals	(11)	—	—	(11)
At 1 January 2010	5,374	1,926	2,989	10,289
Additions	15,521	—	110	15,631
Currency translation	267	—	127	394
At 31 December 2010	21,162	1,926	3,226	26,314
Accumulated amortisation				
At 1 January 2009	2,311	—	1,544	3,855
Amortisation expense for the year	1,533	—	598	2,131
Disposals	(4)	—	—	(4)
At 1 January 2010	3,840	—	2,142	5,982
Amortisation expense for the year	1,402	—	623	2,025
Currency translation	(161)	—	(84)	(245)
At 31 December 2010	5,081	—	2,681	7,762
Net book value				
At 31 December 2010	16,081	1,926	545	18,552
At 31 December 2009	1,534	1,926	847	4,307

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Company	Software 2010 £'000s	Software 2009 £'000s
Cost		
At 1 January	4,990	3,405
Additions	15,243	1,585
At 31 December	20,233	4,990
Accumulated amortisation		
At 1 January	3,809	2,309
Amortisation expense for the year	847	1,500
At 31 December	4,656	3,809
Net book value		
At 31 December	15,577	1,181

Notes to the financial statements
Year ended 31 December 2010

12 — Property plant and equipment

Group	Property £'000s	Fixtures, fittings and equipment £'000s	Total £'000s
Cost			
At 1 January 2009	11,243	5,052	16,295
Additions	139	2,687	2,826
Disposals	—	(22)	(22)
At 1 January 2010	11,382	7,717	19,099
Additions	403	16,554	16,957
Disposals	—	(15)	(15)
Currency translation	—	(342)	(342)
At 31 December 2010	**11,785**	**23,914**	**35,699**
Accumulated depreciation			
At 1 January 2009	805	2,784	3,589
Charge for the year	356	1,093	1,449
Disposals	—	(14)	(14)
At 1 January 2010	1,161	3,863	5,024
Charge for the year	198	1,939	2,137
Disposals	—	(7)	(7)
Currency translation	—	306	306
At 31 December 2010	**1,359**	**6,101**	**7,460**
Net book value			
At 31 December 2010	**10,426**	**18,263**	**28,239**
At 31 December 2009	10,221	3,852	14,075

Company	Property £'000s	Fixtures, fittings and equipment £'000s	Total £'000s
Cost			
At 1 January 2009	10,875	3,479	14,354
Additions	—	1,228	1,228
At 1 January 2010	10,875	4,707	15,582
Additions	547	14,593	15,140
At 31 December 2010	**11,422**	**19,300**	**30,722**
Accumulated depreciation			
At 1 January 2009	778	2,439	3,217
Charge for the year	269	661	930
At 1 January 2010	1,047	3,100	4,147
Charge for the year	313	1,118	1,431
At 31 December 2010	**1,360**	**4,218**	**5,578**
Net book value			
At 31 December 2010	**10,064**	**15,080**	**25,144**
At 31 December 2009	9,828	1,607	11,435

Notes to the financial statements
Year ended 31 December 2010

13 — Investments in subsidiaries

Details of the Company's subsidiaries at 31 December 2010 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power
Gazprom Global LNG Ltd	Great Britain	100%	100%
Gazprom Marketing & Trading Retail Ltd	Great Britain	100%	100%
Gazprom Global Energy Solutions Ltd (formerly TruRead Ltd)	Great Britain	100%	100%
Gazprom Mex (UK)1 Ltd	Great Britain	100%	100%
Gazprom Mex (UK)2 Ltd	Great Britain	100%	100%
Gazprom Marketing & Trading France SAS	France	100%	100%
Gazprom Marketing & Trading USA, Inc.	USA	100%	100%
Gazprom Marketing & Trading Singapore Pte Ltd	Singapore	100%	100%
Gazprom Marketing & Trading Germania GmbH	Germany	100%	100%
Gazprom Marketing & Trading Mexico S.de R.L.de C.V.	Mexico	100%	100%

All investments were held directly by the Company, except for the investment in Gazprom Marketing & Trading Mexico S.de R.L.de C.V. of whose equity Gazprom Mex (UK)2 Ltd holds 0.01%.

Movements in the investments in subsidiaries during the year are as follows:

	Company	
	2010	2009
	£'000s	£'000s
Balance at 1 January	**14,506**	5,152
Investments during the year	**4,704**	9,354
Balance at 31 December	**19,210**	14,506

On 2 June 2010 the Group entered into an agreement with the holders of the remaining 70% of TruRead's equity to purchase their interests for an initial cash consideration of £1,540,000, and a further £1,200,000 contingent on the future performance of the company meeting agreed criteria. Management believe that these criteria will be met and therefore the deferred consideration of £1,200,000 has been recognised.

During the year the Company increased its investment in Gazprom Marketing and Trading USA, Inc. by £1,964,000 ($3,000,000).

