2015 ABBREVIATED ANNUAL REPORT AND ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

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STRATEGIC REPORT

The Directors present the Abbreviated Annual Report and the Abbreviated audited Consolidated 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 2015.

Principal activities
The principal activity of the Group and Company is the marketing and trading of energy products including natural gas, electricity, liquefied natural gas ("LNG"), liquefied petroleum gas ("LPG"), helium and oil products. The Group is active in the UK, Continental Europe, North and South America, Asia and other world energy markets. Alongside the marketing and trading of energy products, the Group engages in the retail energy market, and in the charter and sub-charter of vessels as part of the Group's shipping and logistics activities. There have been no significant changes in the Group's principal activities in the year and no significant change in the Group's principal business is expected.

The ultimate parent undertaking and controlling entity is PAO Gazprom, a company incorporated in Russia, which together with the Group and PAO Gazprom's other subsidiary undertakings, form the "Gazprom Group".

Introduction
During the year, the Group has continued to develop and expand its core global marketing and trading activities. The international reach of the Group is reflected in the Consolidated Financial Statements of the Group, which comprise the consolidated results of 11 (2014: 12) individual legal entities covering the UK, Continental Europe, North America and Asia (see Note 5).

Financial results
The Group has experienced significant growth during the past decade and in 2015 reports strong results. The consolidated Statements of comprehensive income for the year are set out on page 6. The Group's profit for the financial year was £251.2m (2014: £302.1m), a decrease of 17% from the prior year. The Group's total equity as at 31 December 2015 was £691.9m (2014: £778.0m), representing a reduction of 11% when compared to 31 December 2014.

In July 2015, the Company declared and paid a final dividend of £263.2m (2014: £182.5m) to its immediate parent company Gazprom Germania GmbH ("GPG"), representing 87% (2014: 75%) of the net profit after tax for the year ended 31 December 2014. Since the reporting date, no further dividends were paid or declared.

The Group's profit for the financial year has been achieved despite challenging market conditions and amid an unstable geopolitical environment in which the Group operates. The Group's core European gas business and the global LNG business reported strong performances, whilst faced with decreased gas market volatility and suppressed global oil prices. In 2015, GM&T effectively marketed and optimised increased volumes of gas from OOO Gazprom Export into Western Europe compared to the prior year. The performance of specific business units is discussed in further detail below.

The Group has further enhanced its stable financial platform, through profitable trading, strong liquidity and risk management, with no utilisation of externally sourced funding throughout the year. As a result of the Group's financial position, its strong performance in 2015, and its ongoing business enhancement activities, the Group believes it can continue to take advantage of future opportunities and deliver strong profitability in 2016 and beyond.

Business activities and environment
The Group's strategic business units and reporting lines are structured in alignment with its commercial activities and global scope. These strategic business units are 1) Global Gas, Power & Derivatives, 2) Global LNG, Oil & Shipping; and 3) Global Retail.

Global Gas, Power & Derivatives ("GGPD")
GGPD has reported an increase of 1% in net income compared to 2014 and continues to account for approximately 50% of the Group's total net income in the year. The strategic business unit is responsible for the marketing and optimisation of gas supplied by OOO Gazprom Export and its affiliates, as well as providing risk management services to the Gazprom Group and third parties. This is achieved through creation and optimisation of supply and geographical optionality within the European gas portfolio, and utilising integrated assets across Western Europe to take advantage of available seasonal time spreads and market volatility.

During 2015 trading conditions in European gas markets trended downwards due to low market volatility and a narrowing of time and location spreads. In addition, underlying market demand remained low due to a weak economic climate within the European Union. The business continued to grow through the marketing of additional OOO Gazprom Export gas volumes into North West European markets and as a result of effective optimisation of optionality within the portfolio. Gas storage and associated transport capacity strategies continued to increase in scope, size and tenor within the year to take advantage of time spreads and volatility. The Gas business continued to develop its structured trading offering and downstream market presence.

In 2015 the Power business had a strong year despite challenging conditions such as strong renewable production, changing weather conditions, good availability of thermal and nuclear units and weak power demand. Despite the difficult market conditions, the pan-European intraday trading scheme continued to develop and generate profits. This approach, coupled with GM&T's continued trading of power spreads, has ensured the Power business' continued growth in Europe throughout 2015 and remains well placed to take advantage of opportunities in the European markets going forward.

The Group employed a minimal risk strategy on the Group's North American gas business and marketing and trading activities have been significantly reduced in this region.

Global LNG, Oil & Shipping
Global LNG, Oil & Shipping continues to be strategically important for the Group and a key source of revenues, accounting for 42% of the Group's net income in 2015. The business had a challenging year (decrease of 27% net income compared to 2014) due to convergence of global gas prices and an oversupplied LNG freight market. Despite this, an increased number of LNG cargoes were marketed within the year when compared with 2014 (2015: 51 cargoes, 2014: 49 cargoes), reflecting the Group's strong standing within a global market. The performance has benefitted from a strengthening GBP/USD exchange rate and has been achieved despite the continued downturn in global oil market prices throughout 2015.

The Group has had a successful year in securing mid-term and long-term strategies for Global LNG, through the execution of multiple sale and purchase agreements, and has continued to demonstrate it is committed to developing beneficial strategic partnerships in the LNG market. During 2015, the Group has further diversified its robust global portfolio, with increased third-party LNG volumes. This is in addition to the continued successful management of the existing long-term LNG purchases from Sakhalin Energy Investment Company ("SEIC") in Eastern Russia, which is located in close proximity to one of the Group's key strategic markets in Asia providing the portfolio with excellent long-term opportunities for the Group.

Shipping operated 6 vessels during 2015. The business continued to operate within suppressed market conditions during the year, as charter rates have decreased due to delays in the construction of LNG export terminals and an oversupply of new build vessels into the global market. This has also resulted in an under-utilisation of the LNG fleet.

Oil has had a challenging year due to supply and price volatility and closing arbitrage opportunities. The Group continues to manage and monetise efficiently an LPG portfolio resulting in the delivery of 44 LPG cargos whilst also achieving significant growth in gas condensate volumes.

Global Retail

The Retail business has again been faced with unseasonably warm weather, which reduced end customer demand creating challenging market conditions. Gazprom Energy has maintained its position as the second largest gas supplier to UK industrial and commercial customers ("I&C"), with its market share remaining stable year on year, 13% at 31 December 2015 (2014: 13%). The Group increased its market share in the UK I&C power market year on year with 1% (2014: 0.9%). In France, the Group supplied 7,866 GWh of gas to end users (2014: 5,254 GWh). The entry into the French SME market has seen the number of live gas sites in France increase to 5,315 (2014: 2,292). In the Netherlands, the Group supplied 491 GWh of gas to end users (2014: 303 GWh).

Infrastructure

The Group is committed to continually review, monitor and improve systems that support its maturing and complex business and will invest further in systems that will improve the controls around data, risk management and the provision of and quality of, information available to external stakeholders.

Strategy

The Group recognises the importance of marketing and trading operations to the upstream production companies and the Group continues to position itself as a crucial interface to the traditional European and growing Asian markets for the wider Gazprom Group. It remains closely aligned with the strategic goals of the Gazprom Group, which in turn fully supports the Group in its own ambitions. In 2015, GM&T marketed and optimised increased volumes of gas from OOO Gazprom Export into Western Europe compared to the prior year and OOO Gazprom Export safely delivered, without interruption of supply, all contracted volumes to GM&T.

The Group operated efficiently throughout the year, despite a challenging environment, especially within the European Union, and has not had any measures directed against it, its Directors, nor its employees by any state, body or regulatory authority; nor has the Group felt any significant indirect impact of such measures from commercial counterparts or external finance providers.

Part of the Group's strategy involves integration with the Gazprom Group to develop innovative ideas to optimise the portfolio and build demand for Gazprom gas, be it delivered into Western Europe by pipeline or globally as LNG.

The Group will continue to work closely with entities across the Gazprom Group during 2016 in identifying new mutual opportunities for growth.

