2013 ABBREVIATED ANNUAL REPORT AND ABBREVIATED CONSOLIDATED FINANCIAL STATEMENTS

Contents

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 2013.

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, oil and carbon emissions allowances. The Group is active in the UK, Continental Europe, North America, Asia and other world energy markets. Alongside 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 OAO Gazprom, a company incorporated in Russia, which together with the Group and OAO Gazprom's other subsidiary undertakings, form the "Gazprom group".

Introduction

During the year, the Group has continued to seek opportunities 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 12 individual legal entities covering the UK, Continental Europe, North America, Asia and branch activities across Europe including the Czech Republic, Romania, Slovak Republic, Norway and the Netherlands.

Financial results

The Group has experienced significant growth during the past 10 years and in 2013 reports its strongest results since incorporation. The consolidated Statements of comprehensive income for the year are set out on page 6. The Group's profit for the financial year was £243.3m (2012: £155.8m), an increase of 56%. The Group increased its total equity to £693.7m (2012: £563.8m), an increase of 23% when compared to 31 December 2012.

The Group's profit for the financial year has been achieved despite the ongoing challenging market conditions in which the Group operates. The Group's core European gas business and the global LNG business reported an improved performance when compared to 2012. The performance of specific business units is discussed in further detail below.

The Group has enhanced its stable financial platform, through strong liquidity and risk management, and as at the end of 2013 had repaid all externally sourced funding. As a result of the Group's financial position, its strong performance in 2013, and its ongoing business development activities, the Group believes it can continue to exploit future growth opportunities and deliver strong profitability in 2014 and beyond.

In June 2013 the Company declared and paid a final dividend of £114.0m (2012: £105.3m) to its immediate parent company Gazprom Germania GmbH ("GPG"), representing 73% of the net profit after tax for the year ended 31 December 2012. Since the reporting date, no further dividends were paid or proposed.

Business activities

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, Shipping & Logistics and Clean Energy; 3) Global Oil, LPG & New Products; and 4) Global Business Development and Downstream.

Global Gas, Power & Derivatives ("GGPD")

GGPD has had a successful 2013 reporting a 17% increase in net income compared to 2012 and accounting for approximately 44% 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 2013 trading conditions in both the European Gas and Power markets continued to be negatively impacted by weak demand, collapse of locational spreads and low volatility. Despite this, both the Gas and Power businesses saw record results. Gas continued to grow through the marketing of additional volumes into North West European markets as well as an increase in overall portfolio activity. This includes an increase in scope, size and tenor of storage and transportation capacities and continued growth in the structured trading and downstream markets. In 2013 the Power Business continued its transition towards a more physical business, including the successful introduction of pan-European intraday trading. This approach, coupled with other successful trading strategies, has ensured GGPD has continued to grow in Europe throughout 2013 and remains well placed to take advantage of opportunities in the European markets going forward.

The Group's North American businesses faced another challenging year in 2013, and whilst the Group has built a significant presence in the region, market prices remain suppressed due to oversupply. This in turn has caused very low market volatility which has limited the Group's ability to capture revenue from time and location spreads, from managing capabilities in physical gas storage and transport.

LNG, Shipping & Logistics, Clean Energy ("CELLS")

CELLS continues to be strategically important for the Group and a key source of revenues, delivering a 66% increase in net income when compared to 2012, and accounting for 47% of the Group's net income in 2013. The improved performance during 2013 is primarily attributed to the margins per cargo delivering even better returns in 2013 when compared with 2012, reflecting the ongoing high global demand for LNG.

The Group has had a very successful year in pursuing its mid-term and long term strategies for LNG, through the execution of multiple sale and purchase agreements, and is committed to developing beneficial strategic partnerships in the LNG market. During 2013, the Group has diversified its robust portfolio, which for the first time included cargo sales into South America. Activity in 2013 also included deals to purchase over 30 cargos from various sources, which will support future period sales. This is in addition to the existing long term LNG purchases from Sakhalin in Eastern Russia, which is located in close proximity to one of the Group's key strategic markets in Asia and creates a portfolio with excellent long term opportunities for the Group.

Shipping & Logistics operated 6 vessels during 2013, some of which the Group had secured in previous periods. Included were two LNG vessels, Yenisei River and Lena River, which the Group took delivery of during the year under 5 year time charters. Charters agreed in prior periods, at suppressed market rates, allowed the Group to benefit from greater margins in the market when sub-chartering to third parties during 2013.

The Clean Energy business has operated in extremely challenging market conditions, where the ongoing lack of firm European policy and over-supply in the market has caused prices to fall to record lows. Low prices and low volatility have limited trading opportunities and significantly reduced profit margins on structured trading.

Global Oil, LPG & New Products

Global Oil, LPG & New Products has had a successful year, reporting significant increases in traded physical oil volumes, with in excess of 50 cargoes delivered in 2013, whilst continuing to implement mid to long term strategies to achieve future goals. The Group continues to grow an LPG portfolio based on medium term sales and purchase contracts, resulting in the delivery of 29 LPG cargos generating positive financial results in the 2013 financial year.

Global Business Development and Downstream ("GBD&D")

GBD&D was formed in 2012, to provide GM&T with an increased focus on long-term business development either through sustainable growth of the existing business or entry into new markets and products, including working with other departments in the Gazprom group to deliver key strategic projects, the development of gas-to-power projects in Western & Eastern Europe and the development of the Group's existing Retail activities.