Notes to the financial statements
Year ended 31 December 2010

14 — Inventories

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Gas in storage	77,782	81,671	72,474	81,671
Emission allowances	6,607	3,988	5,179	3,988
Other inventories	722	246	—	—
	85,111	85,905	77,653	85,659

The Group's cost of inventory sold during the year was £10,560m (2009: £8,654m), and the Company's cost of inventory sold was £9,258m (2009: £8,473m).

15 — Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Due within one year				
Amounts receivable from sale of commodities:				
– from third parties	507,170	561,828	360,155	454,521
– from subsidiary companies	—	—	86,499	62,559
– from affiliated companies	22,583	21,696	22,170	17,372
Prepayments and other debtors	72,127	7,220	31,950	3,939
	601,880	590,744	500,774	538,391
Due after one year				
Prepayments	23,432	—	30,228	—

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The estimated fair value of all classes of receivables is the same as their carrying amounts.

16 — Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Cash in hand and at bank	294,231	112,451	149,854	54,726
Broker free margin accounts	3,789	—	3,441	—
Total cash and cash equivalents	298,020	112,451	153,295	54,726

The estimated fair value of all classes of cash and cash equivalents is the same as their carrying amounts. The maximum exposure to credit risk at the reporting date is the fair value of cash and cash equivalents mentioned above. The estimated fair value of all cash and cash equivalents is the same as their carrying amounts.

Notes to the financial statements
Year ended 31 December 2010

17 — Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Due within one year				
Amounts owed for purchase of commodities:				
– to third parties	284,960	389,229	230,097	365,250
– to subsidiaries	—	—	19,319	16,702
– to affiliated companies	165,008	131,532	157,930	109,622
Accruals and other payables	107,257	57,646	50,288	21,932
	557,225	578,407	457,634	513,506
Due after more than one year				
Deferred income	23,885	—	23,669	—
Other long-term provisions	186	176	—	—
Finance lease liabilities	3	6	—	—
Loans	—	175	—	—
	24,074	357	23,669	—

Loans and overdrafts

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Amounts owed:				
– to parent under cash pooling arrangements	132,173	48,052	132,173	48,052
– to third parties	1,224	—	—	—
	133,397	48,052	132,173	48,052

As at 31 December 2010 the Group had access to various uncommitted and committed credit lines totalling approximately £514m including a $250m committed banking facility (undrawn). This facility is provided by a syndicate of international banks and will mature in July 2011. It also renewed an additional $150m facility in support of the LNG business.

Additionally, the Group has access to certain committed banking facilities of its parent company GAZPROM Germania GmbH (see note 19). The Group's liquid resources include amounts placed under cash pooling arrangements with GAZPROM Germania GmbH (see note 23).

The estimated fair value of all classes of payables is the same as their carrying amounts.

Notes to the financial statements
Year ended 31 December 2010

18 — Deferred tax

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Deferred tax asset/(liability) at 1 January	7,537	9,154	(81)	2,625
(Charge)/credit to the Income Statement	(4,900)	(794)	(669)	1,304
Credit to the Income Statement – tax rate change	33	—	27	—
Charge to equity – cash flow hedge reserve	(11,040)	(823)	—	(4,010)
Translation differences	(3)	—	—	—
Deferred tax asset at 31 December	479	7,556	—	—
Deferred tax liability at 31 December	(8,885)	(19)	(723)	(81)
Net deferred tax (liability)/asset	(8,406)	7,537	(723)	(81)

The deferred tax asset/(liability) consists of the following amounts:

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Capital allowances in excess of depreciation	(1,072)	(294)	(1,031)	(229)
Transitional adjustments relating to IFRS conversion	(825)	(1,027)	(825)	(1,027)
Amounts taken to equity – cash flow hedge reserve	(7,853)	3,187	—	—
Other temporary differences	1,344	5,671	1,133	1,175
Net deferred tax (liability)/asset	(8,406)	7,537	(723)	(81)

Other temporary differences primarily relate to differences between the accounting and tax treatment of short term provisions and mark to market gains and losses. There are losses carried forward in Group companies totalling £13,683,000 and other temporary differences totalling £416,000 for which a deferred tax asset has not been recognised, due to uncertainty that sufficient profits will arise in future periods to realise these losses.

The effect of the changes to the UK headline corporation tax rate from 28% to 27% enacted in the Finance (No 2) Act 2010 is £33,000 as reflected above.

The proposed reductions in the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 December 2010, would be to reduce the deferred tax liability by £747,000 being £249,000 recognised each year from 2012 to 2014.

19 — Financial risk management objectives and policies

The Group's normal operating and financing activities expose it to a variety of financial risks. The primary financial risks are market risk (including commodity price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management process is designed to identify, manage and mitigate business risk which includes, among others, financial risk.

The Group's Risk Oversight Committee ("ROC") is responsible for overseeing the risks arising from the Group's trading activities. The ROC is charged with the creation and administration of the "Governing Policy for Energy Risk Management" and separate subsidiary "Risk Management Procedures Manuals" for each main group of activities or subsidiary/affiliate to the Group. The ROC performs these responsibilities according to objectives, targets and policies set by the Board of Directors.