In January 2015 the composition of the Company's Board of Directors was restructured, such that the Group is best placed to take advantage of potential future developments and opportunities as they may arise, which will be mutually beneficial for the Group and the wider Gazprom Group.

Likely future developments

The Group will maintain a strong focus on efficiency and control of its operations. This focus will allow the Group to risk manage its current level of business, while providing a robust platform for managing future 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 the Gazprom Group;
- Focusing on the Group's core energy commodities;
- Investment in people, systems and processes; and
- Continued operational efficiency.

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

Principal risks and uncertainties facing the Group

The Directors are committed to ensuring the Group operates a robust and effective risk management process that seeks to identify, assess and manage each of the various risks involved in its activities in accordance with defined policies and procedures. 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) and operational risk.

The Group maintains and operates the "Governing Policy for Energy Risk Management" that defines the scope, objectives, policy and strategies for the management of financial and operational risks within the Group. One of the key features of this policy is the Group's Risk Oversight Committee ("ROC") which supervises the development, implementation and operation of the risk management framework and has a direct reporting line to the Group's senior management and Board of Directors.

The Group's management of financial risk is described in Note 12 to the Consolidated Financial Statements. The main operational, business and regulatory risks faced by the Group and summary of risk controls are listed in the table below:

Risk class and definition	Risk types	Risk controls
Operational risk Risk of failure of people, processes or systems	Internal fraud External fraud Employee Incidents Damage to physical assets	The Group reserves economic capital to cover potential operational risk losses. The Group's operational risk methodology includes: • The identification of the most appropriate list of operational risk categories; • The identification of potential risk events that may result in losses and the mapping of those events to the risk categories; • Ranking of the risk events by frequency and severity in order to concentrate analysis on the most significant, higher risk events; and • Preparation of qualitative operational risk reports for each business unit to facilitate the development of risk mitigation strategies.
Business & regulatory risk	Business disruption & system failures Execution delivery & process management Regulated returns Market rules Competition regulation Taxation Political risk Legal risk Reputational risk	The Group treats business risk in a similar way to operational risk: • Qualitative analysis is carried out of the specific risks under the categories identified by the programme for each new and existing business or major transaction; and • Quantitative analysis is carried out where feasible and material. The Group focuses on regulatory and compliance risk management activities through the key tasks below: • Understanding the regulatory environment across the key commodity markets traded in terms of potential risks and opportunities to the business; • Develop potential mitigations to manage specific regulatory risks (e.g. change GM&T commercial approach or influence the regulatory framework); and • Ensure appropriate regulatory compliance within GM&T through collaboration across business units and key support functions. Risk management activities are conducted based upon a qualitative interpretation of the probability and impact of significant regulatory and compliance risks. The scope of the risk management practices will be on current and future business strategies and initiatives as well as current internal compliance procedures.

Key performance indicators

The Group, along with its parent company, have identified a series of key performance indicators ("KPIs") it believes are useful in assessing the Group's performance against its strategic aims. They encompass both financial and non-financial measures and are set out below.

Indicator type	Key performance indicator	2015	2014	Change
Profitability	**Net Income (£m)**	**538.7**	613.3	**(12%)**
Profitability	**EBITDA (£m)**	**313.2**	372.4	**(16%)**
	EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.			
Profitability	**Net profit after tax (£m)**	**251.2**	302.1	**(17%)**
Profitability	**Return on Equity**	**34%**	41%	**-7% points**
	Return on Equity is calculated as annual net profit after tax divided by average equity expressed as a percentage.			
Efficiency	**Net profit after tax/Net income**	**47%**	49%	**-2 % points**
Liquidity	**Dividends paid (£m)**	**263.2**	182.5	**44%**
Liquidity	**Current ratio**	**1.28**	1.33	**(4%)**
Non-financial	**Gas sales volumes (million m^3)**	**206,444**	145,154	**42%**
Non-financial	**LNG sales volumes (natural gas equivalent million m^3)**	**4,804**	4,805	**0%**
Non-financial	**Electricity sales volumes (TWh)**	**254**	168	**51%**

Approved by and signed on behalf of the Board of Directors, in accordance with Section 414 of the Companies Act 2006, as part of the Annual Report and Consolidated Financial Statements on 22 April 2016 and signed by the Directors as a consistent extract thereof as part of the Abbreviated Annual Report and Abbreviated Consolidated Financial Statements, dated 22 April 2016.

I I Lipskii
Director
22 April 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GAZPROM MARKETING & TRADING LIMITED

We have examined the abbreviated financial information included within the Abbreviated Annual Report and Abbreviated Consolidated Financial Statements for the year ended 31 December 2015, which comprises the Group and Parent Statements of financial position as at 31 December 2015, Statements of comprehensive income, Statements of changes in equity, Statements of cash flows and the related notes, which include a summary of the significant accounting policies and other explanatory information for the year then ended.

Respective responsibilities of the Directors and the auditors
The Directors are responsible for preparing the Abbreviated Annual Report and Abbreviated Consolidated Financial Statements, in accordance with the Companies Act 2006, which includes information extracted from the full Annual Report and Consolidated Financial Statements of Gazprom Marketing & Trading Limited for the year ended 31 December 2015.

Our responsibility is to report to you our opinion on the consistency of the abbreviated financial information, included within the Abbreviated Annual Report and Abbreviated Consolidated Financial Statements, with those full annual consolidated financial statements.

This statement, including the opinion, has been prepared for and only for the Company's shareholders as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion
Our examination involved agreeing the balances disclosed in the abbreviated financial information to the full annual consolidated financial statements. Our audit report on the Company's full annual consolidated financial statements describes the basis of our opinion on those financial statements.

Opinion
In our opinion the abbreviated financial information is consistent with the full annual consolidated financial statements of Gazprom Marketing & Trading Limited for the year ended 31 December 2015.

David Coulon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 April 2016

STATEMENTS OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Notes	**2015 £'000s**	2014 £'000s	**2015 £'000s**	2014 £'000s
Revenue		**2,481,199**	3,439,412	**–**	9,236
Cost of sales		**(2,258,293)**	(3,067,430)	**(286)**	–
Gross profit/(loss):		**222,906**	371,982	**(286)**	9,236
Trading activities:					
Net trading income		**315,817**	241,324	**238,361**	242,215
Net income		**538,723**	613,306	**238,075**	251,451
Administrative expenses	4	**(260,885)**	(276,018)	**(223,822)**	(177,437)
Operating profit		**277,838**	337,288	**14,253**	74,014
Interest income		**4,923**	1,370	**5,015**	1,475
Interest expense		**(7,710)**	(6,963)	**(8,168)**	(4,313)
Income from subsidiaries		**–**	–	**251,036**	189,245
Loss on disposal of intangible assets		**(264)**	–	**(259)**	–
Gain on disposal of subsidiary		**–**	2,000	**–**	2,000
Profit before tax		**274,787**	333,695	**261,877**	262,421
Tax		**(23,581)**	(31,643)	**(17,491)**	(70,146)
Profit for the financial year		**251,206**	302,052	**244,386**	192,275
Cash flow hedges*:					
Fair value losses recognised during the year		**(190,772)**	(98,452)	**–**	–
Tax on items taken directly to equity		**34,409**	22,506	**–**	–
Transferred to profit or loss on cash flow hedges		**74,676**	21,367	**–**	–
Tax on items transferred from equity		**(17,074)**	(3,338)	**–**	–
Profit on foreign currency translation		**24,690**	22,568	**–**	–
Total other comprehensive expense		**(74,071)**	(35,349)	**–**	–
Total comprehensive income		**177,135**	266,703	**244,386**	192,275
Total comprehensive income attributable to:					
Equity owners of the parent		**177,135**	266,703	**244,386**	192,275

*All amounts are subsequently reclassified to profit and loss when specific conditions are met.

All operations were continuing in the current and prior year.