In relation to co-operation on gas-to-power projects, advanced negotiations are taking place with other Gazprom group companies and selected third parties on target assets, with the Group's Mergers and Acquisition ("M&A") team assisting with both these activities. This activity is a key component of the downstream strategy of the Gazprom group and GM&T is investing significant resources to support the delivery of this strategy.

In the Retail business, UK industrial and commercial ("I&C") gas sales continued to grow with market share increasing to 13% at 31 December 2013 (2012: 11%). The Company maintained its market share in the UK I&C power market of 1% (2012: 1%). In France, the Group supplied 3,958 GWh of gas to end users (2012: 3,470 GWh). The entry into the SME market has seen the number of live gas sites in France increase to 1,314 (2012: 343). In the Netherlands, the Group supplied 325 GWh of gas to end users (2012: 194 GWh). Furthermore, internal systems are now in place to support the supply of power in the Netherlands and therefore enable the Group to offer a dual fuel product to the Dutch SME market. Despite continued regulatory uncertainty surrounding key carbon emission allowance trading markets, GM&T Retail continued its carbon trading activities. Traded volumes for the year were down on previous year. However, this was largely due to 2013 being in the first year of the three year carbon trading cycle.

Infrastructure

Throughout 2013 the Group made enhancements to recently implemented systems, including SAP, to help fully integrate these systems into the Group's IT infrastructure.

The Group is committed to continually review, monitor and improve systems that support its growing and increasingly 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.

Gazprom group

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 market 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.

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. In 2013, the Group's increased integration has been demonstrated by participating in certain European M&A activities on behalf the Gazprom group, including support for the transaction and future integration of the asset swap agreement signed in November 2013 between Gazprom group and BASF, allowing Wintershall to acquire a 25% stake in the Urengoy Siberian gas field and Gazprom group to receive a 50% stake in WINZ, which runs natural gas exploration and production projects in the North Sea, and increase its stakes in gas trading and storage companies of the WINGAS Group to 100%. Throughout the year, the Group has also been engaged in indentifying acquisition targets that will benefit the interests of the wider Gazprom group, including identifying opportunities in new markets and broadening the Group's business activities, such as developing power generation capability and an increased retail presence in Western Europe.

The Group will continue to work closely with entities across the Gazprom group during 2014, both in closing ongoing projects but also in identifying new opportunities for growth.

The future

The Group will maintain a strong focus on efficiency and control of its operations. This focus will allow the Group to control and 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 GM&T. One of the key features of this policy is GM&T'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 team and Board of Directors.

The Group's management of financial risks is described in Note 11 to the abbreviated consolidated financial statements.

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

	Risk	Mitigating action
Regulation	Energy markets in many countries are subject to significant and changing national and international regulatory requirements. The Group is exposed to increased costs of complying with such regulation, the risk of penalties (financial and non-financial) for non-compliance and the cost of directly imposed financial obligations (taxes or levies). Certain changes within the financial services industry will impact commodity trading organisations such as GM&T in 2014 and future periods. In 2014, GM&T's obligations under the European Markets Infrastructure Regulation (EMIR) will be in effect. The regulation covers reform of the over-the-counter ("OTC") derivatives markets, such as mandated clearing and margining, risk mitigation requirements and enhanced transaction reporting. In future periods, the amended and extended Markets in Financial Instruments Directive (MiFID), referred to as MiFID II, will also be implemented.	The Group has specialist regulatory risk and reporting teams which maintain awareness of regulatory requirements and actively engages with regulatory authorities to shape those requirements. As appropriate, the regulatory risk and reporting teams ensure sufficient planning and action is taken to develop and implement robust controls and processes to fulfil the Group's current requirements, and is well positioned for anticipated future requirements in all of the locations in which the Group operates. Significant controls exist within the Group to ensure that regulatory requirements are adhered to.
Markets dependent on legislative environments	Certain markets in which the Group operates, as well as the demand for, and supply of products in which the Group deals, are directly dependent on the status and progress of various national and international legislative initiatives. The most notable at present is the EU Emissions Trading Systems.	Each business unit maintains a high level of awareness of the impact of legislation (actual and potential) on the markets in which it operates, and this awareness continues to inform its ongoing strategy. Furthermore the Group seeks to diversify its geographical portfolio wherever possible. Although this is primarily in order to further its strategic aims, such diversification also serves to minimise its exposure to adverse legislative developments within individual markets.
Human resources	The Group is highly dependent on its employees' knowledge and abilities to generate revenues and achieve its aims. The loss of key employees could impact the Group's ability to continue trading profitably.	The Group invests in training for its employees and seeks to maintain a competitive remuneration structure to both recruit and retain key staff. Furthermore, the Group places considerable value on the involvement of its employees and continues to keep them informed on matters relevant to the Group's performance and to involve them in decision making.
Technology	The Group relies on a number of IT systems and programs to maintain its ongoing operating activities as well as its supporting functions. The failure, even temporarily, of these systems could result in significant financial and reputational cost to the Group, as well as affecting its abilities to operate in its chosen markets, and meet the requirements of regulators, employees and other stakeholders.	The Group invests in appropriate systems and continually reviews its systems in use to ensure that they are fit for purpose. The performance of these systems is continuously and vigorously monitored. The Group has a Business Continuity Plan ('BCP') which established an infrastructure that enables the Group to continue trading if the primary working environment is compromised. BCP includes a robust set of procedures that gives clarity to how the Group operates, in the event of a major issue or crisis.

