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GAZPROM MARKETING & TRADING

LANDMARK YEAR, BRIGHT FUTURE

Annual Report 2006

GAZPROM MARKETING & TRADING'S VISION IS TO BE THE LEADING MARKETING AND TRADING COMPANY IN LIBERALISING MARKETS.

COMPANY INFORMATION AND ADVISORS

Registered office
Gazprom House
60 Marina Place
Hampton Wick
Kingston upon Thames
KT1 4BH

Officers and professional advisers

Directors
H.–J. Gornig
Y. A. Komarov
A. Medvedev
A. V. Mikhalev
V. V. Vasiliev

Secretary
Abogado Nominees Limited

Bankers
ABN AMRO Bank N.V.
250 Bishopsgate
London, EC2M 4AA

ABN AMRO Bank N.V.
Herengracht, Postbus 283
1000 EA Amsterdam

Caisse des Depots
56, rue de Lille
75356 Paris Cedex 07 SP

Calyon
Broadwalk House, 5 Appold Street
London, EC2A 2DA

Dresdner Bank AG
PO Box 52715, 30 Gresham Street
London, EC2P 2XY

ING Belgium, Brussels, Geneva Branch
Rue Petitot 6, Case Postale
CH-1211 Geneva 11

Solicitors
Baker & McKenzie LLP
100 New Bridge Street
London, EC4V 6JA

Hunton & Williams LLP
30 St. Mary Axe
London, EC3A 8EP

Auditors
Deloitte & Touche LLP
Chartered Accountants
London

Designed and produced by Radley Yeldar

DIRECTORS' REPORT

The Directors present the annual report and financial statements of Gazprom Marketing & Trading Limited ("GM&T") for the year ended 31 December 2006.

Principal activity
The Company's principal activity during the year was the marketing and trading of energy products including gas, power, oil and carbon emissions allowances in the UK, continental Europe and other markets.

Review of the business
GM&T's ultimate parent, OAO Gazprom is the world's largest producer of natural gas and is developing as a global, vertically integrated energy company. GM&T, a wholly owned subsidiary of OAO Gazprom, was established in 1999 and has the aim of becoming the leading energy marketing and trading company in liberalising markets.

GM&T had a successful year in 2006 and the results show a pre-tax profit of £33.7 million (2005: £25.6 million), net profit of £23.5 million (2005: £17.8 million) and revenue of £1,485.5 million (2005: £593.5 million).

GM&T began the year operating within a limited number of markets but by the end of 2006 had expanded geographically as well as in terms of market sectors and commodities traded. GM&T's development towards becoming a multi-commodity, multi-sector and multi-market company is illustrated by the following key highlights:

- entry into UK and continental European wholesale power markets;
- entry into carbon emissions allowances trading;
- increased activity in the global Liquefied Natural Gas ("LNG") market;
- entry into retail markets in the UK and France;
- increased level of wholesale gas trading at a wider range of European hubs; and
- incorporation of Gazprom Marketing & Trading France and Gazprom Marketing & Trading USA as wholly owned subsidiaries.

GM&T has established itself as a reliable energy marketing and trading company. The Company is fully committed to working with its strong portfolio of customers that includes banks, energy wholesalers, power generators, large industrial users and other retail buyers. It has established excellent relationships with most major energy players throughout Europe with a particular focus on the UK, Belgium, France and the Netherlands. GM&T's reach is growing through its LNG activity around the world. In addition, the Company's retail business is developing rapidly and serves an increasing number of customers in the industrial and commercial sector.

DIRECTORS' REPORT CONTINUED

The following Key Performance Indicators ("KPIs") illustrate the Company's performance over the past year.

Key Performance Indicators (KPIs)	2006	2005	KPIs Definitions
Growth in sales volumes (%)	**60%**	45%	Year on year sales volume growth expressed as a percentage.
Return On Equity (%)	**30%**	41%	Return On Equity is calculated as annual Net Profit divided by Net Assets expressed as a percentage.
Total number of products	**5**	2	Total number of products refers to the number of commodity products that GM&T trades with counterparties.
Total number of locations	**19**	8	Total number of locations refers to the annual number of primary locations that GM&T trades in.
Turnover (£'000s)	**1,485,525**	593,543	Turnover refers to annual GM&T revenue net of discounts, rebates, VAT and other sales taxes or duty, expressed in thousands of pounds sterling.
Gross margin (£'000s)	**48,040**	36,470	Gross margin is revenue less cost of goods sold, expressed in thousands of pounds sterling.
EBITDA (£'000s)	**32,298**	25,539	EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) expressed in thousands of pounds sterling.
Net profit (£'000s)	**23,535**	17,763	Annual Net profit expressed in thousands of pounds sterling.