The notes on pages 10 to 30 form an integral part of the Abbreviated Financial Statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	**2015**	2014
	Notes	**£'000s**	£'000s	**£'000s**	£'000s
Assets					
Non-current assets					
Intangible assets		**65,928**	76,936	**59,329**	61,466
Property, plant and equipment		**22,230**	20,808	**16,970**	17,040
Derivative financial instruments	13	**321,774**	203,892	**396,283**	232,605
Investments in subsidiaries	5	**–**	–	**11,961**	16,120
Deferred tax assets		**44,548**	29,942	**210**	1,120
Trade and other receivables	7	**1,663**	2,709	**553**	1,715
		456,143	334,287	**485,306**	330,066
Current assets					
Inventories	6	**230,677**	277,003	**211,073**	231,583
Trade and other receivables	7	**1,365,474**	1,517,424	**1,268,699**	1,370,831
Derivative financial instruments	13	**1,026,349**	739,372	**1,169,589**	827,657
Current tax assets		**67**	322	**–**	–
Cash equivalents receivable with related parties		**2,434**	–	**6,699**	102,133
Cash at bank and in hand		**204,422**	146,276	**203,082**	99,909
		2,829,423	2,680,397	**2,859,142**	2,632,113
Assets classified as held for sale	8	**3,165**	–	**–**	–
		2,832,588	2,680,397	**2,859,142**	2,632,113
Total assets		**3,288,731**	3,014,684	**3,344,448**	2,962,179
Liabilities					
Current liabilities					
Trade and other payables	9	**1,168,245**	1,295,345	**1,020,135**	1,151,312
Derivative financial instruments	13	**1,018,345**	695,849	**1,020,851**	706,275
Provisions	11	**1,756**	2,049	**1,000**	1,000
Current tax liabilities		**15,440**	22,735	**8,124**	5,036
Loans and overdrafts	10	**–**	–	**553,593**	506,307
		2,203,786	2,015,978	**2,603,703**	2,369,930
Liabilities directly associated with assets classified as held for sale	8	**4,589**	–	**–**	–
		2,208,375	2,015,978	**2,603,703**	2,369,930
Non-current liabilities					
Trade and other payables	9	**1,621**	2,119	**1,621**	2,119
Derivative financial instruments	13	**386,269**	217,674	**386,964**	219,156
Deferred tax liabilities		**579**	961	**–**	–
		388,469	220,754	**388,585**	221,275
Total liabilities		**2,596,844**	2,236,732	**2,992,288**	2,591,205
Net assets		**691,887**	777,952	**352,160**	370,974
Equity					
Ordinary share capital		**20,000**	20,000	**20,000**	20,000
Cash flow hedge reserve		**(174,707)**	(75,946)	**–**	–
Foreign currency translation reserve		**31,490**	6,800	**–**	–
Retained earnings		**815,104**	827,098	**332,160**	350,974
Equity attributable to:					
Owners of the parent		**691,887**	777,952	**352,160**	370,974
Total equity		**691,887**	777,952	**352,160**	370,974

The notes on pages 10 to 30 form an integral part of the Abbreviated Financial Statements.

The full Consolidated Financial Statements of Gazprom Marketing & Trading Limited (registered number 3768267) and of the Company were approved by the Board of Directors and authorised for issue on 22 April 2016 and signed by the Directors as a consistent extract thereof as part of the Abbreviated Annual Report and Abbreviated Consolidated Financial Statements on 22 April 2016.

Signed on behalf of the Board

I I Lipskii

STATEMENTS OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2015

Group	Ordinary share capital £'000s	Cash flow hedge reserve £'000s	Foreign currency translation reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2014	20,000	(18,029)	(15,768)	707,546	693,749
Profit for the year	–	–	–	302,052	302,052
Other comprehensive income/(expense):					
Fair value loss on hedging derivatives	–	(98,452)	–	–	(98,452)
Deferred tax related to fair value loss on hedging derivatives recognised in equity	–	22,506	–	–	22,506
Loss in fair value hedging derivatives transferred to income	–	21,367	–	–	21,367
Deferred tax related to loss in fair value hedging derivatives transferred to income	–	(3,338)	–	–	(3,338)
Gain on foreign currency translation	–	–	22,568	–	22,568
Total comprehensive income/(expense)	–	(57,917)	22,568	302,052	266,703
Transactions with owners:					
Dividends paid	–	–	–	(182,500)	(182,500)
Balance at 1 January 2015	**20,000**	**(75,946)**	**6,800**	**827,098**	**777,952**
Profit for the year	–	–	–	251,206	251,206
Other comprehensive income/(expense):					
Fair value loss on hedging derivatives	–	(190,772)	–	–	(190,772)
Deferred tax related to fair value loss on hedging derivatives recognised in equity	–	34,409	–	–	34,409
Loss in fair value hedging derivatives transferred to income	–	74,676	–	–	74,676
Deferred tax related to loss in fair value hedging derivatives transferred to income	–	(17,074)	–	–	(17,074)
Gain on foreign currency translation	–	–	24,690	–	24,690
Total comprehensive income/(expense)	–	(98,761)	24,690	251,206	177,135
Transactions with owners:					
Dividends paid	–	–	–	(263,200)	(263,200)
Balance at 31 December 2015	**20,000**	**(174,707)**	**31,490**	**815,104**	**691,887**

Company	Ordinary share capital £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2014	20,000	341,199	361,199
Profit for the year and total comprehensive income	–	192,275	192,275
Dividends paid	–	(182,500)	(182,500)
Balance at 1 January 2015	**20,000**	**350,974**	**370,974**
Profit for the year and total comprehensive income	–	244,386	244,386
Dividends paid	–	(263,200)	(263,200)
Balance at 31 December 2015	**20,000**	**332,160**	**352,160**

The notes on pages 10 to 30 form an integral part of the Abbreviated Financial Statements.

STATEMENTS OF CASH FLOWS YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Notes	**2015 £'000s**	2014 £'000s	**2015 £'000s**	2014 £'000s
Operating activities					
Operating profit		**277,838**	337,288	**14,253**	74,014
Depreciation of tangible fixed assets		**4,324**	4,822	**2,922**	3,585
Amortisation of intangible assets		**24,599**	20,052	**19,357**	15,401
Impairment of intangible assets		**6,624**	7,207	**–**	–
Impairment of assets		**–**	–	**48,363**	–
Unrealised derivative fair value movements		**(85,456)**	(84,717)	**(36,401)**	(124,742)
Other unrealised movements		**25,753**	25,644	**1,799**	2,703
Provisions utilised in the year	11	**(293)**	(2,939)	**–**	–
Income from subsidiaries		**–**	–	**37,451**	37,172
Operating cash flows before movements in working capital		**253,389**	307,357	**87,744**	8,133
(Increase) in inventories		**21,770**	(19,083)	**(25,400)**	(8,810)
(Increase)/decrease in receivables		**148,222**	(109,820)	**68,802**	(296,006)
Increase/(Decrease) in payables		**(122,256)**	(4,207)	**(139,825)**	180,986
Increase in derivative financial instruments		**80,143**	78,101	**57,381**	74,986
Cash generated from operations		**381,268**	252,348	**48,702**	(40,711)
Interest and banking charges paid		**(7,710)**	(6,963)	**(8,291)**	(2,447)
Income taxes paid		**(28,880)**	(28,586)	**(11,800)**	(16,800)
Net cash inflow/(outflow) from operating activities		**344,678**	216,799	**28,611**	(59,958)
Investing activities					
Investment income received		**–**	–	**213,595**	152,073
Interest received		**4,923**	1,370	**5,066**	1,431
Purchases of property, plant and equipment		**(4,712)**	(2,174)	**(2,852)**	(362)
Purchases of intangible assets		**(21,252)**	(33,848)	**(17,514)**	(23,222)
Proceeds on sale of subsidiary		**–**	2,000	**–**	2,000
Net cash (outflow)/inflow from investing activities		**(21,041)**	(32,652)	**198,295**	131,920
Financing activities					
Drawdown of loan from third parties		**–**	150,000	**–**	150,000
Repayment of loan from third parties		**–**	(150,000)	**–**	(150,000)
Drawdown of loan from subsidiaries		**–**	–	**44,000**	159,264
Dividends paid		**(263,200)**	(182,500)	**(263,200)**	(182,500)
Net cash outflow from financing activities		**(263,200)**	(182,500)	**(219,200)**	(23,236)
Net increase in cash and cash equivalents		**60,437**	1,647	**7,706**	48,726
Exchange gain/(loss) on cash and cash equivalents		**143**	(2,840)	**33**	(2,477)
Cash and cash equivalents at the beginning of the year		**146,276**	147,469	**202,042**	155,793
Cash and cash equivalents at the end of the year		**206,856**	146,276	**209,781**	202,042

The notes on pages 10 to 30 form an integral part of the Abbreviated Financial Statements.