Notes to the financial statements
Year ended 31 December 2010

19 — Financial risk management objectives and policies (continued)

Treasury risk management, including management of currency risk, interest rate risk and liquidity risk is carried out by a Group treasury function.

Market risk

Market risk is the risk of loss that results from changes in market prices (e.g. commodity prices, foreign currency exchange rates, interest rates) or changes in other market factors (e.g. volumetric changes). The Group's exposure to market risk is variable and is dependent on current market conditions, expectations of future prices or volatility and the current composition of the Group's assets and liabilities.

The Group maintains a relatively low level of exposure to market risk primarily by entering into offsetting derivative contracts whereby the commercial terms are broadly matched. The Group however does hold some unhedged positions, subject to certain limits approved by the Board of Directors, largely in relation to its proprietary energy trading business. The proprietary energy trading business exposes the Group to commodity price risk and foreign currency risk.

The Group uses Value-at-Risk ("VaR") to measure its exposure to short-term market risk. VaR is an estimate of the potential loss on a given position or portfolio of positions over a specific holding period, based on normal market conditions and within a given statistical confidence interval. The Group uses a 97.5% confidence interval and uses a EWMA Parametric VaR model. This approach places a higher weight to the more recent market observations making the model more sensitive to changes in market conditions than the historical approach. Holding periods are specific to the types of positions being measured and are determined based on the size of the position or portfolios, market liquidity, tenor and other factors. Under this approach the following assumptions are made:

- all price exposures are linear, i.e. P&L is a linear function of the underlying price; and
- correlated price returns follow a multivariate normal distribution.

The linear approximation is prudent as the Group's stated risk policy prevents the holding of short uncovered option positions. Hence the linear approximation can only lead towards an overestimation of risk.

The ROC has approved VaR limits for all trading activities and regularly reviews the limits and monitors performance against these limits. It is recognised that VaR cannot be relied upon solely to predict the size of potential losses and additional techniques are employed to monitor market risk such as stress testing and sensitivity analysis.

Based upon VaR, taking into account approved limits and other risk management techniques, the Group's senior management will determine the need to adjust the Group's market risk profile. The 97.5% trading VaR during the period was:

Group	2010		2009	
	Average	Period End	Average	Period End
	£'000s	£'000s	£'000s	£'000s
Trading VaR	2,205	3,321	1,653	1,126

These VaR values are within the limits set by the Group's management. The Company does not have formal VaR reporting or associated limits as all market risk is monitored and managed at a Group level.

Notes to the financial statements Year ended 31 December 2010

19 — Financial risk management objectives and policies (continued)

Commodity price risk

The Group's cash flows and profitability are sensitive to natural gas, electricity, LNG and carbon credit prices (and related price spreads) which are dependent on a number of factors and on global supply and demand. The Group's portfolio and trading business optimises the purchase contract portfolio by procuring gas, LNG and electricity at optimal cost and making use of volume and location flexibility in order to realise a margin. The Group is exposed to commodity price risk in the portfolio and trading business because the cost of portfolio gas and electricity varies with wholesale commodity prices.

The risk is primarily that market prices for commodities will fluctuate between the time that sales prices are fixed or made determinable and the time at which the corresponding procurement cost is fixed, thereby potentially reducing or eliminating expected margins. The Group is also exposed to volumetric risk in sales contracts agreed in the retail business in the form of an uncertain consumption profile arising from a range of factors, including weather, and in the trading business where there is uncertain demand from counterparties when volumetric optionality exists within the contracts.

Forward contracts, swaps, options and futures are used to mitigate price risk specific to each commodity. The overwhelming majority of both physical and financial commodity contracts are treated as derivative financial instruments under IAS 39. These contracts are carried at fair value with changes in fair value recorded in the Income Statement unless designated as hedging instruments in an effective hedge relationship. Certain retail energy supply contracts are not financial instruments under IAS 39 and are accounted for as executory contracts. Changes in fair value of these contracts do not immediately impact profit or equity and as such, the contracts are not exposed to commodity price risk as defined by IFRS 7: Financial Instruments – Disclosure. The carrying value of energy contracts at 31 December 2010 is disclosed in note 20.

Foreign currency risk

The Group is exposed to currency risk on foreign currency denominated forecast transactions, firm commitments, monetary assets and liabilities (transactional exposure) and on its net investments in foreign operations (translational exposure). The majority of the Group's trading is denominated in Sterling, Euros and US Dollars. When currency exposure arises as a result of purchase and sale commitments the Group seeks to use forward foreign exchange transactions to hedge the exposure.

Transactional currency risk

The Group is exposed to transactional currency risk on transactions denominated in currencies other than the underlying functional currency of the transacting entity. The Group's primary functional currencies are Sterling in GM&T Limited, GM&T Retail and GGES and US Dollars in GGLNG, GMTUSA and GMTS. Transactional risk is the risk that the functional currency value of cash flows will vary as a result of movements in exchange rates.