Principal risks and uncertainties facing the business
Risk management is an essential component of GM&T's operations. Whilst the Company is clearly pursuing an ambitious strategy, it ensures 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 GM&T faces can be categorised as Financial Risk (such as commodity price risk, credit risk, foreign exchange risk, liquidity risk) or Operational Risk.

The Company's management of Financial Risks is described in note 14.

Operational Risk mainly refers to uncertainties arising in the areas of human resources, technology, and the regulatory environment. Each of these risks is manageable and is the subject of continual monitoring within GM&T.

Future developments
The Company will continue to follow an aggressive growth strategy and is actively engaged in evaluating projects across a broad spectrum of the energy sector. GM&T is exploring a range of expansion scenarios in Belgium, the Netherlands and Italy. It is also examining opportunities in energy markets around Western Europe, including retail operations, gas storage, power plants, and gas, power, oil, carbon emissions allowances, coal, and weather derivatives trading.

By adopting a planned and orderly approach to expanding its core wholesale gas trading business, GM&T is well placed to take advantage of opportunities arising in a range of energy markets. Underpinning all of this development is:

- GM&T's commitment to employing an experienced team of energy professionals;
- the Company having in place a strong foundation of basic corporate capabilities – back office processes and procedures, mid-office analytical capabilities, and a front office that is poised to rapidly expand its trading operations; and
- GM&T being supported by its parent companies in Germany and Russia.

Summary
During the year, GM&T made good progress towards realising its stated vision:

"To be the leading energy marketing and trading company in liberalising markets".

Given a number of inherent advantages, such as its relationship with asset-rich parent companies as well as its own internal human talent and managerial resources, it is clear that this development is likely to continue.

In summary, the Company has developed a comprehensive assessment of the steps needed to realise GM&T's full potential. It intends to achieve an optimal rate of growth and simultaneously preserve ambitious profit targets for the foreseeable future.

Charitable donations
The Company donated the sum of £2,950 (2005: £122,976) to local charities serving the communities in which the group operates.

DIrectors and their interests
The Directors during the year were as follows:

H.–J. Gornig

Y. A. Komarov

A. Medvedev

A. V. Mikhalev

V. V. Vasiliev

There are no Directors' interests requiring disclosure under the Companies Act 1985.

Auditors
A resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

The Board of Directors in accordance with Section 234ZA of the Companies Act have confirmed the following statement, that in respect of the audit of Gazprom Marketing & Trading Limited for the period from 1 January 2006 to 31 December 2006:

a) All relevant audit information has been made available to the Company's auditors; and

b) As Directors we have taken all appropriate steps to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors

A. V. Mikhalev	**V. Vasiliev**
Director	Director
4 April 2007	4 April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have elected to prepare financial statements for the Company in accordance with International Financial Reporting Standards ("IFRS"). Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' 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 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense, the Cash Flow Statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

4 April 2007

INCOME STATEMENT
for the year ended 31 December 2006

	Note	2006 £'000s	2005 £'000s
Continuing operations			
Revenue	1	**1,485,525**	593,543
Cost of sales		**(1,437,485)**	(557,073)
Gross profit		**48,040**	36,470
Administrative expenses		**(16,056)**	(8,515)
Operating profit	2	**31,984**	27,955
Bank interest received		**2,386**	784
Finance costs	3	**(676)**	(3,135)
Profit before tax		**33,694**	25,604
Tax	5	**(10,159)**	(7,841)
Profit attributable to equity holders		**23,535**	17,763

BALANCE SHEET
as at 31 December 2006

	Note	2006 £'000s	2005 £'000s
Assets			
Non-current assets			
Intangible assets	6	**1,149**	220
Property, plant and equipment	7	**7,100**	6,461
Derivative financial instruments	15	**14,921**	6,325
Investments in subsidiaries	8	**978**	–
		24,148	13,006
Current assets			
Inventories	10	**8,513**	10,279
Trade and other receivables	9	**269,867**	156,786
Derivative financial instruments	15	**356,943**	145,444
Cash and cash equivalents	11	**22,853**	6,999
		658,176	319,508
Total assets		**682,324**	332,514
Liabilities			
Current liabilities			
Trade and other payables	13	**250,780**	144,896
Derivative financial instruments	15	**328,348**	127,572
Obligations under hire purchase agreements		**78**	158
Current tax liabilities		**9,708**	5,733
		588,914	278,359
Net current assets		**69,262**	41,149
Non-current liabilities			
Derivative financial instruments	15	**12,617**	6,874
Deferred tax liabilities	12	**2,661**	3,856
		15,278	10,730
Total liabilities		**604,192**	289,089
Net assets		**78,132**	43,425
Equity			
Ordinary share capital	16	**20,000**	11,000
Cash flow hedge reserve	17	**2,172**	–
Retained earnings	17	**55,960**	32,425
Total equity		**78,132**	43,425