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1 CORPORATE INFORMATION

Gazprom Marketing & Trading Limited is incorporated and domiciled in England and Wales at 20 Triton Street, London, NW1 3BF.

The principal activities of the Group and Company are referred to in the Strategic Report.

2 BASIS OF PREPARATION

Statement of compliance

The Group's Abbreviated Annual Report and Abbreviated Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and IFRS interpretations except for certain disclosures which have been excluded for the purposes of preparing abbreviated accounts. The primary statements in this Abbreviated Annual Report and Consolidated Financial Statements are presented in accordance with International Accounting Standards (IAS) 1 'Presentation of financial statements'.

The Abbreviated Annual Report and Abbreviated Consolidated Financial Statements do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Audited statutory accounts for the year ended 31 December 2015 are delivered to the Registrar of Companies in England and Wales in accordance with section 441 of the UK Companies Act 2006. The Auditors' Report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Basis of measurement

The Financial Statements have been prepared on the historical cost basis, modified by certain financial instruments measured at fair value, and on the going concern basis.

Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries made up to 31 December each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group (i) has power over the entity, (ii) is exposed to, or has rights to, variable returns from its involvement with the entity and (iii) has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statements of comprehensive income 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. The Financial Statements of overseas subsidiaries are translated into Sterling which is the Group and Company Reporting currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net trading income recognition

The Group undertakes significant activities which, for the purposes of disclosure in the Financial Statements of the Group, have been classified as "trading". The Group uses the net gains and losses generated from financial instruments, and certain non-financial instruments, classified as held for trading per IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") as the basis for this categorisation.

Net income from trading activities is recognised on transactions that optimise the performance of the Group's energy 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 Statements of comprehensive income within 'Net trading income'.

'Net trading income' is attributable to the Group's principal activity.

In addition to net gains and losses from items classified as held for trading within the scope of IAS 39, gas and other energy product storage and transportation capacity revenues and costs related to underlying trading activities are recognised on an accruals basis within 'Net trading income'. Energy purchase and sale transactions entered into to optimise the performance of the storage facilities are also presented within 'Net trading income'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition

Revenues consist of revenues received in relation to the Group's retail gas and electricity supply contracts, as well as physical LNG, LPG and helium activities and revenues received in relation to sub-chartering of vessels. Revenue is recognised on an accruals basis as the resources or services are supplied and are 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 LNG, LPG, helium, retail gas and retail electricity in the normal course of business, net of discounts, rebates, VAT and other sales taxes or duty.

Revenue for energy supply activities in retail contracts 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.

Costs of sales

Cost of sales includes the cost of LNG, LPG, helium, retail gas and retail electricity purchased during the period and related transportation, distribution costs, balancing charges, bought-in materials and services. It also includes the net cost of charting and sub-chartering of vessels.

Inventory

The valuation approach for the Group's inventory is based on the Group's specific activities in relation to each product. Physical commodities principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin are held at fair value less costs to sell. These commodities include physical gas, oil products and emission allowances. Movements in the fair value of inventory between reporting dates are recognised directly in the Statements of comprehensive income. The fair value is measured at the price for the soonest available delivery of gas, oil and emission allowances at the reporting date.

LNG, LPG and helium are held at the lower of cost and net realisable value. Net realisable value is the price at which inventory can be sold in the ordinary course of business after allowing for the estimated costs of sale.

Bunker fuel and LNG heel for chartered vessels are recorded at the lower of cost and net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised in the Statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire or when the Group transfers the financial asset and substantially all the risk and rewards of ownership to another party. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments 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.

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.

Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include financial assets and financial liabilities held for trading. Financial assets or financial liabilities classified as held for trading, including all derivatives, are recognised on trade date at fair value (as described in more detail below), usually being the transaction price excluding transactions costs. These transaction costs are included within 'Net trading income' in the Statements of comprehensive income.

Held for trading financial assets and financial liabilities are carried in the Statements of financial position at fair value with gains or losses recognised in the Statements of comprehensive income within 'Net trading income', except for derivatives designated as hedging instruments. The determination of fair value and the treatment of derivatives designated as hedging instruments is described below within the 'Derivative financial instruments' policy.

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. Where such transactions are derivatives, they 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 Statements of comprehensive income within 'Net trading income'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Loans and receivables

Financial assets and financial liabilities classified as loans and receivables are initially recognised on settlement date at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any identified impairments. Interest is recognised in the Statements of comprehensive income within Interest Income or Interest Expense as appropriate. The fair value on initial recognition includes directly attributable transaction costs.

Investment in subsidiaries

Investments in subsidiaries are carried in the Company Financial Statements at cost less provision for impairment.

Fair value

Movements in the fair value of financial assets and financial liabilities at fair value through profit or loss, primarily derivative instruments held by the Group, are recognised within 'Net trading income' unless the instrument is designated in an effective hedge relationship. At the close of business on the reporting date, the fair value of financial assets traded in an active market is determined by reference to the mid-market 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. Where one or more significant inputs into a valuation technique are based on inputs that are not observable, 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.

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 risks arising in the normal course of business. All derivative instruments, including financial and non-financial items, are measured at fair value upon initial recognition and re-measured to fair value at each subsequent reporting date.

For those derivatives designated as hedges, 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 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 revaluation of derivatives designated as hedging instruments depends on the nature of the hedging relationship.

IAS 39 stipulates the conditions for the recognition of hedging relationships. Amongst other things, the hedging relationship must be documented in detail and be effective. According to IAS 39, a hedging relationship is effective when the changes in the fair value of the hedging instrument are within 80% to 125%, both prospectively and retrospectively, of the opposite change in the fair value of the hedged item. Only the effective portion of a hedge is recognised in accordance with the preceding rules. The ineffective portion is recognised immediately in the Statements of comprehensive income with an effect on income.

Note 13 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 Statements of changes in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Cash flow hedges

Cash flow hedges are used to hedge the risk of variability in cash flows related to an asset or liability carried on the Statements of financial position or related to a highly probable forecast transaction.

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 'Net trading income'.

Amounts deferred in equity are recycled to income in the periods when the hedged item is recognised in the Statements of comprehensive income. 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 as described above.

Treatment of day-one gains and losses

In the normal course of its business, the Group will acquire financial instruments where the fair value on initial recognition is the transaction price, being the fair value of the consideration given or received. However, for certain transactions the fair value on initial recognition will be based on other observable market data for the same instrument or calculated using a valuation technique, where all input variables are based on observable market data. When evidence from observable data exists, the Group recognises a day-one gain or loss at inception of the transaction within 'Net trading income' where the fair value is greater or less than the transaction price.

When significant unobservable market data is used to determine the fair value at the inception of the transaction, the difference between the transaction price and the fair value, calculated using valuation techniques as at the transaction date, is not recognised immediately. These day-one gains or losses are deferred and recognised in 'Net trading income' on a straight line or other appropriate basis, as observable market data becomes available.

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 'Net income'. 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 'Net trading income'.