Transactional exposure primarily arises from two sources: firstly, from the operating activities of GM&T Limited where a proportion of transactions are denominated in Euros and US Dollars; secondly from the operating activities of GGLNG and GM&T Singapore, where a proportion of transactions are denominated in Euros and Sterling.

The Group has no formal hedging policy for transactional foreign currency risk; however, material transactional exposures are hedged using derivative contracts to fix the functional currency value of non-functional currency cash flows. Currency risk is monitored and managed as part of the Group's VaR analysis. The ROC sets currency restrictions on the level of open positions allowed.

Translational currency risk

The Group is exposed to translational currency risk as a result of its net investments in US Dollars functional currency subsidiaries. Translational risk is the risk that the Sterling value of the net assets of foreign operations will decrease with changes in foreign exchange rates. The Group does not have a formal hedging policy to protect the Sterling asset value of its net investments in foreign operations; however, budgeted exchange rates are set and Group performance against budgeted exchange rates is monitored by management.

Interest rate risk

The Group is exposed to a minimal amount of interest rate risk as the cash flows associated with floating rate borrowings will fluctuate with changes in interest rates. This interest rate risk is not significant as borrowings and interest bearing asset balances accrue interest at floating market interest rates and other interest bearing financial instrument balances are immaterial.

Notes to the financial statements
Year ended 31 December 2010

19 — Financial risk management objectives and policies (continued)

Credit risk

The Group's exposure to credit risk takes the form of any potential loss associated with a counterparty's failure or inability to meet their payment or performance obligations. These risks may arise in all forms of commercial agreements and in certain agreements relating to amounts owed for physical product sales, the use of derivative instruments, and the investment of surplus cash balances.

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits. Counterparty credit limits are approved by the ROC and by certain individuals to whom authority has been delegated by the ROC. All counterparties are assigned a grading based on external ratings where available and an ROC approved assessment methodology in other cases, with this used to set the maximum exposure that would be considered against any particular counterparty. The credit exposure to each counterparty, including potential forward exposure, is then monitored on a daily basis to ensure those limits are not exceeded.

The majority of significant exposures through trading activities are with investment grade counterparties. The Group incorporates counterparty credit risk in determining the fair value of financial instruments maximising the use of observable market data where available.

The Group trades under agreements which include payment netting (to reduce settlement exposure in the normal course of business) and close-out netting (to reduce pre-settlement credit exposure by netting offsetting payments to and from the defaulting party in insolvency situations), material adverse change and default provisions. The Group also obtains credit support such as letters of credit, bank guarantees and parent company guarantees against exposures where appropriate.

In the Group's retail business, credit risk is managed by checking a customer's creditworthiness and financial strength both before commencing trade and during the business relationship. Creditworthiness is ascertained before commencing trade by reviewing an appropriate mix of internal and external information to determine limits, contract types and payment mechanisms required to reduce credit risk to an acceptable level.

The Group's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £960.6m (2009: £743.8m) and on financial assets held at amortised cost is £539.2m (2009: £585.4m). The Group also actively manages its portfolio to avoid concentrations of credit risk.

The Company's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £929.8m (2009: £768.0m) and on financial assets held at amortised cost is £475.4m (2009: £517.0m).

The Group's credit risk from physical and financial instruments as of 31 December 2010 is represented by the positive fair value of these instruments after consideration of netting and collateral in the form of counterparty margin or letters of credit. Credit risk disclosures presented here relate to the net losses that would be recognised if all counterparts failed to perform their obligations in their entirety. Written options do not expose the Group to credit risk. Exchange traded futures and options are not deemed to have significant credit exposure as the exchanges guarantee the credit risk on a daily basis by acting as a central counterparty to the transactions.

Notes to the financial statements
Year ended 31 December 2010

19 — Financial risk management objectives and policies (continued)

Credit quality of financial assets neither past due nor impaired

The following table approximates the counterparty credit quality and exposure, expressed as a % of total net replacement value, as determined by ratings agencies or by internal models intended to approximate rating agency determinations.

	Group		Company	
	2010	2009	2010	2009
AAA to AA	2%	3%	8%	5%
AA- to A-	44%	65%	41%	50%
BBB+ to BB	39%	27%	48%	43%
BB- and below	15%	5%	3%	2%
	100%	100%	100%	100%

Financial assets past due but not impaired

The Group's gross amount of financial assets past due but not impaired was £5.3m (Company: £0.3m) of trade and other receivables (2009: £7.3m (Company: £nil)). The majority of these financial assets were retail receivables past due by less than three months.

Financial assets impaired

The Group and Company did not have any financial assets that were impaired at the balance sheet date (2009: £nil).

Liquidity risk

Through maintaining adequate reserves, the use of banking facilities and loans from related parties, the Group manages its liquidity to ensure that sufficient cash is available to meet all contractual commitments as they fall due and also to ensure that there is sufficient funding to withstand stressed market conditions or an extreme event. Liquidity risk is managed by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. Included in note 17 is a description of undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The Group expects to meet its other obligations from operating cash flows and proceeds from settlement of financial assets. The Group also has access to a facility of €250m with its parent company GAZPROM Germania GmbH. The Group's liquid resources include amounts placed under cash pooling arrangements with GAZPROM Germania GmbH (see note 23).