These financial statements were approved by the Board of Directors and authorised for issue on • April 2007.

Signed on behalf of the Board

A. V. Mikhalev
Director

V. Vasiliev
Director

STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 December 2006

	Note	2006 £'000s	2005 £'000s
Gains on cash flow hedges	17	**3,103**	–
Tax on items taken directly to equity	5	**(931)**	–
Net income recognised directly in equity		**2,172**	–
Transfers		**–**	–
Transferred to profit or loss on cash flow hedges	17	**–**	5,059
Tax on items transferred from equity	5	**–**	(1,518)
Profit for the year	17	**23,535**	17,763
Total recognised income and expense for the year		**23,535**	21,304
Attributable to equity holders of the parent		**23,535**	21,304

CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	2006 £'000s	2005 £'000s
Operating activities			
Operating profit		**31,984**	27,955
Depreciation of property, plant and equipment		**840**	568
Amortisation of intangibles		**65**	21
Profit on disposal of property, plant and equipment		**(6)**	(10)
Loss on forward contract		**(591)**	(3,006)
Operating cash flows before movements in working capital		**32,292**	25,528
Decrease/(increase) in stocks		**1,766**	(10,279)
Increase in receivables		**(113,081)**	(112,129)
Increase in payables		**105,884**	110,730
Increase in derivative financial instruments		**(10,473)**	(11,208)
Cash generated from operations		**16,388**	2,642
Interest paid		**(85)**	(129)
Income taxes paid		**(8,310)**	(2,471)
Net cash from operating activities		**7,993**	42
Investing activities			
Interest received		**2,386**	784
Purchases of property, plant and equipment		**(1,520)**	(1,329)
Proceeds from sale of property, plant and equipment		**14**	14
Purchases of intangible assets		**(994)**	(219)
Investment in subsidiaries		**(978)**	–
Net cash used in investing activities		**(1,092)**	(750)
Financing activities			
Proceeds on issue of shares		**9,000**	5,000
Repayment of obligations under hire purchase agreements		**(47)**	134
Net cash from financing activities		**8,953**	5,134
Net increase in cash and cash equivalents		**15,854**	4,426
Cash and cash equivalents at the beginning of the year		**6,999**	2,573
Cash and cash equivalents at the end of the year	11	**22,853**	6,999

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

General information
Gazprom Marketing & Trading Limited (the "Company") is a company registered in England and Wales under the Companies Act 1985. The address of the registered office is given on the inside front cover.

Statement of compliance with ifrs
The Company'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 1985 applicable to companies reporting under IFRS.

1. Accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation
The financial statements of the Company are prepared under the historical cost convention except as described within the summary of the entity's significant accounting policies as set out below. These policies have been consistently applied.

The preparation of financial information in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below. The best estimate of the Directors may differ from the actual result.

Certain prior year figures have been reclassified to maintain consistency with the current year.

Consolidation
These separate financial statements contain information about Gazprom Marketing & Trading Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IAS 27, 'Consolidated and Separate Financial Statements', and Section 228 Companies Act from the requirement to prepare consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of its immediate parent, GAZPROM Germania GmbH, incorporated in Germany.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Transaction costs directly attributable to the investment have been capitalised as part of the cost of the investment.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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, power, oil, carbon emissions allowances and capacity in the normal course of business, net of discounts, rebates, VAT and other sales taxes or duty. Realised profits on derivatives as well as unrealised profits on open physical and derivative contracts are also included in revenue. Revenue is attributable to the Company's principal activity.

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

1. Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is 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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of tangible and intangible assets
At each balance sheet date, management assesses whether there is any indication that the recoverable value of the Company'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 ("EUAs") kept in national carbon registries are measured at fair value less costs to sell. The fair value is measured at the spot 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.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term investments which are readily convertible to cash and have an original maturity of three months or less.