Key performance indicators

The Group, along with its parent company, have identified a series of key performance indicators ("KPIs") they believe 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	2013	2012	Change
Profitability	**Net Income (£m)**	**512.1**	373.9	**37%**
Profitability	**EBITDA (£m)**	**300.8**	203.1	**48%**
	EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.			
Profitability	**Net profit after tax (£m)**	**243.3**	155.8	**56%**
Profitability	**Return on Equity**	**39%**	29%	**+10%** 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**	**48%**	42%	**+6%** points
Liquidity	**Dividends paid (£m)**	**114.0**	105.3	**8%**
Liquidity	**Current ratio**	**1.38**	1.23	**12%**
Non-financial	**Gas sales volumes (million m^3)**	**118,716**	109,990	**8%**
Non-financial	**LNG sales volumes (million m^3)**	**2,061**	1,953	**6%**
Non-financial	**Electricity sales volumes (TwH)**	**100.0**	127.1	**-21%**

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 29 July 2014 and signed by the Directors as a consistent extract thereof as part of the Abbreviated Annual Report and Abbreviated Consolidated Financial Statements, dated 29 July 2014.

A V Mikhalev
Director
29 July 2014

V V Vasiliev
Director
29 July 2014

INDEPENDENT AUDITORS' STATEMENT TO THE SHAREHOLDERS 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 2013, which comprises the Group and Parent Statements of financial position as at 31 December 2013, Statements of comprehensive income, Statements of changes in equity, Statements of cash flows and the related notes, which include a summary of 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 2013.

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 2013.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory auditors
London
29 July 2014

STATEMENTS OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Notes	**2013 £'000s**	2012 £'000s	**2013 £'000s**	2012 £'000s
Trading activities:					
Net trading income		**255,169**	175,831	**208,290**	189,971
Non-trading activities:					
Revenue		**2,790,876**	2,688,160	**14,714**	67,180
Cost of sales		**(2,533,986)**	(2,490,083)	**(12,417)**	(65,869)
Gross profit from non-trading activities		**256,890**	198,077	**2,297**	1,311
Net Income		**512,059**	373,908	**210,587**	191,282
Administrative expenses	4	**(233,399)**	(193,939)	**(157,092)**	(126,705)
Operating profit		**278,660**	179,969	**53,495**	64,577
Interest income		**858**	525	**963**	561
Interest expense		**(8,529)**	(10,656)	**(5,835)**	(11,616)
Income from subsidiaries		**–**	–	**136,810**	103,955
Gain on sale of intangible assets		**248**	–	**248**	–
Gain on sale of property, plant and equipment		**–**	69	**–**	69
Gain on disposal of subsidiary		**1,000**	6,884	**1,000**	2,800
Profit before tax		**272,237**	176,791	**186,681**	160,346
Tax		**(28,948)**	(20,968)	**(34,634)**	(22,558)
Profit for the financial year		**243,289**	155,823	**152,047**	137,788
Cash flow hedges*:					
Fair value losses recognised during the year		**(21,367)**	(35,045)	**–**	–
Tax on items taken directly to equity		**3,338**	7,847	**–**	–
Transferred to profit or loss on cash flow hedges		**35,045**	50,031	**–**	–
Tax on items transferred from equity		**(7,847)**	(12,508)	**–**	–
Losses on foreign currency translation		**(8,480)**	(10,402)	**–**	–
Total other comprehensive income		**689**	(77)	**–**	–
Total comprehensive income		**243,978**	155,746	**152,047**	137,788
Total comprehensive income attributable to:					
Equity owners of the parent		**243,978**	155,746	**152,047**	137,788

*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 29 form an integral part of the abbreviated financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		Group		Company	
	Notes	**2013 £'000s**	2012 (restated)* £'000s	**2013 £'000s**	2012 (restated)* £'000s
Assets					
Non-current assets					
Intangible assets		**74,408**	68,082	**56,396**	52,115
Property, plant and equipment		**20,228**	26,010	**17,548**	22,441
Derivative financial instruments	12	**84,994**	91,751	**87,021**	159,824
Investments in subsidiaries	5	**–**	–	**16,120**	16,120
Deferred tax assets		**12,856**	16,384	**1,423**	1,226
Trade and other receivables	7	**2,862**	693	**2,235**	2,030
		195,348	202,920	**180,743**	253,756
Current assets					
Inventories	6	**222,005**	251,593	**148,055**	178,344
Trade and other receivables	7	**1,407,139**	1,282,450	**1,074,858**	1,207,407
Derivative financial instruments	12	**342,218**	677,335	**352,721**	702,389
Current tax assets		**242**	–	**–**	–
Cash equivalents receivable with related parties		**370**	4,844	**52,467**	4,844
Cash at bank and in hand		**147,099**	177,111	**103,326**	107,197
		2,119,073	2,393,333	**1,731,427**	2,200,181
Total assets		**2,314,421**	2,596,253	**1,912,170**	2,453,937
Liabilities					
Current liabilities					
Trade and other payables	8	**1,299,250**	1,185,289	**910,288**	1,049,136
Derivative financial instruments	12	**211,075**	541,762	**200,280**	539,240
Provisions	10	**4,988**	1,493	**1,000**	1,326
Current tax liabilities		**22,582**	11,706	**9,699**	8,043
Loans and overdrafts	9	**–**	206,796	**347,417**	359,398
		1,537,895	1,947,046	**1,468,684**	1,957,143
Non-current liabilities					
Trade and other payables	8	**2,764**	3,613	**2,618**	3,116
Derivative financial instruments	12	**80,013**	81,823	**79,669**	170,526
		82,777	85,436	**82,287**	173,642
Total liabilities		**1,620,672**	2,032,482	**1,550,971**	2,130,785
Net assets		**693,749**	563,771	**361,199**	323,152
Equity					
Ordinary share capital		**20,000**	20,000	**20,000**	20,000
Cash flow hedge reserve		**(18,029)**	(27,198)	**–**	–
Foreign currency translation reserve		**(15,768)**	(7,288)	**–**	–
Retained earnings		**707,546**	578,257	**341,199**	303,152
Equity attributable to:					
Owners of the parent		**693,749**	563,771	**361,199**	323,152
Total equity		**693,749**	563,771	**361,199**	323,152