4 ADMINISTRATIVE EXPENSES

Operating profit is stated after charging:

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Administrative expenses				
Staff costs	**150,806**	161,663	**103,329**	107,303
Other employee costs	**10,010**	17,149	**6,820**	11,099
Office costs	**32,443**	32,077	**22,567**	21,452
Rentals under operating leases	**7,991**	7,183	**4,864**	4,354
Travel expenses	**8,670**	11,042	**4,722**	6,439
Consultancy (excluding auditors' remuneration)	**5,357**	8,352	**4,375**	6,450
Auditors' remuneration	**1,205**	1,712	**760**	1,138
Depreciation	**4,324**	4,821	**2,922**	3,585
Amortisation	**24,599**	20,052	**19,357**	15,401
Intangible asset impairment	**6,624**	7,207	**–**	–
Impairment losses	**8,856**	4,760	**54,106**	216
	260,885	276,018	**223,822**	177,437

5 INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation and operation	Business activity	Ordinary shares owned	Proportion of voting power
Gazprom Global LNG Ltd ("GGLNG")	United Kingdom	Energy trading	100%	100%
Gazprom Marketing & Trading Retail Ltd ("GM&T Retail")	United Kingdom	Energy supply	100%	100%
Gazprom Mex (UK) 1 Ltd	United Kingdom	Holding company	100%	100%
Gazprom Mex (UK) 2 Ltd	United Kingdom	Holding company	100%	100%
Gazprom Marketing & Trading France SAS	France	Energy supply	100%	100%
Gazprom Marketing & Trading USA, Inc. ("GMTUSA")	USA	Energy trading	100%	100%
Gazprom Marketing & Trading Singapore Pte Ltd ("GMTS")	Singapore	Energy trading	100%	100%
Gazprom Marketing & Trading Mexico S.de R.L.de C.V.	Mexico	Energy trading	100%	100%
Gazprom Marketing & Trading Retail Germania GmbH ("GMTRG")	Germany	Energy supply	100%	100%
Gazprom Marketing & Trading Switzerland AG ("GMTCH")	Switzerland	Energy trading	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) 1 Ltd holds 99.99% and Gazprom Mex (UK) 2 Ltd holds 0.01%. In addition, Gazprom Mex (UK) 1 Ltd holds 100% of the equity of Gazprom Mex (UK) 2 Ltd.

On 26 September 2015 Gazprom Marketing & Trading Germania GmbH ("GMTG") was liquidated following which the Company received a distribution of £153k. The carrying value of the Company's investment in GMTG was £108k.

Dividend income received by the Company in 2015 represented distributions from GMTS of £213m. 2014 represented distributions from GMTS of £149.6m and from GM&T Retail of £2.5m.

The Company made a capital contribution to subsidiaries during the period of £15.7m. This related to the purchase of tax losses from GM&T Retail for consideration in excess of the value of the tax losses. It also includes a partial waiver of the loan made to GMTRG. The Company also recognised losses of £19.8m which relates to the impairment of its investment in GM&T Retail and GMTRG.

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

	Company	
	2015 £'000s	2014 £'000s
Balance at 1 January	**16,120**	16,120
Capital contribution to subsidiaries	**15,729**	–
Impairment of investments	**(19,780)**	–
Disposals during the year	**(108)**	–
Balance at 31 December	**11,961**	16,120

6 INVENTORIES

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Gas in storage	**184,951**	224,447	**183,604**	224,443
Emission allowances	**35,595**	19,206	**27,469**	7,140
LNG inventories	**81**	28,579	**–**	–
Crude oil and refined oil inventories	**8,607**	866	**–**	–
Other inventories	**1,443**	3,905	**–**	–
	230,677	277,003	**211,073**	231,583

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Due within one year				
Amounts receivable from sale of commodities:				
from third parties	**1,234,697**	1,277,192	**1,011,481**	1,008,009
from subsidiary companies	**–**	–	**154,469**	145,169
from affiliated companies	**26,610**	23,934	**26,323**	22,812
Prepayments and other debtors	**104,167**	216,298	**76,426**	194,841
	1,365,474	1,517,424	**1,268,699**	1,370,831
Due after one year				
Other long-term receivables	**1,663**	2,709	**553**	1,715

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.

8 ASSETS CLASSIFIED AS HELD FOR SALE

The Group intends to dispose of its retail power business in Germany and anticipates the disposal will be completed during the second quarter of 2016. On 26 January 2016, the Group signed an agreement with a third party, subject to normal terms and conditions, to sell the equity of Gazprom Marketing & Trading Retail Germania GmbH ("GMTRG"). The Directors believe that the fair value less costs to sell of the assets and liabilities of the disposal group is materially the same as their carrying value. Therefore no impairment loss was recognised on reclassification of the assets and liabilities as held for sale as at 31 December 2015. The major classes of assets and liabilities of the business at 31 December 2015 are as follows:

	2015 £'000s
Commissions	1,634
Other non-current assets	271
Trade debtors	471
Other assets	50
Cash at bank	739
Assets classified as held for sale	3,165
Trade creditors and accruals	3,941
Other liabilities	648
Liabilities associated with assets classified as held for sale	4,589
Net liabilities classified as held for sale	1,424

9 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Due within one year				
Amounts owed for purchase of commodities:				
to third parties	**822,696**	894,305	**703,781**	736,690
to subsidiaries	**–**	–	**43,992**	110,603
to affiliated companies	**211,700**	206,604	**194,168**	191,989
Accruals and other payables	**133,849**	194,436	**78,194**	112,030
	1,168,245	1,295,345	**1,020,135**	1,151,312
Due after more than one year				
Other long-term payables	**1,621**	2,119	**1,621**	2,119

10 LOANS AND OVERDRAFTS

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Amounts owed:				
to subsidiaries	**–**	–	**553,593**	506,307
	–	–	**553,593**	506,307

As at 31 December 2015 the Group had access to various uncommitted and committed credit facilities. Details of the facilities of the Group are discussed in the liquidity risk section of note 12.

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

11 PROVISIONS

Group	Property £'000s	Onerous contracts £'000s	Other £'000s	Total £'000s
At 1 January 2015	1,335	435	279	2,049
Additional provisions	50	–	173	223
Provisions utilised	–	(435)	(81)	(516)
At 31 December 2015	**1,385**	**–**	**371**	**1,756**

Company	Property £'000s	Onerous contracts £'000s	Other £'000s	Total £'000s
At 1 January 2015	1,000	–	–	1,000
Provisions utilised	–	–	–	–
At 31 December 2015	**1,000**	**–**	**–**	**1,000**

Property provisions represent the expected net present value of the future costs of reinstating leasehold improvements at the end of the lease term. These provisions will be released when the reinstatement obligations have been fulfilled.

Onerous contract provisions relate to a limited number of North American gas transportation and storage capacity contracts, where the costs to fulfil the contractual obligations exceed the economic benefits expected to be received under those contracts.

Other provisions include legal provisions. In the ordinary course of business, from time to time the Group becomes engaged in contractual disputes with trading counterparties which may result in litigation for which a provision is required. The provision at 31 December 2015 represents the best estimate of the amount required to settle such obligations. There are no material uncertainties with regard to the amount or timing of the cash flows required to settle these obligations.

12 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 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 of the Group. The ROC performs these responsibilities according to objectives, targets and policies set by the Board of Directors.

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

Capital management

The Group's objectives in managing its capital are to safeguard its ability to continue as a going concern, to generate long-term profitability and to meet the financial covenants attached to interest-bearing loans. It achieves this through maintaining adequate reserves and utilising committed 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 extreme or unplanned events. Liquidity is managed by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

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 a Value-at-Risk ("VaR") measure to monitor and review its exposure to 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 Monte Carlo Simulation methodology for computing VaR, with a confidence interval of 97.5% and an assumed holding period of 1 day.

Executive management 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 year was:

	2015		2014	
Group	**Average £'000s**	**Year End £'000s**	Average £'000s	Year End £'000s
Trading VaR	**2,310**	**3,557**	2,269	2,611

These VaR values are within the limits set by the Group's Board of Directors.