The following tables detail the Group's liquidity analysis for its trading and non-trading financial instruments. The tables have been drawn up based on the undiscounted gross cash inflows and outflows. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected settlement amounts based on commodity price curves and other relevant market data at the reporting date.

The table below analyses the contractual undiscounted cash flows arising from the Group's financial assets into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Notes to the financial statements Year ended 31 December 2010

19 — Financial risk management objectives and policies (continued)

Group

Financial Assets

31 December 2010	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	1,149,392	6,120,858	1,434,899	382,775	11,777	9,099,701
Cash and cash equivalents	298,020	—	—	—	—	298,020
Trade & other receivables	514,432	52,675	—	—	153	567,260
Total	1,961,844	6,173,533	1,434,899	382,775	11,930	9,964,981

31 December 2009	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	997,782	4,722,928	1,476,521	539,594	—	7,736,825
Cash and cash equivalents	112,451	—	—	—	—	112,451
Trade & other receivables	581,870	8,874	—	—	—	590,744
Total	1,692,103	4,731,802	1,476,521	539,594	—	8,440,020

Financial Liabilities

31 December 2010	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	1,187,632	6,518,923	1,711,508	1,007,055	114,912	10,540,030
Trade payables	546,590	10,635	24,074	—	—	581,299
Loans & overdrafts	133,397	—	—	—	—	133,397
Total	1,867,619	6,529,558	1,735,582	1,007,055	114,912	11,254,726

31 December 2009	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	2,597,014	4,460,621	1,598,162	854,552	71,442	9,581,791
Trade payables	558,424	68,035	—	—	—	626,459
Loans & overdrafts	4	50	54	54	27	189
Total	3,155,442	4,528,706	1,598,216	854,606	71,469	10,208,439

Notes to the financial statements
Year ended 31 December 2010

19 — Financial risk management objectives and policies (continued)

Company
Financial Assets

31 December 2010	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	1,149,372	6,120,853	1,434,899	382,775	11,772	9,099,671
Cash and cash equivalents	153,295	—	—	—	—	153,295
Trade & other receivables	467,136	30,480	6,949	—	—	504,565
Total	**1,769,803**	**6,151,333**	**1,441,848**	**382,775**	**11,772**	**9,757,531**

31 December 2009	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	1,062,970	4,338,387	1,194,993	208,343	—	6,804,693
Cash and cash equivalents	54,726	—	—	—	—	54,726
Trade & other receivables	531,093	7,298	—	—	—	538,391
Total	1,648,789	4,345,685	1,194,993	208,343	—	7,397,810

Financial Liabilities

31 December 2010	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	1,187,656	6,518,921	1,711,513	1,007,052	114,911	10,540,053
Trade payables	455,905	1,729	23,669	—	—	481,303
Loans & overdrafts	132,173	—	—	—	—	132,173
Total	**1,775,734**	**6,520,650**	**1,735,182**	**1,007,052**	**114,911**	**11,153,529**

31 December 2009	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
Derivatives	2,256,047	4,138,391	1,311,227	854,552	71,442	8,631,659
Trade payables	509,723	51,835	—	—	—	561,558
Total	2,765,770	4,190,226	1,311,227	854,552	71,442	9,193,217

Economic capital

The Group employs an economic capital framework to ensure that the total level of commodity risk to which it is exposed can be supported by its balance sheet on a standalone basis. This is achieved by comparing the economic capital requirements based on annualised VaR and measures, plus a proxy operational risk figure, to the available economic capital in the form of the Group's tangible net worth. The economic capital requirements and availability are calculated and reported on a daily basis as the overarching risk control approach for the Group.

Notes to the financial statements Year ended 31 December 2010

20 — Derivative financial instruments

As part of its business operations, the Group uses derivative financial instruments ("derivatives") in order to manage exposure to fluctuations in commodity prices and foreign exchange rates. The Group enters into currency derivatives to hedge certain foreign currency cash flows and to adjust the currency composition of its assets and liabilities. The Group's policy is to enter into currency derivatives only where these are matched by an underlying asset, liability or forecast transaction.

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities. The majority of these transactions are within the scope of IAS 39 due to the trading nature of the Group's activities. As a result, these physical contracts are treated as derivatives in accordance with IAS 39. These contracts include pricing terms that are based on a variety of commodities and indices. They are recognised in the Balance Sheet at fair value with movements in fair value recognised in the Income Statement.

The Group also uses various commodity based derivative instruments to manage some of the risks arising from its normal operating activities that give rise to commodity price exposures. Such instruments include financial or net-settled forwards, futures, swaps and options.

Where these derivatives have been designated as cash flow hedges of underlying commodity price exposures, certain gains and losses attributable to these instruments are deferred in equity and subsequently recognised in the Income Statement when the underlying hedged transaction affects profit or loss. All commodity derivatives that are not part of a hedging relationship are recognised in the Balance Sheet at fair value with movements in fair value recognised in the Income Statement.