*Restated following correction of 2012 balance sheet gross up (see Note 16)

The notes on pages 10 to 29 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 29 July 2014 and signed by the Directors as a consistent extract thereof as part of the Abbreviated Annual Report and Abbreviated Consolidated Financial Statements on 29 July 2014.

Signed on behalf of the Board

A V Mikhalev
Director

V V Vasiliev
Director

STATEMENTS OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2013

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 2012	20,000	(37,523)	3,114	527,753	513,344
Profit for the year	–	–	–	155,823	155,823
Other comprehensive income:					
Loss in fair value hedging derivatives transferred to income	–	50,031	–	–	50,031
Deferred tax related to loss in fair value hedging derivatives transferred to income	–	(12,508)	–	–	(12,508)
Fair value loss on hedging derivatives	–	(35,045)	–	–	(35,045)
Deferred tax related to fair value gain on hedging derivatives recognised in equity	–	7,847	–	–	7,847
Loss on foreign currency translation	–	–	(10,402)	–	(10,402)
Total comprehensive income	–	10,325	(10,402)	155,823	155,746
Transactions with owners:					
Dividends paid	–	–	–	(105,319)	(105,319)
Balance at 1 January 2013	**20,000**	**(27,198)**	**(7,288)**	**578,257**	**563,771**
Profit for the year	–	–	–	243,289	243,289
Other comprehensive income:					
Loss in fair value hedging derivatives transferred to income	–	35,045	–	–	35,045
Deferred tax related to loss in fair value hedging derivatives transferred to income	–	(7,847)	–	–	(7,847)
Fair value loss on hedging derivatives	–	(21,367)	–	–	(21,367)
Deferred tax related to fair value loss on hedging derivatives recognised in equity	–	3,338	–	–	3,338
Loss on foreign currency translation	–	–	(8,480)	–	(8,480)
Total comprehensive income	–	9,169	(8,480)	243,289	243,978
Transactions with owners:					
Dividends paid	–	–	–	(114,000)	(114,000)
Balance at 31 December 2013	**20,000**	**(18,029)**	**(15,768)**	**707,546**	**693,749**

Company	Ordinary share capital £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2012	20,000	270,683	290,683
Dividends paid	–	(105,319)	(105,319)
Profit for the year and total comprehensive income	–	137,788	137,788
Balance at 1 January 2013	**20,000**	**303,152**	**323,152**
Dividends paid	–	(114,000)	(114,000)
Profit for the year and total comprehensive income	–	152,047	152,047
Balance at 31 December 2013	**20,000**	**341,199**	**361,199**

The notes on pages 10 to 29 form an integral part of the abbreviated financial statements.

STATEMENTS OF CASH FLOWS YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Notes	**2013 £'000s**	2012 £'000s	**2013 £'000s**	2012 £'000s
Operating activities					
Operating profit		**278,660**	179,969	**53,495**	64,577
Depreciation of tangible fixed assets		**6,977**	13,753	**5,714**	12,368
Amortisation of intangible assets		**13,901**	2,420	**13,095**	1,358
Unrealised derivative fair value movements		**45,755**	(10,821)	**(41,359)**	(19,576)
Other unrealised movements		**(58,451)**	(21,073)	**(8,221)**	(12,703)
Provisions charged in the year	10	**3,495**	1,493	**(326)**	1,326
Income from subsidiaries		**–**	–	**22,271**	–
Operating cash flows before movements in working capital		**290,337**	165,741	**44,669**	47,350
Decrease/(increase) in inventories		**80,889**	(19,538)	**69,798**	29,337
(Increase)/decrease in receivables		**(126,673)**	(465,403)	**132,442**	(391,094)
Increase/(decrease) in payables		**113,686**	341,133	**(129,918)**	337,621
Increase in derivative financial instruments		**(22,702)**	(2,469)	**(5,497)**	(635)
Cash generated from operations		**335,537**	19,464	**111,494**	22,579
Interest and banking charges paid		**(8,549)**	(10,097)	**(6,110)**	(11,344)
Income taxes paid		**(19,295)**	(31,713)	**(33,174)**	(22,092)
Net cash inflow/(outflow) from operating activities		**307,693**	(22,346)	**72,210**	(10,857)
Investing activities					
Investment income received		**–**	20	**114,539**	81,941
Interest received		**858**	–	**963**	–
Purchases of property, plant and equipment		**(1,198)**	(6,139)	**(821)**	(4,563)
Proceeds on sale of property plant and equipment		**–**	842	**–**	842
Purchases of intangible assets		**(20,518)**	(23,148)	**(17,376)**	(21,942)
Proceeds on sale of intangible assets		**248**	1,687	**248**	824
Proceeds on sale of subsidiary		**1,000**	5,833	**1,000**	5,833
Net cash (outflow)/inflow from investing activities		**(19,610)**	(20,905)	**98,553**	62,935
Financing activities					
(Repayment)/drawdown of loan from parent undertakings	9	**(44,625)**	44,625	**(44,625)**	44,625
(Repayment)/drawdown of loan from third parties	9	**(162,171)**	32,171	**(162,171)**	32,286
Drawdown/(repayment) of loan from subsidiaries	9	**–**	–	**194,814**	(4,696)
Dividend paid		**(114,000)**	(105,319)	**(114,000)**	(105,319)
Net cash outflow from financing activities		**(320,796)**	(28,523)	**(125,982)**	(33,104)
Net (decrease)/increase in cash and cash equivalents		**(32,713)**	(71,774)	**44,781**	18,974
Exchange loss on cash and cash equivalents		**(1,773)**	(1,439)	**(1,029)**	(930)
Cash and cash equivalents at the beginning of the year		**181,955**	255,168	**112,041**	93,997
Cash and cash equivalents at the end of the year		**147,469**	181,955	**155,793**	112,041