(i) Commodity price risk

The Group's cash flows and profitability are sensitive to the underlying price of a number of commodities, including natural gas, electricity, LNG, LPG and oil (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, LPG 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. As described in note 3, the Group trades both physical and financial commodity contracts that are treated as derivative financial instruments within the scope of IAS 39. These contracts are carried at fair value with changes in fair value recorded in the Statements of comprehensive income unless designated as hedging instruments in an effective hedge relationship. Retail energy supply contracts and physical LNG/LPG 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 classified as derivative financial instruments under IAS 32 at 31 December 2015 is disclosed in Note 13.

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(ii) 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.

(a) 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 and GM&T Retail and US Dollars in GGLNG, GMTUSA, GMTS and GMTCH.

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 GMTS, 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.

(b) Translational currency risk

The Group has foreign currency exposure arising from its foreign operations. 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. The table below details the Group's foreign currency exposure, by foreign currency, and calculates the impact on total comprehensive income of a reasonably possible parallel shift of the foreign currency against Sterling.

	2015 Sensitivity analysis			2014 Sensitivity analysis		
	Net assets £'000s	**Percentage change applied**	**Total comprehensive income £'000s**	Net assets £'000s	Percentage change applied	Total comprehensive income £'000s
Euro	**(27,994)**	**6.98%**	**(1,954)**	(28,807)	6.98%	(2,010)
US dollar	**512,714**	**5.55%**	**28,456**	520,124	5.55%	28,867
	484,720		**26,502**	491,317		26,857

The percentage change applied for the foreign currency rate against Sterling has been calculated based on the greatest annual percentage change over a two year period from 1 January 2014 to 31 December 2015, and is therefore not necessarily the same percentage change in each foreign currency exchange rate in the current year.

(iii) Interest rate risk

The Group is exposed to interest rate risk as the cash flows associated with floating rate borrowings will fluctuate with changes in interest rates. The application of a parallel shift in interest rates of 50 basis points would result in an income or expense of approximately £nil as at 31 December 2015 (2014: £nil) on drawn loan balances extant at those dates.

12 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 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 a 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, 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. The impact of the Group's own credit risk has been reflected in the fair value of derivative financial instruments.

The Group trades under credit enhancement 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 obtains credit support such as letters of credit, bank guarantees and parent company guarantees against exposures where appropriate.

The Group's credit position is impacted by cash pledged or received under margin and collateral agreements. The terms and conditions of these agreements depend upon the counterparty and the specific details of the transaction. In the Group's retail business, credit risk is managed by determining and monitoring a customer's creditworthiness and financial strength before commencing trade. Creditworthiness is ascertained 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 maximum exposure to credit risk of the Group as at 31 December 2015 is disclosed below, based on the carrying amounts of the financial assets the Group believes are subject to credit risk. These carrying amounts include the impact of payment netting, but none of the other credit enhancements discussed above.

The Group's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £1,348.1m (2014: £943.3m) and on financial assets held at amortised cost is £1,444.4m (2014: £1,432.7m). The Group also actively manages its portfolio to avoid concentrations of credit risk. The Group has received guarantees and letters of credit in respect of financial assets held at fair value through profit or loss of £347.6m (2014: £92.2m) and in respect of financial assets held at amortised cost of £378.8m (2014: £214.8m).

The Company's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £1,565.9m (2014: £1,060.3m), of which £222.1m was related to transactions within the Group, and on financial assets held at amortised cost is £1,466.8m (2014: £1,567.8m). The Company has received guarantees and letters of credit in respect of financial assets held at fair value through profit or loss of £347.2m (2014: £92.2m) and in respect of financial assets held at amortised cost of £361.4m (2014: £198.2m).

Guarantees and letters of credit not recognised on the Statements of financial position are £631.3m (2014: £605.0m) for the Group and Company. This exposure is measured at the maximum amount the Group or Company could have to pay under these instruments, which may be greater than the amount that would be recognised as a liability. All guarantees and letters of credit are issued on behalf of the Company or its subsidiaries.

Credit quality of financial assets neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or by internal models intended to approximate credit rating determinations.

Financial assets held at fair value through profit or loss:

	Group		Company	
	2015	2014	**2015**	2014
AAA to AA	**0%**	0%	**0%**	0%
AA- to A-	**33%**	34%	**28%**	29%
BBB+ to BB	**58%**	55%	**64%**	61%
BB- and below	**4%**	3%	**3%**	3%
Unrated	**5%**	8%	**5%**	7%
	100%	100%	**100%**	100%

Within the unrated category for the Group, 5% (2014: 6%) relates to exchange-traded balances for which counterparty risk is mitigated by margining. Within the unrated category for the Company, 5% (2014: 5%) relates to exchange-traded balances for which counterparty risk is mitigated by margining.

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued
Financial assets held at amortised cost:

	Group		Company	
	2015	2014	**2015**	2014
AAA to AA	**1%**	1%	**1%**	1%
AA- to A-	**26%**	27%	**27%**	15%
BBB+ to BB	**37%**	48%	**46%**	67%
BB- and below	**3%**	7%	**3%**	5%
Unrated	**33%**	17%	**23%**	12%
	100%	100%	**100%**	100%

Within the unrated category for the Group, 23% (2014: 8%) relates to initial and variation margin against exchange-traded derivative positions. Within the unrated category for the Company, 22% (2014: 8%) relates to initial and variation margin against exchange-traded derivative positions.

(i) Financial assets past due but not impaired
The Group's gross amount of financial assets past due but not impaired was £37.3m (Company: £82.4m) classified as trade and other receivables (2014: £93.1m (Company: £61.9m)).

The aging analysis of these receivables is as follows:

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
< 90 days	**32,486**	63,276	**81,183**	27,564
90-180 days	**2,181**	90	**13**	1,386
180-365 days	**1,029**	28,268	**22**	30,229
1-2 years	**1,413**	1,470	**1,149**	2,761
2-5 years	**221**	–	**–**	–
	37,330	93,104	**82,367**	61,940

(ii) Financial assets impaired
At the reporting date the Group had gross trade receivables to which impairment had been applied of £8.3m (2014: £10.0m), which primarily relates to doubtful debts. The Group recorded specific provisions against these receivables of £2.0m (2014: £3.3m). The Company had gross trade receivables to which impairment had been applied of £0.9m (2014: £1.1m). The Group recorded specific provisions against these receivables of £nil (2014: £nil).

Liquidity risk
Liquidity risk represents the risk that the Group is unable to meet all of its contractual commitments as they fall due.

Liquidity risk is monitored on a daily basis with cash flow forecasts amended as appropriate and adjustments made to the funding plan or business plan if required.

The Group protects itself against this risk by ensuring that it either has sufficient available cash reserves to hand or access to committed financing that will enable it to meet all anticipated needs as well as to cover stressed market conditions or extreme or unplanned events.

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 committed facilities of €200m with its parent company Gazprom Germania GmbH, a US$500m committed revolving credit facility from a syndicate of banks and significant bilateral trade finance lines.

The Group has £nil (2014: £nil) of cash equivalents outstanding at 31 December 2015. Interest is received based on market interest rates. These cash balances are managed centrally by the Group's treasury function as part of Group funds and investments and monitored at a Group level.

The following tables detail the Group's liquidity analysis for its 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.