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

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

(a) Finance leases
A lease is classified as a finance lease where the Company 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.

(b) Operating leases
A lease is classified as an operating lease where 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.

1. Accounting policies (continued)

Foreign currency

(a) Functional and presentation currency
The Company's financial statements are presented in UK sterling, which is also the Company's functional currency.

(b) 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.

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 Company makes payments into a defined contribution personal pension plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company 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 in the period in which they become payable.

Financial assets

Financial assets in 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. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets 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 on an active market is determined by reference to the mid prices where there are 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 there is no 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.

1. Accounting policies (continued)

Energy contracts
The Company routinely enters into energy sale and purchase transactions in line with the Company's expected physical usage requirements. Where such transactions are settled through receipt or delivery of the physical position these transactions are outside the scope of IAS 39 and are, therefore, recorded on an accruals basis.

Transactions which are not physically settled or 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 Company'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. Some of the contracts are accounted for as hedging instruments (refer to the accounting policy note regarding derivative financial instruments and hedging). Purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell an asset.

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 income when the loans and receivables are derecognised 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.

Equity instruments

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

Derivative financial instruments and hedging

The Company uses derivative financial instruments to hedge exposures to financial risks, such as foreign exchange and commodity price risks 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 qualifies for hedge accounting. 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 pricing models. Where one or more inputs into a valuation technique is 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, except 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.

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 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.

1. Accounting policies (continued)

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above.

Significant accounting judgements and estimates

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.

As described in note 15, the Company uses certain self-developed models to estimate the fair value of Interconnector capacity, embedded call and written call options. The models require estimates of sensitive inputs such as implied volatilities which have a significant impact on the resulting valuations.

Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

International Financial Reporting Standards		Effective date
IFRS 4	Revised Guidance on Implementing IFRS 4	1 January 2007
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
International Financial Reporting Interpretations Committee (IFRIC)		**Effective date**
IFRIC 7	Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008

Upon adoption of IFRS 7, the Company will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Company will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

The Company does not anticipate that the adoption of the other Standards and Interpretations listed above will have a material impact on the Company's financial statements in the period of initial application.

2. Operating profit

2a. Total revenue

	2006 £'000s	2005 £'000s
Revenue per income statement	**1,485,525**	593,543
Bank interest received	**2,386**	784
	1,487,911	594,327

Revenue includes £9,789,000 (2005: £9,156,000) related to fair value gains on derivative financial instruments.

2b. Operating profit is stated after charging/(crediting):

	2006 £'000s	2005 £'000s
Depreciation:		
– owned assets	**790**	566
– leased assets	**50**	2
Amortisation	**65**	21
Exchange loss/(gain)	**428**	(423)
Rentals under operating leases	**234**	54
Auditors' remuneration:		
– company audit fees	**248**	105
– other services relating to taxation	**212**	413
Staff welfare	**556**	200
Staff costs (refer to note 4)	**8,808**	4,282
Travel expenses	**674**	296
Consultancy and professional fees	**2,754**	2,355

3. Finance costs

	2006 £'000s	2005 £'000s
Other interest	**85**	129
Fair value loss on forward foreign exchange contracts	**591**	3,006
	676	3,135

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Directors' and employees' emoluments

	2006 £'000s	2005 £'000s
Directors' remuneration	**822**	653

The remuneration of the highest paid Director is £389,000 (2005: £358,000).

Contributions of £12,000 (2005: £12,000) were made to personal pension plans in respect of one of the Directors (2005: one).

	2006 £'000s	2005 £'000s
Staff costs during the year (including Directors)		
Wages and salaries	**7,535**	3,720
Social security costs	**1,082**	426
Pension costs	**191**	136
	8,808	4,282
Average number of persons employed	**63**	39

	2006	2005
Analysed as follows:		
Front office	**24**	14
Mid office	**11**	6
Back office	**17**	9
Support office	**11**	10
	63	39

The Company makes payments into a defined contribution, group personal pension plan. It pays fixed contributions into a separate fund. The total payments into this scheme for 2006 were £191,000 (2005: £136,000).