For the Group and the Company, all derivatives are classified as held-for-trading instruments and no financial instruments have been designated at fair value through profit or loss in accordance with the fair value option available within IAS 39 (2009: £nil).

Embedded derivatives

The Group, through the parent company, has an embedded derivative that required separation from the host contract in accordance with IAS 39 relating to a purchased option embedded in a carbon brokerage agreement. The fair value of the embedded derivative was an asset of £2.0m at 31 December 2010 (2009: £nil).

The embedded derivative has been valued using inputs that include a price curve created from recent market transactions. The time value of the option is deemed to be zero as a result of the absence of volatility data for the underlying security and inability to infer volatility from observable data for similar securities. As a result, this instrument has been classified as level 3 in the fair value hierarchy.

Held-for-trading derivatives

Derivative contracts may be entered into for risk management purposes, to satisfy supply requirements or for proprietary trading. Contracts are classified as held for trading, regardless of their original business objective, and are recognised at fair value with changes in fair value recognised in the Income Statement. Trading activities are undertaken sometimes using a range of contract types in combination to create incremental gains by arbitraging prices between markets, locations and time periods. The net of these exposures is monitored using VaR techniques as described in Note 19. The following tables show further information on the fair value of held-for-trading derivatives.

Notes to the financial statements
Year ended 31 December 2010

20 — Derivative financial instruments (continued)

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Current assets				
Commodity trading contracts	716,217	587,043	693,109	607,551
Emission allowances	14,941	2,276	14,584	2,337
Forward foreign exchange contracts	10,550	14,499	8,715	14,713
	741,708	603,818	716,408	624,601
Non-current assets				
Commodity trading contracts	162,092	99,938	170,423	103,353
Emission allowances	54,883	39,590	40,269	39,597
Forward foreign exchange contracts	1,965	493	2,717	493
	218,940	140,021	213,409	143,443
Current liabilities				
Commodity trading contracts	662,844	525,808	687,470	529,534
Emission allowances	5,766	6,451	5,827	6,467
Forward foreign exchange contracts	8,428	2,762	5,681	2,954
	677,038	535,021	698,978	538,955
Non-current liabilities				
Commodity trading contracts	131,851	76,855	133,930	76,837
Emission allowances	25,097	35,087	25,171	35,115
Forward foreign exchange contracts	1,968	674	2,396	674
	158,916	112,616	161,497	112,626

Notes to the financial statements
Year ended 31 December 2010

20 — Derivative financial instruments (continued)

Fair value measurement

In determining the fair value of financial assets and financial liabilities, the Group utilises market data or assumptions that market participants would use in setting a price for the asset or liability. Where quoted market prices are not available, the Group uses valuation techniques to determine the fair values of these instruments. Inputs to the valuation technique can be observable and readily obtainable, market corroborated or generally unobservable. The Group endeavours to use the best available information by utilising valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

If at inception of a contract, the fair value cannot be supported solely by observable market data, any gain or loss determined by the valuation methodology is not recognised in the Income Statement but is deferred. These amounts are commonly known as "day-one" gains and losses. This deferred gain or loss is recognised in the Income Statement over the life of the contract on a straight line or otherwise appropriate basis until substantially all of the remaining contract term can be valued using observable market data. At this point, any remaining deferred gain or loss is recognised in the Income Statement. Changes in the fair value of derivatives from this initial fair value are recognised in the Income Statement in the period in which they occur. The following table shows the changes in the day-one gains and losses deferred:

		Group
	2010	2009
	£'000s	£'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Income Statement at 1 January	22,201	1,568
Initial fair value of new contracts not recognised in the Income Statement	325	16,747
Fair value recognised in the Income Statement during the year	5,039	3,885
Fair value of contracts not recognised through the Income Statement at 31 December	27,564	22,201

		Company
	2010	2009
	£'000s	£'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Income Statement at 1 January	898	1,568
Initial fair value of new contracts not recognised in the Income Statement	325	—
Fair value recognised in the Income Statement during the year	(606)	(670)
Fair value of contracts not recognised through the Income Statement at 31 December	617	898

Notes to the financial statements
Year ended 31 December 2010

20 — Derivative financial instruments (continued)

Fair value hierarchy

Based on the observability of inputs to the valuation techniques employed, the Group is able to classify all financial assets and financial liabilities carried at fair value. The determination of the classification gives the highest priority to unadjusted quoted prices in active exchange markets for identical assets or liabilities (level 1 measurement) and the lowest priority to those fair values determined with reference to significant unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active exchange markets for identical assets and liabilities as of the reporting date. Active exchange markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 instruments are primarily exchange traded derivatives.

Level 2 – Quoted prices are not available, however, pricing inputs are either directly or indirectly observable at the reporting date. Level 2 instruments include those valued using industry standard models and valuation techniques. These inputs include quoted forward prices for commodities, time value, volatility factors, current market prices, contractual prices and expected volumes of the underlying instruments. Substantially all of these inputs or assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable transaction prices executed in the marketplace. Level 2 instruments include non-exchange traded derivatives such as forward contracts, swaps and options.