The notes on pages 10 to 29 form an integral part of the abbreviated financial statements.

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

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 Annual Report and abbreviated consolidated financial statements have been prepared in accordance with principals of 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 ("IFRIC") except for certain disclosures which have been excluded for the purposes of preparing abbreviated accounts.

The Annual Report and abbreviated consolidated financial statements does 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 2013 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 sections 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 is exposed to, or has rights to, variable returns from its involvement with the entity and 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Non-trading revenue recognition

Non-trading 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 from non-trading activities 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, gas and 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.

Non-trading costs of sales

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

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". To define trading income, 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 to 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.'

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Net trading income recognition continued
'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.'

Inventory
The valuation approach for 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 cost on a first-in, first-out basis.

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 Group no longer has the rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets within the scope of IAS 39 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. 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.'

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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

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

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging 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 income statement with an effect on income.

Note 12 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.

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 balance sheet 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. For activities of a non-trading nature, the ineffective portion of the gain or loss is included in non-trading revenues or cost of sales depending on the nature of the underlying hedged item (i.e. a purchase or a sale). For activities that are deemed trading in nature, the ineffective portion of the gain or loss is recognised in net trading income.

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

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

4 ADMINISTRATIVE EXPENSES

Operating profit is stated after charging:

	Group		Company	
	2013 **£'000s**	2012 £'000s	**2013** **£'000s**	2012 £'000s
Administrative expenses				
Staff costs	**139,932**	101,420	**91,654**	59,115
Other employee costs	**12,110**	14,023	**9,768**	11,202
Office costs	**29,438**	24,644	**20,917**	17,238
Rentals under operating leases	**6,919**	7,330	**4,587**	4,390
Travel expenses	**11,943**	8,596	**7,572**	5,089
Consultancy (excluding auditors' remuneration)	**6,739**	10,755	**4,832**	7,854
Auditors' remuneration	**1,550**	1,278	**1,022**	824
Depreciation	**6,977**	13,753	**5,714**	12,368
Amortisation	**13,901**	2,420	**13,095**	1,358
Impairment losses (refer to Note 11)	**7,538**	9,720	**1,579**	7,267
Impairment reversals (refer to Note 11)	**(3,648)**	–	**(3,648)**	–
	233,399	193,939	**157,092**	126,705

5 INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2013 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 Germania GmbH i.L.	Germany	Energy supply	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%.

Dividend income received by the Company in 2013 represented distributions from GMTS of £114.5m. 2012 represented distributions from GMTS and GGLNG of £66.8m and £15.1m respectively.

6 INVENTORIES

	Group		Company	
	2013 £'000s	2012 £'000s	**2013 £'000s**	2012 £'000s
Gas in storage	**152,398**	158,634	**139,729**	126,296
Emission allowances	**12,290**	57,580	**8,326**	52,048
LNG inventories	**1,471**	23,331	**–**	–
Crude oil and refined oil inventories	**49,519**	8,491	**–**	–
Other inventories	**6,327**	3,557	**–**	–
	222,005	251,593	**148,055**	178,344

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 £'000s	2012 £'000s	**2013 £'000s**	2012 £'000s
Due within one year				
Amounts receivable from sale of commodities:				
from third parties	**1,247,660**	1,038,548	**827,099**	835,470
from subsidiary companies	**–**	–	**109,050**	163,615
from affiliated companies	**13,146**	29,239	**11,457**	28,951
Prepayments and other debtors	**146,333**	214,663	**127,252**	179,371
	1,407,139	1,282,450	**1,074,858**	1,207,407
Due after one year				
Other long-term receivables	**2,862**	693	**2,235**	2,030

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 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 £'000s	2012 £'000s	**2013 £'000s**	2012 £'000s
Due within one year				
Amounts owed for purchase of commodities:				
to third parties	**666,339**	763,342	**450,380**	704,077
to subsidiaries	**–**	–	**28,995**	80,543
to affiliated companies	**448,535**	233,025	**328,652**	183,828
Accruals and other payables	**184,376**	188,922	**102,261**	80,688
	1,299,250	1,185,289	**910,288**	1,049,136
Due after more than one year				
Other long-term payables	**2,764**	3,613	**2,618**	3,116

9 LOANS AND OVERDRAFTS

	Group		Company	
	2013 **£'000s**	2012 £'000s	**2013** **£'000s**	2012 £'000s
Amounts owed:				
to parent	**–**	44,625	**–**	44,625
to third parties	**–**	162,171	**–**	162,171
to subsidiaries	**–**	–	**347,417**	152,602
	–	206,796	**347,417**	359,398

As at 31 December 2013 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 11.