5. Tax

	2006 £'000s	2005 £'000s
UK corporation tax at 30 per cent:		
Current income tax expense	**12,285**	5,726
Deferred income tax (credit)/expense	**(2,126)**	2,115
Tax expense in the income statement	**10,159**	7,841

Deferred or current income tax related to items charged or credited directly to equity

	2006 £'000s	2005 £'000s
Net gain/(loss) on revaluation of cash flow hedges	**3,103**	5,059
Total deferred income tax (charge)/credit to equity	**(931)**	(1,518)

5. Tax (continued)

The standard rate of tax for the current year and the previous year, based on the UK standard rate of corporation tax, is 30 per cent. The actual tax charge for the current and previous year is different from the standard rate for the reasons set out in the following reconciliation:

	2006 %	2005 %
Applicable tax rate for year as a percentage of profits	**30**	30
Effects of:		
Expenses not deductible for tax purposes	**–**	1
Effective tax rate for the year as a percentage of profits	**30**	31

6. Intangible assets

	2006 £'000s	2005 £'000s
Cost		
At 1 January	**242**	23
Additions	**994**	219
At 31 December	**1,236**	242
Accumulated depreciation		
At 1 January	**22**	1
Amortisation expense for the year	**65**	21
At 31 December	**87**	22
Net book value		
At 31 December	**1,149**	220

All intangible assets relate to computer software.

7. Property plant and equipment

	Long leasehold property £'000s	Leasehold improvements £'000s	Fixtures, fittings and equipment £'000s	Motor vehicles £'000s	Total £'000s
Cost					
At 1 January 2006	**5,301**	**30**	**1,601**	**253**	**7,185**
Additions	**–**	**928**	**592**	**–**	**1,520**
Disposals	**–**	**–**	**–**	**(76)**	**(76)**
At 31 December 2006	**5,301**	**958**	**2,193**	**177**	**8,629**
Accumulated depreciation					
At 1 January 2006	**154**	**26**	**485**	**59**	**724**
Charge for the year	**133**	**12**	**639**	**56**	**840**
Disposals	**–**	**–**	**–**	**(35)**	**(35)**
At 31 December 2006	**287**	**38**	**1,124**	**80**	**1,529**
Net book value					
At 31 December 2006	**5,014**	**920**	**1,069**	**97**	**7,100**
At 31 December 2005	5,147	4	1,116	194	6,461

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Property plant and equipment (continued)

	Long leasehold property £'000s	Leasehold improvements £'000s	Fixtures, fittings and equipment £'000s	Motor vehicles £'000s	Total £'000s
Cost					
At 1 January 2005	5,301	30	469	96	5,896
Additions	–	–	1,134	195	1,329
Disposals	–	–	(2)	(38)	(40)
At 31 December 2005	5,301	30	1,601	253	7,185
Accumulated depreciation					
At 1 January 2005	21	24	101	46	192
Charge for the year	133	2	386	47	568
Disposals	–	–	(2)	(34)	(36)
At 31 December 2005	154	26	485	59	724
Net book value					
At 31 December 2005	5,147	4	1,116	194	6,461
At 31 December 2004	5,280	6	367	50	5,703

The net book value of tangible fixed assets includes an amount of £78,000 (2005: £169,000) in respect of assets held under finance leases. Obligations under finance leases are secured by the related assets.

8. Investments in subsidiaries

Details of the Company's subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held
Gazprom Marketing & Trading France SAS	France	100%	100%
Gazprom Marketing & Trading USA, Inc.	USA	100%	100%
Natural Gas Shipping Services Limited	UK	0.1%	100%

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

	£'000s
Balance at 31 December 2005	–
Investments during the year	978
Balance at 31 December 2006	978

Gazprom Marketing & Trading France SAS and Gazprom Marketing & Trading USA, Inc. were incorporated in July 2006. At year-end Gazprom Marketing & Trading France had aggregate of share capital and reserves of £68,000 and profit for the year of £nil. At year-end Gazprom Marketing & Trading USA had aggregate of share capital and reserves of £53,000 and profit for the year of £nil.

On 22 June 2006 the Company entered into a transaction with Natural Gas Shipping Services Limited ("NGSS") to purchase one share of NGSS for consideration of £1 and an option to purchase the remaining ordinary shares of NGSS for consideration based on the fair value of NGSS's net assets plus net profits made subsequent to 22 June 2006. The minimum purchase price is £2,700,000 and the maximum purchase price is £6,200,000. This option is for three years and expires on 22 July 2009. As part of the transaction the Company obtained effective veto rights over all material decisions made by NGSS. Combined with the option to purchase the remaining ordinary shares, the Company has the power to exercise control over NGSS and therefore considers NGSS to be a subsidiary of the Company.

The option has been designated as an available for sale financial asset. Fair value information has not been disclosed because the fair value cannot be measured reliably. This is due to lack of observable marketable data as NGSS is a privately owned company. The Company intends to exercise the option.