Level 3 – Valuation techniques or models include significant inputs that are generally less observable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or individually tailored. At each balance sheet date, the Group performs an analysis of all assets and liabilities at fair value and includes in level 3 of those whose fair value is derived using significant unobservable inputs.

The following tables show, according to their level within the fair value hierarchy, the Group's assets and liabilities that were accounted for at fair value at the reporting date. It should be noted that no non-derivative financial instruments are carried at fair value (2009:£ nil). Assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement as a whole. The Group's assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy.

Notes to the financial statements
Year ended 31 December 2010

20 — Derivative financial instruments (continued)

Derivative Financial Assets

	Group			
	Level 1	Level 2	Level 3	Total
2010	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	4,316	863,454	10,539	878,309
Emission allowances	(1,569)	24,018	47,375	69,824
Forward foreign exchange contracts	—	12,515	—	12,515
	2,747	899,987	57,914	960,648

	Group			
	Level 1	Level 2	Level 3	Total
2009	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	10,873	673,789	2,319	686,981
Emission allowances	854	41,012	—	41,866
Forward foreign exchange contracts	—	14,992	—	14,992
	11,727	729,793	2,319	743,839

Derivative Financial Liabilities

	Group			
	Level 1	Level 2	Level 3	Total
2010	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	8,427	775,903	10,365	794,695
Emission allowances	—	29,102	1,761	30,863
Forward foreign exchange contracts	3,341	7,055	—	10,396
	11,768	812,060	12,126	835,954

	Group			
	Level 1	Level 2	Level 3	Total
2009	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	24,605	575,058	—	602,663
Emission allowances	1,582	39,956	—	41,538
Forward foreign exchange contracts	—	3,436	—	3,436
	26,187	621,450	—	647,637

Notes to the financial statements
Year ended 31 December 2010

20 — Derivative financial instruments (continued)

Derivative Financial Assets

	Company			
	Level 1	Level 2	Level 3	Total
2010	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	1,917	852,758	8,857	863,532
Emission allowances	(1,569)	29,710	26,711	54,852
Forward foreign exchange contracts	—	11,432	—	11,432
	348	893,900	35,568	929,816

	Company			
	Level 1	Level 2	Level 3	Total
2009	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	10,873	689,174	—	700,047
Emission allowances	854	51,937	—	52,791
Forward foreign exchange contracts		15,206	—	15,206
	11,727	756,317	—	768,044

Derivative Financial Liabilities

	Company			
	Level 1	Level 2	Level 3	Total
2010	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	5,581	815,819	—	821,400
Emission allowances	—	29,883	1,115	30,998
Forward foreign exchange contracts	—	8,077	—	8,077
	5,581	853,779	1,115	860,475

	Company			
	Level 1	Level 2	Level 3	Total
2009	£'000s	£'000s	£'000s	£'000s
Commodity trading contracts	24,605	581,767	—	606,372
Emission allowances	1,582	40,000	—	41,582
Forward foreign exchange contracts	—	3,628	—	3,628
	26,187	625,395	—	651,582

Notes to the financial statements
Year ended 31 December 2010

20 — Derivative financial instruments (continued)

The following table shows a reconciliation of changes in the fair value of financial instruments classified as level 3 in the fair value hierarchy:

	Group	Company
	£'000s	£'000s
Fair Value at 1 January 2009	—	—
Purchases	2,319	—
Fair Value at 31 December 2009	2,319	—
Total gains and losses recognised in the Income Statement	(10,609)	—
Purchases	55,595	35,568
Sales	(1,517)	(1,115)
Fair value at 31 December 2010	**45,788**	**34,453**

Given the nature and tenure of certain transactions, changing one or more of the less observable inputs within a valuation model may materially change the fair value of the instruments as reported.

The carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements are approximately equal to their fair values.

Hedge accounting

For the purpose of hedge accounting under IAS 39, hedges are classified as either cash flow hedges, fair value hedges or hedges of net investments in foreign operations. Note 3 details the Group's accounting policies in relation to derivatives qualifying for hedge accounting. At the reporting date the Group does not have any hedges classified as fair value hedges or hedges of net investments in foreign operations.

Cash flow hedges

The Group's cash flow hedges consist of gas and electricity purchase contracts treated as derivatives that are used to protect against the variability in future cash flows associated with the highly probable supply of gas and electricity to retail customers due to movements in market commodity prices. Gains and losses are initially recognised in the cash flow hedging reserve in other comprehensive income to the extent that the hedges are effective, and are transferred to the Income Statement when the forecast cash flows affect the Income Statement.

The Group prepared the documentation required by IAS 39 defining the hedging strategy, hedging instrument, hedged item and hedge effectiveness testing methodology used for each of these hedging strategies.