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued

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

Group

31 December 2015	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Gross physical forward contracts	3,413,810	14,924,942	4,033,599	2,574,539	266,535	25,213,425
Other derivative instruments	7,289	101,565	10,132	1,755	5	120,746
Cash and cash equivalents	206,856	–	–	–	–	206,856
Trade & other receivables	1,338,243	27,231	807	856	–	1,367,137
Total	**4,966,198**	**15,053,738**	**4,044,538**	**2,577,150**	**266,540**	**26,908,164**
Due for payment						
Gross physical forward contracts	3,433,746	14,538,471	3,669,222	940,230	20,346	22,602,015
Other derivative instruments	8,106	190,260	37,560	24,603	–	260,529
Trade and other payables	939,879	228,366	556	1,065	–	1,169,866
Total	**4,381,731**	**14,957,097**	**3,707,338**	**965,898**	**20,346**	**24,032,410**

31 December 2014	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Gross physical forward contracts	4,156,166	16,335,430	3,903,645	679,236	–	25,074,477
Other derivative instruments	10,261	93,241	2,447	2,539	–	108,488
Cash and cash equivalents	146,276	–	–	–	–	146,276
Trade & other receivables	1,424,820	93,236	1,756	321	–	1,520,133
Total	**5,737,523**	**16,521,907**	**3,907,848**	**682,096**	**–**	**26,849,374**
Due for payment						
Gross physical forward contracts	4,184,229	16,346,803	3,829,686	779,578	30,537	25,170,833
Other derivative instruments	12,275	–	–	–	–	12,275
Trade and other payables	1,177,366	117,977	499	1,496	125	1,297,463
Total	**5,373,870**	**16,464,780**	**3,830,185**	**781,074**	**30,662**	**26,480,571**

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued
Company

31 December 2015	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Gross physical forward contracts	3,420,820	15,470,931	4,366,736	2,749,716	266,658	26,274,861
Other derivative instruments	7,290	103,013	10,133	1,755	5	122,196
Cash and cash equivalents	209,781	–	–	–	–	209,781
Trade & other receivables	1,214,064	54,635	513	40	–	1,269,252
Total	**4,851,955**	**15,628,579**	**4,377,382**	**2,751,511**	**266,663**	**27,876,090**
Due for payment						
Gross physical forward contracts	3,374,506	14,571,867	3,683,712	944,940	20,362	22,595,387
Other derivative instruments	8,628	194,672	37,560	24,603	–	265,463
Trade and other payables	841,697	178,439	556	1,065	–	1,021,757
Loans & overdrafts	317,409	236,184	–	–	–	553,593
Total	**4,542,240**	**15,181,162**	**3,721,828**	**970,608**	**20,362**	**24,436,200**

31 December 2014	Within 1 month £'000s	2-12 months £'000s	1-2 years £'000s	2-5 years £'000s	Over 5 years £'000s	Total £'000s
Due for receipt						
Gross physical forward contracts	4,325,059	17,023,180	4,098,008	711,274	–	26,157,521
Other derivative instruments	7,914	91,340	3,331	2,539	–	105,124
Cash and cash equivalents	202,042	–	–	–	–	202,042
Trade & other receivables	1,245,135	125,695	1,481	234	–	1,372,545
Total	**5,780,150**	**17,240,215**	**4,102,820**	**714,047**	**–**	**27,837,232**
Due for payment						
Gross physical forward contracts	4,268,111	16,714,199	3,873,131	784,291	30,537	25,670,269
Other derivative instruments	9,029	98,962	32,479	20,710	–	161,180
Trade and other payables	1,081,227	70,085	499	1,496	125	1,153,432
Loans & overdrafts	282,069	224,238	–	–	–	506,307
Total	**5,640,436**	**17,107,484**	**3,906,109**	**806,497**	**30,662**	**27,491,188**

Economic capital

The Group employs an economic capital framework to ensure that sufficient capital is retained for the Company to withstand unexpected financial losses. The capital requirement for holding an asset or group of assets is assessed by applying a statistical approach to measure the risk of potential value loss. The total economic capital requirement cannot exceed the tangible net worth of the Company, thereby setting a limit on the aggregate amount of risk that can be taken.

13 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. 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 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, many of 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 Statements of financial position at fair value with movements in fair value recognised in the Statements of comprehensive income.

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 Statements of comprehensive income when the underlying hedged transaction affects profit or loss. All commodity derivatives that are not part of a hedging relationship are recognised in the Statements of financial position at fair value with movements in fair value recognised in the Statements of comprehensive income.

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 (2014: £nil).

Held-for-trading derivatives
Derivative contracts may be entered into for proprietary trading, risk management purposes or to satisfy supply requirements. 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 Statements of comprehensive income. The net of these exposures is monitored using VaR techniques as described in Note 12.

The following tables show further information on the fair value of held-for-trading derivatives:

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Non-current assets				
Commodity trading contracts	**316,812**	198,273	**391,321**	226,403
Emission allowances	**45**	294	**45**	861
Foreign exchange contracts	**4,917**	5,325	**4,917**	5,341
	321,774	203,892	**396,283**	232,605
Current assets				
Commodity trading contracts	**991,413**	664,444	**1,133,834**	747,709
Emission allowances	**660**	5,399	**660**	5,693
Foreign exchange contracts	**34,276**	69,529	**35,095**	74,255
	1,026,349	739,372	**1,169,589**	827,657
Current liabilities				
Commodity trading contracts	**963,345**	652,620	**965,159**	656,852
Emission allowances	**1,131**	1,373	**1,331**	2,056
Foreign exchange contracts	**53,869**	41,856	**54,361**	47,367
	1,018,345	695,849	**1,020,851**	706,275
Non-current liabilities				
Commodity trading contracts	**380,455**	215,176	**381,031**	216,470
Emission allowances	**159**	1,000	**278**	1,188
Foreign exchange contracts	**5,655**	1,498	**5,655**	1,498
	386,269	217,674	**386,964**	219,156

13 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 Statements of comprehensive income but is deferred. These amounts are commonly known as day-one gains and losses. This deferred gain or loss is recognised in the Statements of comprehensive income 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 Statements of comprehensive income. Changes in the fair value of derivatives from this initial fair value are recognised in the Statements of comprehensive income in the period in which they occur. The following table shows the changes in the day-one gains and losses deferred:

	Group	
	2015 £'000s	2014 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statements of comprehensive income at 1 January	**(781)**	83
Initial fair value of new contracts not recognised in the Statements of comprehensive income	**4,385**	(781)
Fair value recognised in the Statements of comprehensive income during the year	**781**	(83)
Fair value of contracts not recognised through the Statements of comprehensive income at 31 December	**4,385**	(781)

	Company	
	2015 £'000s	2014 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statements of comprehensive income at 1 January	**(1,874)**	83
Initial fair value of new contracts not recognised in the Statements of comprehensive income	**4,385**	(1,874)
Fair value recognised in the Statements of comprehensive income during the year	**1,874**	(83)
Fair value of contracts not recognised through the Statements of comprehensive income at 31 December	**4,385**	(1,874)

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, implied volatility factors, spot 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 reporting date, the Group performs an analysis of all assets and liabilities at fair value and includes in level 3 those whose fair value is derived using significant unobservable inputs.

13 DERIVATIVE FINANCIAL INSTRUMENTS continued

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 (2014: £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.

	Group			
2015	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Derivative financial assets				
Commodity trading contracts	**65,040**	**1,197,778**	**45,407**	**1,308,225**
Emission allowances	**150**	**555**	**–**	**705**
Forward foreign exchange contracts	**–**	**39,193**	**–**	**39,193**
	65,190	**1,237,526**	**45,407**	**1,348,123**
Derivative financial liabilities				
Commodity trading contracts	**147,949**	**1,160,688**	**35,163**	**1,343,800**
Emission allowances	**545**	**745**	**–**	**1,290**
Forward foreign exchange contracts	**–**	**59,524**	**–**	**59,524**
	148,494	**1,220,957**	**35,163**	**1,404,614**

	Group			
2014	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial assets				
Commodity trading contracts	71,434	787,407	3,876	862,717
Emission allowances	1,218	4,457	18	5,693
Forward foreign exchange contracts	23,553	51,301	–	74,854
	96,205	843,165	3,894	943,264
Derivative financial liabilities				
Commodity trading contracts	114,662	749,545	3,589	867,796
Emission allowances	919	703	751	2,373
Forward foreign exchange contracts	19,619	23,735	–	43,354
	135,200	773,983	4,340	913,523