At year-end NGSS had aggregate of share capital and reserves of £1,516,000 and loss for the year of £2,379,000.

9. Trade and other receivables

	2006 £'000s	2005 £'000s
Amounts receivable for sale of goods	**222,732**	132,856
Amounts receivable from group companies	**44,642**	18,101
Prepayments and other debtors	**2,493**	5,829
	269,867	156,786

10. Inventories

	2006 £'000s	2005 £'000s
Gas in storage	**8,513**	10,279

There were no material emissions allowances held within inventory at the year end.

11. Cash and cash equivalents

	2006 £'000s	2005 £'000s
Cash and cash equivalents	**22,853**	6,999

12. Deferred tax

	2006 £'000s	2005 £'000s
Deferred liability at 1 January	**(3,856)**	(1,741)
Credit/(charge) to the income statement	**2,126**	(2,115)
Taken to equity – cash flow hedge reserve	**(931)**	–
Deferred liability at 31 December	**(2,661)**	(3,856)
The deferred tax liability consists of the following amounts:		
Capital allowances less than/(in excess of) depreciation	**53**	(24)
Temporary timing differences on stock revaluation	**–**	(1,084)
Temporary timing differences on derivative financial instruments:		
Transitional adjustments	**(1,651)**	(1,835)
Elements that fall within the disregard regulations	**(132)**	(913)
Taken to equity – cash flow hedge reserve	**(931)**	
Net deferred tax liability	**(2,661)**	(3,856)

13. Trade and other payables

	2006 £'000s	2005 £'000s
Amounts payable for the sale of goods	**132,342**	70,771
Amounts owed to group companies	**95,555**	59,920
Accruals and other payables	**22,883**	14,205
	250,780	144,896

14. Financial risk management objectives and policies

The Company enters into derivative transactions, including principally commodity forwards, swaps, options and futures contracts, and forward foreign exchange contracts, the purpose of which is to manage the commodity price and currency risks arising from the Company's operations.

The Risk Oversight Committee ("ROC") was formed to provide executive management oversight for the risks associated with the Company's marketing and trading activities. The ROC is charged with the creation and administration of the Risk Management Procedures Manual in addition to ensuring that all the activities of the Company are in accordance with the Governing Policy and the Risk Management Procedures Manual.

The Company's principal financial instruments, other than derivatives, comprise balances with related parties, finance leases, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Company holds some unhedged positions, subject to certain Board approved limits.

The Company leases Interconnector capacity for use in the Company's gas marketing and trading operations. The contract enables the Company to transport gas in both directions between the Zeebrugge ("ZBH") and UK NBP ("NBP") transit locations.

The primary market risks within the business are the exposures to commodity prices and foreign exchange rates; Value-at-Risk ("VaR") is the primary mechanism for measuring and managing the market risk.

Commodity price risk

The Company uses a daily VaR measure as the primary mechanism for market risk control. 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.

Foreign exchange risk

The majority of the Company's trading is denominated in UK Sterling. The Company also transacts in other currencies, such as Euros and US dollars. When currency exposure arises as a result of purchase and sale commitments in non-Sterling currencies, the Company seeks to use forward foreign exchange transactions to hedge the exposure.

Credit risk

The Company's exposure to credit risk arises from the potential default of counterparties to derivative contracts and non-collectability of receivables, cash and cash equivalent balances. The Company's exposure is predominantly with European energy companies, utilities, financial institutions and other trading companies.

The Company has implemented a robust credit risk management policy which is overseen by the ROC and, to date, has not suffered any credit loss. The Company actively manages its portfolio to avoid concentrations of credit risk.

The Company 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 Company also obtains credit support such as letters of credit, bank guarantees and parent company guarantees against exposures where appropriate.

Liquidity risk

Through the use of borrowings, finance leases, and loans from related parties, the Company 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.

The Company has access to certain committed banking facilities of its parent company GAZPROM Germania GmbH (formerly named ZGG GmbH). In addition, at 31 December 2006, the Company had uncommitted bank facilities of US$50 million and €40 million (2005: US$50 million), the total of which was less than one-third utilised.

The Company's liquid resources include amounts placed under cash pooling arrangements with GAZPROM Germania GmbH (see note 20).