Notes to the financial statements Year ended 31 December 2010

20 — Derivative financial instruments (continued)

All movements in equity related to cash flow hedges are recognised in the cash flow hedge reserve presented in the Statement of Changes in Equity.

The total fair value of outstanding derivative contracts designated in hedge relationships was as follows:

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Cash flow hedges	18,988	(11,381)	—	—

The ineffective portion of gains and losses on derivative instruments designated in cash flow hedges that was recognised in the Income Statement was a gain of £131k (2009: £ nil).

21 — Share capital

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Authorised share capital				
20,000,000 (2009: 20,000,000) ordinary shares of £1 each	20,000	20,000	20,000	20,000
Called up, allotted and fully paid				
Ordinary shares of £1 each				
At 31 December	20,000	20,000	20,000	20,000

The balance classified as share capital includes the total nominal proceeds on issue of the Group's equity share capital, comprising £1 ordinary shares.

22 — Lease commitments

The lease commitment in 2010 is primarily made up of long terms lease contracts for regasification and pipeline capacity of the Gazprom Marketing & Trading Mexico S.de R.L.de C.V., and LNG tankers chartered by GGLNG.

	Group		Company	
	2010	2009	2010	2009
	£'000s	£'000s	£'000s	£'000s
Not later than one year	38,891	633	122	73
Later than one year and not later than five years	106,925	1,946	17,204	15
Later than five years	285,756	—	18,700	—
	431,573	2,579	36,026	88

Notes to the financial statements
Year ended 31 December 2010

23 — Related party transactions

Trading transactions

During the year, the Group entered into transactions with related parties as follows:

Group	Sales to related party £'000s	Purchases from related party £'000s	Amounts owed by related party £'000s	Amounts owed to related party £'000s
Related Party				
Parent				
2010	**79**	**2,162**	**1,589**	**133,440**
2009	515	326,504	36,709	79,490
Other entities with significant influence over the Group				
2010	**748,667**	**1,367,605**	**303,626**	**242,225**
2009	133,312	1,324,230	11,919	303,895
Other related parties				
2010	**110,457**	**21,929**	**12,960**	**1,861**
2009	102,352	2,908	10,002	83

Company	Sales to related party £'000s	Purchases from related party £'000s	Amounts owed by related party £'000s	Amounts owed to related party £'000s
Related Party				
Parent				
2010	**79**	**1,863**	**—**	**133,149**
2009	—	325,485	36,702	106,241
Other entities with significant influence over the Group				
2010	**684,703**	**1,333,583**	**278,889**	**226,788**
2009	109,816	1,250,456	7,688	251,186
Subsidiaries				
2010	**647,759**	**354,711**	**172,704**	**112,689**
2009	326,009	53,883	145,927	46,614
Other related parties				
2010	**110,457**	**21,929**	**12,960**	**1,861**
2009	102,341	913	9,766	34

The Group has entered into an agreement to participate in a central cash management system, the balance owing at 31 December 2010 being £132.2m (2009: £48.1m). The master account holder is GAZPROM Germania GmbH, the Group's immediate controlling entity. Interest is payable or receivable based on market interest rates.

Terms and conditions of transactions with related parties

Sales and purchases with related parties are in the ordinary course of business and are on substantially the same terms as for comparable transactions with third party counterparties reflecting the level of service provided to related parties.

The Group receives a guarantee from GAZPROM Germania GmbH to GMT USA for $100m. As at 31 December 2010 the Company had provided £127.2m of guarantees to its subsidiaries. During the year ended 31 December 2010, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2009:£ nil).

Notes to the financial statements
Year ended 31 December 2010

23 — Related party transactions (continued)

Compensation of key management personnel

The remuneration of Directors and other key management during the year was as follows:

	Group		Company	
	2010 £'000s	2009 £'000s	2010 £'000s	2009 £'000s
Short-term benefits	5,275	7,484	5,178	4,321
Post-employment benefits	—	71	—	2
	5,275	7,555	5,178	4,323

Key management personnel includes the directors of the Company and members of the advisory committee.

Directors' transactions

There were no transactions involving directors during the year, other than in respect of remuneration (2009: £ nil).

24 — Ultimate parent group and controlling party

The ultimate parent company and controlling party is OAO Gazprom, a company incorporated in Russia. The parent undertaking of the smallest group which includes the Group and for which consolidated accounts are prepared, is GAZPROM Germania GmbH, a company incorporated in Germany. Copies of the consolidated financial statements of GAZPROM Germania GmbH are available from Amtsgericht Charlottenburg, Amtsgerichtsplatz 1, 14057 Berlin, Germany. Copies of the consolidated financial statements of OAO Gazprom are available from Nametkina str., 16V-420, GSP-7, 117997, Moscow, Russia.

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In this publication, the expression "Group", is sometimes used for convenience where references are made to companies within the Gazprom Marketing & Trading Limited group of companies or to the Gazprom group in general. Likewise, the words "we", "us" and "our" are also used to refer to Gazprom companies in general or those who work for them.

These expressions are also used where no useful purpose is served by identifying specific companies.