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

10 PROVISIONS

Group	Property £'000s	Onerous contracts £'000s	Other £'000s	Total £'000s
At 1 January 2013	1,000	–	493	1,493
Additional provisions	251	3,605	132	3,988
Provisions utilised	–	–	(326)	(326)
Unused provisions reversed	–	–	(167)	(167)
At 31 December 2013	**1,251**	**3,605**	**132**	**4,988**

Company	Property £'000s	Onerous contracts £'000s	Other £'000s	Total £'000s
At 1 January 2013	1,000	–	326	1,326
Provisions utilised	–	–	(326)	(326)
At 31 December 2013	**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 contracts 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. The Directors are of the opinion that it would be seriously prejudicial to the position of the Group to disclose details of any individual continuing litigation matters and the amounts provided in respect of them.

11 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/affiliate to 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.

Market risk

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

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

The Group uses Value-at-Risk ("VaR") 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.

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

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

	2013		2012	
Group	**Average £'000s**	**Year End £'000s**	Average £'000s	Year End £'000s
Trading VaR	**2,967**	**1,558**	3,270	2,334

These VaR values are within the limits set by the Group's management.

VaR is used to measure, monitor and review market risk on a Group wide basis, but with consideration of the business and specific risk of each individual entity which make up the Group. As a result, a standalone Company VaR calculation is not reported separately.

(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 at 31 December 2013 is disclosed in Note 12.

11 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 Gazprom Global LNG Ltd ("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 reasonable possible parallel shift of the foreign currency against Sterling.

	2013 Sensitivity analysis			2012 Sensitivity analysis		
	Net assets £'000s	**Percentage change applied**	**Total comprehensive income £'000s**	Net assets £'000s	Percentage change applied	Total comprehensive income £'000s
Euro	**(19,603)**	**2.95%**	**(578)**	(13,879)	3.05%	(423)
US dollar	**341,294**	**4.91%**	**16,769**	259,420	4.91%	12,738
	321,691		**16,191**	245,541		12,315

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 2012 to 31 December 2013, 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, depending on the direction of the parallel shift, result in an income or expense of approximately £nil as at 31 December 2013, compared to an income or expense of £1.0m as at 31 December 2012 on drawn loan balances extant at those dates.

11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk

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

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

The majority of significant exposures through trading activities are with investment grade counterparties. The Group incorporates counterparty credit risk in determining the fair value of financial instruments maximising the use of observable market data where available. The Group's own credit risk is assessed and deemed immaterial and as such does not impact the fair value of financial instrument liabilities.

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

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

The Group's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £427.2m (2012: £769.1m (restated)) and on financial assets held at amortised cost is £1,384.2m (2012: £1,249.7m). The Group also actively manages its portfolio to avoid concentrations of credit risk.

The Company's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £439.7 (2012: £862.2 (restated)), of which £6.2m was related to transactions within the Group, and on financial assets held at amortised cost is £1,235.0m (2012: £1,140.1m).

Guarantees and letters of credit not recognised on the Statements of financial position are £758.2m (2012: £795.9m) 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.

The maximum exposure to credit risk of the Group as at 31 December 2013 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.

(i) 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.

	Group		Company	
	2013	2012	**2013**	2012
AAA to AA	**3%**	0%	**2%**	0%
AA- to A-	**28%**	23%	**18%**	17%
BBB+ to BB	**57%**	60%	**72%**	73%
BB- and below	**2%**	3%	**2%**	3%
Unrated	**10%**	14%	**6%**	7%
	100%	100%	**100%**	100%

(ii) Financial assets past due but not impaired

The Group's gross amount of financial assets past due but not impaired was £42.1m (Company: £21.3m) classified as trade and other receivables (2012: £33.9m (Company: £14.4m)).

(iii) Financial assets impaired

At the reporting date the Group had trade receivables impaired of £25.7m (2012: £31.2m) which primarily relate to doubtful debts. The Company had a trade receivable impaired of £22.2m (2012: £28.8m).

11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk

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 risk is managed by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

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 and a US$500m committed banking facility from a syndicate of banks.

The Group has £0.4m (2012: £4.8m) of cash equivalents outstanding at 31 December 2013, which relate to a cash pool receivable with Gazprom Germania GmbH, the Group's immediate controlling entity. Interest is payable or receivable based on market interest rates. These balances are managed centrally by the Group's treasury function as part of the other 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.

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 2013	Within 1 month £'000	2-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Due for receipt						
Gross physical forward contracts	3,277,537	13,129,787	2,414,787	962,918	1,700	19,786,729
Other derivative instruments	4,906	27,259	5,474	1,704	38	39,381
Cash and cash equivalents	147,469	–	–	–	–	147,469
Trade & other receivables	1,375,578	31,561	2,318	544	–	1,410,001
Total	**4,805,490**	**13,188,607**	**2,422,579**	**965,166**	**1,738**	**21,383,580**
Due for payment						
Gross physical forward contracts	2,877,220	12,763,038	2,744,499	1,064,867	48,173	19,497,797
Other derivative instruments	4,953	20,991	7,287	758	240	34,229
Trade and other payables	1,298,794	456	645	997	1,122	1,302,014
Total	**4,180,967**	**12,784,485**	**2,752,431**	**1,066,622**	**49,535**	**20,834,040**