15. Derivative financial instruments

Derivative financial instruments that are currently used by the Company include forward foreign exchange contracts, commodity futures, and commodity trading contracts. The Company also has derivatives embedded in certain host contracts which are separated and carried at fair value in accordance with IAS 39. The fair value of derivative financial instruments at balance sheet date is as follows:

	2006 £'000s	2005 £'000s
Current assets		
Commodity trading contracts	**354,276**	140,684
Interconnector capacity	**1,329**	1,621
Forward foreign exchange contracts	**21**	–
Commodity options	**1,317**	3,139
	356,943	145,444
Non-current assets		
Commodity trading contracts	**14,830**	6,325
Interconnector capacity	**69**	–
Forward foreign exchange contracts	**22**	–
	14,921	6,325
Current liabilities		
Commodity trading contracts	**322,851**	124,332
Interconnector capacity	**4,863**	3,240
Forward foreign exchange contracts	**634**	–
	328,348	127,572
Non-current liabilities		
Commodity trading contracts	**12,617**	6,874

a) Fair value of financial assets and financial liabilities

There is no material difference between the fair value and book value of financial assets and liabilities. The fair values of certain derivative contracts and embedded derivatives are estimated using option model techniques:

Interconnector capacity

The Company has entered into an annual Interconnector capacity forward purchase contract. The contract enables the Company to transport gas in both directions between the ZBH and NBP transit locations. Part of the capacity is net settled and is therefore accounted for as a financial instrument. The fair value of the Interconnector capacity is determined by use of a Company developed option pricing model which comprises both market derived and Company estimated inputs. Market observable inputs include spot natural gas spreads between ZBH and NBP and an interest rate based on LIBOR. Company derived estimated inputs include Interconnector activity and operating costs, implied volatility, implied correlation between ZBH and NBP prices and time to maturity of the contract.

The model used to determine the fair value of the Interconnector capacity uses a conservative estimate of correlation between ZBH and NBP prices. At 31 December 2006, holding all other inputs constant, a 1 per cent decrease in the implied correlation decreases the fair value of the Interconnector capacity by approximately 5 per cent. Subsequent incremental decreases in the assumed implied correlation decrease the valuation to a lesser degree.

These impacts result from changing the assumptions used to determine the fair value of the Interconnector capacity to other reasonably possible assumptions at the balance sheet date. These impacts only relate to the fair value of Interconnector capacity and should not be interpreted as a measure of the Company's overall exposure to cash flow risk.

The total amount recognised within the income statement, within revenue during the year in relation to the change in fair value of the derivative contract was a loss of £1,846,000 (2005: profit of £105,000).

15. Derivative financial instruments (continued)

b) Commodity price risk

Commodity options
The fair value of commodity options is determined using Company developed option pricing models which include inputs of implied volatility, market commodity price forward curve data, strike prices and contractual volumes.

A non-linear relationship between option valuation and implied volatility is observed in the portfolio. At 31 December 2006, holding all other inputs constant, a decrease in implied volatility decreases the option valuation by more than the corresponding percentage movement. However, successive incremental decreases in the assumed implied volatility decrease the valuation to a lesser degree.

These impacts result from changing the assumptions used for fair valuing the commodity options to reasonably possible assumptions at the balance sheet date. These impacts only relate to the fair value of commodity options and should not be interpreted as a measure of the Company's overall exposure to cash flow risk.

The total amount recognised within the income statement, within revenue during the year in relation to the change in fair value of the options was a loss of £3,098,000 (2005: profit of £3,139,000).

Energy trading contracts, commodity futures and commodity swaps
Quoted market values have been used to determine the fair value of commodity trading contracts, commodity futures, and commodity swaps at the balance sheet date. The total amount recognised within the income statement, within revenue during the year in relation to the change in fair value of the commodity trading contracts was a profit of £14,732,000 (2005: profit £5,911,000).

c) Foreign exchange risk
Quoted market values have been used to determine the fair value of forward foreign exchange contracts at the balance sheet date. The total amount recognised within the income statement, within finance cost during the year in relation to the change in fair value of the forward foreign exchange contracts was a loss of £591,000 (2005: loss of £3,006,000).

d) Interest rate risk management
The Company is not subject to significant interest rate risk as balances with group companies carry interest calculated based on market interest rates and other interest bearing financial instruments balances are immaterial.

e) Credit risk
The Company monitors possible credit risk impact on its fair value calculations. If material it is included in fair value calculations.

f) Hedging activity

Cash flow hedges
The Company's margin is linked to market prices and therefore the price risk associated with these volumes cause volatility to the earnings. As the result the Company decided to hedge some of its most relevant exposures using forward sales contracts. By hedging this volume the Company effectively secured future revenues and removed the volatility of future cash flows. Delivery period starts in January 2007 and ends in March 2008. The Company prepared the documentation required by IAS 39 defining hedge strategy, hedge instrument, hedged item and hedge effectiveness testing methodology used.