13 DERIVATIVE FINANCIAL INSTRUMENTS continued

	Company			
2015	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Derivative financial assets				
Commodity trading contracts	**64,629**	**1,415,119**	**45,407**	**1,525,155**
Emission allowances	**150**	**555**	**–**	**705**
Forward foreign exchange contracts	**–**	**40,012**	**–**	**40,012**
	64,779	**1,455,686**	**45,407**	**1,565,872**
Derivative financial liabilities				
Commodity trading contracts	**147,740**	**1,163,287**	**35,163**	**1,346,190**
Emission allowances	**545**	**1,064**	**–**	**1,609**
Forward foreign exchange contracts	**–**	**60,016**	**–**	**60,016**
	148,285	**1,224,367**	**35,163**	**1,407,815**

	Company			
2014	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial assets				
Commodity trading contracts	55,875	914,460	3,778	974,113
Emission allowances	1,218	5,319	17	6,554
Forward foreign exchange contracts	27,447	52,148	–	79,595
	84,540	971,927	3,795	1,060,262
Derivative financial liabilities				
Commodity trading contracts	99,042	770,690	3,589	873,321
Emission allowances	919	1,574	751	3,244
Forward foreign exchange contracts	25,840	23,026	–	48,866
	125,801	795,290	4,340	925,431

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 £'000s	Company £'000s
Fair value at 1 January 2014	(3,330)	(2,634)
Net gains and losses recognised in the Statements of comprehensive income	245	245
Purchases	(2,447)	(2,447)
Sales	1,989	1,891
Settlements	3,097	2,400
Fair value at 31 December 2014 & 1 January 2015	**(446)**	**(545)**
Net gains and losses recognised in the Statements of comprehensive income		
Purchases	(34,934)	(34,934)
Sales	45,178	45,178
Settlements	446	545
Fair value at 31 December 2015	**10,244**	**10,244**

Changing one or more of the less observable inputs within a valuation model is not expected to 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.

13 DERIVATIVE FINANCIAL INSTRUMENTS continued

Significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy:
There were no significant transfers between Level 1 and Level 2 (2014: £nil) or between Level 2 and Level 3 (2014: £nil) of the fair value hierarchy in the current year.

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives:
All derivatives are valued in accordance with the techniques outlined in the fair value hierarchy disclosure above. The impact of varying the unobservable parameters as at 31 December 2015 and at 31 December 2014 is immaterial.

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 are in place to protect against volatility in the Group's retail, LNG and LPG businesses. These hedges consist of 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 and the unrecognised firm commitments for the purchase and sale of LNG and LPG, due to movements in market commodity prices. Gains and losses are initially recognised in the cash flow hedging reserve to the extent that the hedges are effective, and are transferred to the Statements of comprehensive income when the forecast cash flows affect the Statements of comprehensive income.

The Group has 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.

All movements in equity related to cash flow hedges are recognised in the cash flow hedge reserve presented in the Statements of changes in equity.
The total fair value of outstanding derivative contracts designated in hedge relationships was as follows:

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Cash flow hedges	**214,548**	98,452	**–**	–

The ineffective portion of gains and losses on derivative instruments designated in cash flow hedges that was recognised in the Statements of comprehensive income was a loss of £0.1m (2014 loss: £0.1m). The Group monitors the ineffective portion of gains and losses on a monthly basis.
The maturity of the cash flow hedges are as follows:

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Not later than one year	**140,735**	74,676	**–**	–
Later than one year and not later than five years	**73,813**	23,776	**–**	–
Later than five years	**–**	–	**–**	–
	214,548	98,452	**–**	–

14 COMMITMENTS AND CONTINGENCIES

Lease commitments

The Group has entered into non-cancellable operating leases relating to long-term lease contracts for regasification and pipeline capacity of Gazprom Marketing & Trading Mexico S.de R.L.de C.V., and LNG tankers chartered by the Group, including two custom built tankers, under 15 year charter terms, which were delivered in 2014.

Future lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Not later than one year	**154,972**	142,229	**5,194**	5,194
Later than one year and not later than five years	**449,808**	503,498	**16,467**	20,802
Later than five years	**650,759**	713,148	**–**	1,300
	1,255,539	1,358,875	**21,661**	27,296
Sub-lease receipts				
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**274,957**	333,690	**–**	–

Operating lease expense

Operating lease and sub-lease payments recognised as expense in the year were as follows:

	Group		Company	
	2015 £'000s	2014 £'000s	**2015 £'000s**	2014 £'000s
Minimum lease payments	**114,508**	99,453	**4,864**	4,349
Sublease payments received	**(36,955)**	(17,122)	**–**	–
	77,553	82,331	**4,864**	4,349

Contingent liabilities

In the normal course of business, the Group and the Company incur certain contingent liabilities arising from guarantees provided to third parties. No material losses are anticipated as a result of these guarantees.

The following contingent liabilities have not been provided for in the Financial Statements, as it is not anticipated that any material liabilities will arise from these contingencies.

	2015 £'000s	2014 £'000s
Letters of credit and bank guarantees	**302,734**	251,939
Parent company guarantees	**328,602**	353,027
	631,336	604,966

15 RELATED PARTY TRANSACTIONS

Trading transactions

During the year, the Group entered into various transactions with related parties as shown in the table below. The amounts owed by and owed to related parties include open derivative transactions carried at fair value through profit or loss.

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				
2015	**1,666**	**5,615**	**4,103**	**1,993**
2014	2,388	19,518	3,906	3,407
Other entities with significant influence over the Group				
2015	**399**	**2,287,442**	**1,924**	**283,243**
2014	2,626	2,811,377	95,802	168,724
Other related parties				
2015	**1,203,759**	**1,766,659**	**90,858**	**83,392**
2014	844,153	1,427,155	19,297	72,507

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				
2015	**1,666**	**5,615**	**4,103**	**1,993**
2014	2,388	19,518	3,906	3,407
Other entities with significant influence over the Group				
2015	**399**	**2,032,293**	**462**	**269,786**
2014	2,626	2,435,989	94,980	168,258
Subsidiaries				
2015	**1,704,981**	**398,730**	**448,517**	**624,305**
2014	1,300,464	239,733	459,584	600,546
Other related parties				
2015	**1,180,159**	**1,489,046**	**90,769**	**73,877**
2014	841,643	947,837	12,818	55,317

The Group has entered into an agreement to participate in a central cash management system, the balance receivable at 31 December 2015 being £2.4m (2014: £nil receivable). 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 support for the arm's length nature of related party transactions is sought from comparable third party transactions which are on substantially the same terms.

As at 31 December 2015 the Company had provided £328.6m of parental guarantees on behalf of its subsidiaries (2014: £353.0m). During the year ended 31 December 2015, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2014: £nil)

16 ULTIMATE PARENT GROUP AND CONTROLLING PARTY

The ultimate parent company and controlling party is PAO Gazprom, a company incorporated in Russia. The parent undertaking of the smallest Group which includes the Group and for which Consolidated Financial Statements are prepared, is Gazprom Germania GmbH, a company incorporated in Germany. Copies of the Consolidated Financial Statements of Gazprom Germania GmbH are available from Gazprom Germania GmbH, Markgrafenstraße 23, D-10117 Berlin Germany. Copies of the Consolidated Financial Statements of PAO Gazprom are available from Nametkina str., 16 V-420, GSP-7, 117997, Moscow, Russia.

OFFICERS AND PROFESSIONAL ADVISORS

Directors
E V Burmistrova
N N Dubik
A Dushko
D P Kotulskiy
I I Lipskii
P V Oderov
K I Oganyan
M L Sereda
P V Volkov

Secretary
Norose Company Secretarial Services Limited

Registered Office
20 Triton Street
London, United Kingdom
NW1 3BF

Bankers
ABN AMRO Bank N.V.
Barclays Bank PLC
BNP Paribas
Citigroup Inc.
ING Bank NV
Natixis
Rabobank Bank International AG
Royal Bank Of Scotland PLC

Solicitors
Baker & McKenzie LLP
Allen & Overy LLP
Norton Rose Fulbright LLP
Herbert Smith Freehills LLP

Independent auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Registered in England No. 3768267

Details correct at time of going to print

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.

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GAZPROM MARKETING & TRADING

20 Triton Street
London,
NW1 3BF
United Kingdom