31 December 2012	Within 1 month £'000	2-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Due for receipt						
Gross physical forward contracts	2,529,572	11,409,312	2,301,687	658,399	5,290	16,904,260
Other derivative instruments	8,884	43,881	6,267	3,975	5,039	68,047
Cash and cash equivalents	181,955	–	–	–	–	181,955
Trade & other receivables	1,275,666	6,784	693	–	–	1,283,143
Total	**3,996,077**	**11,459,977**	**2,308,647**	**662,374**	**10,329**	**18,437,405**
Due for payment						
Gross physical forward contracts	2,614,778	10,753,969	2,363,142	593,820	51,824	16,377,533
Other derivative instruments	3,211	20,406	4,487	3,389	218	31,713
Trade and other payables	1,138,528	46,761	995	997	1,621	1,188,902
Loans & overdrafts	206,796	–	–	–	–	206,796
Total	**3,963,313**	**10,821,136**	**2,368,624**	**598,206**	**53,663**	**17,804,944**

11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Company

31 December 2013	Within 1 month £'000	2-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Due for receipt						
Gross physical forward contracts	3,361,105	13,517,484	2,641,308	1,008,851	408	20,529,156
Other derivative instruments	2,623	26,946	8,909	–	38	38,516
Cash and cash equivalents	155,793	–	–	–	–	155,793
Trade & other receivables	973,583	101,275	1,691	544	–	1,077,093
Total	**4,493,104**	**13,645,705**	**2,651,908**	**1,009,395**	**446**	**21,800,558**
Due for payment						
Gross physical forward contracts	2,890,148	12,750,048	2,742,327	1,071,603	48,361	19,502,431
Other derivative instruments	4,180	15,234	7,392	831	240	27,878
Trade and other payables	909,832	456	499	997	1,122	912,906
Loans & overdrafts	129,567	217,850	–	–	–	347,417
Total	**3,933,727**	**12,983,588**	**2,750,218**	**1,073,431**	**49,723**	**20,790,632**

31 December 2012	Within 1 month £'000	2-12 months £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Due for receipt						
Gross physical forward contracts	2,649,098	12,019,952	2,573,344	824,147	212	18,066,753
Other derivative instruments	5,248	46,652	10,301	7,446	590	70,236
Cash and cash equivalents	112,041	–	–	–	–	112,041
Trade & other receivables	1,162,365	45,043	2,029	–	–	1,209,437
Total	**3,928,752**	**12,111,647**	**2,585,674**	**831,593**	**802**	**19,458,467**
Due for payment						
Gross physical forward contracts	2,666,018	10,965,413	2,462,827	637,823	51,880	16,783,962
Other derivative instruments	485	19,345	5,212	3,388	218	28,648
Trade and other payables	1,041,283	7,852	499	997	1,621	1,052,252
Loans & overdrafts	206,796	152,602	–	–	–	359,398
Total	**3,914,582**	**11,145,212**	**2,468,538**	**642,208**	**53,719**	**18,224,260**

Economic capital

The Group employs an economic capital framework to ensure that the total exposure to liquidity risk can be supported by its Statements of financial position on a standalone basis.

This is achieved by modelling the economic capital requirements of the Group based on market, credit and operational risk measures and comparing the requirement to the Group's tangible net worth. The economic capital requirements and availability are calculated and reported on a weekly basis as the overarching risk control approach for the Group. The Group manages any shortfall in the tangible net worth to its capital requirement through its agreed credit facilities.

12 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, 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 (2012: £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 11.

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

	Group		Company	
	2013 £'000s	2012 (restated)* £'000s	**2013 £'000s**	2012 (restated)* £'000s
Non-current assets				
Commodity trading contracts	**77,588**	63,130	**79,151**	76,400
Emission allowances	**5,928**	25,901	**5,209**	78,631
Forward foreign exchange contracts	**1,478**	2,720	**2,661**	4,793
	84,994	91,751	**87,021**	159,824
Current assets				
Commodity trading contracts	**303,001**	580,541	**311,533**	589,102
Emission allowances	**15,922**	84,593	**15,844**	99,382
Forward foreign exchange contracts	**23,295**	12,201	**25,344**	13,905
	342,218	677,335	**352,721**	702,389
Current liabilities				
Commodity trading contracts	**199,813**	508,009	**188,467**	484,752
Emission allowances	**1,430**	27,264	**431**	47,680
Forward foreign exchange contracts	**9,832**	6,489	**11,382**	6,808
	211,075	541,762	**200,280**	539,240
Non-current liabilities				
Commodity trading contracts	**75,677**	76,547	**75,555**	74,676
Emission allowances	**1,031**	3,236	**809**	93,810
Forward foreign exchange contracts	**3,305**	2,040	**3,305**	2,040
	80,013	81,823	**79,669**	170,526

*restated following correction of 2012 balance sheet gross up (see Note 16)

12 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	
	2013 £'000s	2012 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statements of comprehensive income at 1 January	**6,606**	6,279
Initial fair value of new contracts not recognised in the Statements of comprehensive income	**(689)**	6,368
Fair value recognised in the Statements of comprehensive income during the year	**(5,834)**	(6,041)
Fair value of contracts not recognised through the Statements of comprehensive income at 31 December	**83**	6,606

	Company	
	2013 £'000s	2012 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statements of comprehensive income at 1 January	**1,484**	822
Initial fair value of new contracts not recognised in the Statements of comprehensive income	**(689)**	6,368
Fair value recognised in the Statements of comprehensive income during the year	**(712)**	(5,706)
Fair value of contracts not recognised through the Statements of comprehensive income at 31 December	**83**	1,484