The total fair value of outstanding forward contracts to which the Company is committed is as follows:

	2006 £'000s	2005 £'000s
Effective portion of hedging instrument fair value	**3,103**	–

The cash flow hedges were assessed to be highly effective and no hedge ineffectiveness was recorded.

16. Share capital

	2006 £'000s	2005 £'000s
Authorised share capital		
20,000,000 (2005: 11,000,000) ordinary shares of £1 each	**20,000**	11,000
Called up, allotted and fully paid		
Ordinary shares of £1 each		
At 1 January	**11,000**	6,000
Issue of shares	**9,000**	5,000
At 31 December	**20,000**	11,000

The balance classified as share capital includes the total nominal proceeds on issue of the Company's equity share capital, comprising £1 ordinary shares. During 2006, the Company increased its authorised and issued share capital through the issue of 9,000,000 fully paid up ordinary shares at par, for cash (2005: 5,000,000 fully paid up ordinary shares at par, for cash) to fund the growth of the business.

17. Reserves

	Cash flow hedge reserve £'000s	Retained earnings £'000s	Total £'000s
Balance at 1 January 2005	(3,541)	14,662	11,121
Previous increases in fair value of hedging derivatives included in the 2005 profit for the year	5,059	–	5,059
Transfer of related deferred tax liability arising on fair value movement of hedging derivatives	(1,518)	–	(1,518)
Profit for the year	–	17,763	17,763
Balance at 1 January 2006	–	32,425	32,425
Increase in fair value of hedging derivatives	3,103	–	3,103
Deferred tax liability arising on fair value movement of hedging derivatives	(931)	–	(931)
Profit for the year	–	23,535	23,535
Balance at 31 December 2006	**2,172**	**55,960**	**58,132**

Cash flow hedge reserve
The cash flow hedge reserve records the portion of the gain or loss deferred in equity on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

18. Lease commitments
Operating lease agreements where the Company is the lessee.

The Company has entered into a lease agreement for the utilisation of an aircraft with a related party (included within Other related parties in note 20). The lease term is three years, which includes a one-year renewal option. Total future minimum rentals payable under non-cancellable operating leases are as follows:

	2006 £'000s	2005 £'000s
Not later than one year	**234**	–
Later than one year and not later than five years	**234**	–
	468	–

19. Ultimate parent company 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 Company and for which group accounts are prepared, is GAZPROM Germania GmbH (formerly named ZGG GmbH), a company incorporated in Germany. Copies of the group financial statements of GAZPROM Germania GmbH are available from Amtsgericht Charlottenburg, Amtsgerichtsplatz 1, 14057 Berlin, Germany. Copies of the group financial statements of OAO Gazprom are available from Nametkina str., 16 V-420, GSP-7, 117997, Moscow, Russia. The Company's immediate controlling party is ZMB GmbH, a company incorporated in Germany.

20. Related party transactions

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

	Sales to related party £'000s	Purchases from related party £'000s	Amounts owed to related party £'000s	Amounts owed to related party £'000s
Related Party				
Parent				
2006	1,997	228,170	34,271	26,865
2005	11	142,202	17,364	19,737
Entities with significant influence over the Company				
2006	28,260	411,450	8,081	66,895
2005	1,011	198,559	628	40,183
Subsidiaries				
2006	9,813	4,089	2,290	1,788
2005	–	–	–	–
Other related parties				
2006	–	234	–	7
2005	–	–	–	–

The Company has entered into an agreement to participate in a group central cash management system, the balance at the end of the year being £33,999,000 (2005: £17,364,000). The master account holder is ZMB GmbH, the Company's immediate controlling entity. Interest is receivable based on market interest rates.

Terms and conditions of transactions with related parties
Sales and purchases between 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 Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2006, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2005: nil).

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

	2006 £'000s	2005 £'000s
Short-term benefits	**1,489**	1,017
Post-employment benefits	**27**	25

Directors' transactions
Other debtors (note 9) include a loan to a Director, V. V. Vasiliev. The loan of £7,000 (2005: £13,000) is for a term of three years, with capital and interest due to be repaid on 1 December 2007. The maximum amount outstanding during the year was £13,000 (2005: £19,000) and interest is charged at the HM Revenue and Customs "Official Interest Rate".

21. Contingencies
The Company has no contingencies.