Fair value hierarchy

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

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

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

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

12 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 (2012: £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			
2013	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial assets				
Commodity trading contracts	**4,909**	**372,535**	**3,145**	**380,589**
Emission allowances	**596**	**21,099**	**155**	**21,850**
Forward foreign exchange contracts	**–**	**24,773**	**–**	**24,773**
	5,505	**418,407**	**3,300**	**427,212**
Derivative financial liabilities				
Commodity trading contracts	**5,794**	**263,411**	**6,285**	**275,490**
Emission allowances	**309**	**1,807**	**345**	**2,461**
Forward foreign exchange contracts	**–**	**13,137**	**–**	**13,137**
	6,103	**278,355**	**6,630**	**291,088**

	Group			
2012 (restated)	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial assets				
Commodity trading contracts	26,460	605,760	11,451	643,671
Emission allowances	11,644	98,680	170	110,494
Forward foreign exchange contracts	–	14,921	–	14,921
	38,104	719,361	11,621	769,086
Derivative financial liabilities				
Commodity trading contracts	18,121	561,292	5,143	584,556
Emission allowances	4,108	20,769	5,623	30,500
Forward foreign exchange contracts	695	7,834	–	8,529
	22,924	589,895	10,766	623,585

12 DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

	Company			
2013	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial assets				
Commodity trading contracts	**3,899**	**383,666**	**3,119**	**390,684**
Emission allowances	**596**	**20,302**	**155**	**21,053**
Forward foreign exchange contracts	**–**	**28,005**	**–**	**28,005**
	4,495	**431,973**	**3,274**	**439,742**
Derivative financial liabilities				
Commodity trading contracts	**3,734**	**254,380**	**5,908**	**264,022**
Emission allowances	**309**	**931**	**–**	**1,240**
Forward foreign exchange contracts	**–**	**14,687**	**–**	**14,687**
	4,043	**269,998**	**5,908**	**279,949**

	Company			
2012 (restated)	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial assets				
Commodity trading contracts	3,946	650,577	10,979	665,502
Emission allowances	11,081	164,784	2,148	178,013
Forward foreign exchange contracts	–	18,698	–	18,698
	15,027	834,059	13,127	862,213
Derivative financial liabilities				
Commodity trading contracts	6,520	547,765	5,143	559,428
Emission allowances	4,108	131,759	5,623	141,490
Forward foreign exchange contracts	–	8,848	–	8,848
	10,628	688,372	10,766	709,766

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	
	2013 £'000s	2012 £'000s	**2013 £'000s**	2012 £'000s
Cash flow hedges	**(21,367)**	(35,045)	**–**	–

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 £0.2m (2012: £0.2m). The Group monitors the ineffective portion of gains and losses on a monthly basis.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

In order to manage credit exposure arising from its business activities, the Group applies various credit risk management policies and procedures (see Note 11 for further details). Generally, the Group enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right, in the event of a default by the counterparty (such as bankruptcy or a failure to pay or perform), to net a counterparty's rights and obligations under the agreement and to liquidate and set off collateral against any net amount owed by the counterparty.

In the Statement of financial position, financial assets and financial liabilities are only offset and presented on a net basis where there is a current legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

The following tables present information about financial assets and financial liabilities which are subject to offsetting, enforceable master netting agreements and similar agreements.

Group

2013	Gross amounts[1] £'000s	Amounts offset in the Statement of financial position[2] £'000s	Net amounts presented in the Statement of financial position £'000s	Amounts not offset in the Statement of financial position – Financial Instruments[3] £'000s	Amounts not offset in the Statement of financial position – Cash collateral[3] £'000s	Net amount £'000s
Assets						
Derivative financial assets	1,199,023	(771,811)	427,212	(125,167)	(2,329)	299,716
Trade receivables	3,948,075	(2,687,269)	1,260,806	–	–	1,260,806
Total	**5,147,098**	**(3,459,080)**	**1,688,018**	**(125,167)**	**(2,329)**	**1,560,522**
Liabilities						
Derivative financial liabilities	1,062,899	(771,811)	291,088	(125,167)	–	165,921
Trade payables	3,802,143	(2,687,269)	1,114,874	–	(2,329)	1,112,545
	4,865,042	**(3,459,080)**	**1,405,962**	**(125,167)**	**(2,329)**	**1,278,466**
2012						
Assets						
Derivative financial assets	1,384,602	(615,516)	769,086	(204,244)	(2,637)	562,205
Trade receivables	3,294,806	(2,227,019)	1,067,787	–	–	1,067,787
Total	**4,679,408**	**(2,842,535)**	**1,836,873**	**(204,244)**	**(2,637)**	**1,629,992**
Liabilities						
Derivative financial liabilities	1,239,101	(615,516)	623,585	(204,244)	–	419,341
Trade payables	3,223,386	(2,227,019)	996,367	–	(2,637)	993,730
Total	**4,462,487**	**(2,842,535)**	**1,619,952**	**(204,244)**	**(2,637)**	**1,413,071**

(1) Amounts relate to derivative contracts which are both subject to and not subject to master netting agreements or collateral agreements or are subject to such agreements but the Group has not determined the agreements to be legally enforceable.
(2) Amounts relate to master netting agreements and collateral agreements which have been determined by the Group to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance.
(3) Amounts relate to master netting agreements and collateral agreements which have been determined by the Group to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING CONTINUED

Company

2013	Gross amounts[1] £'000s	Amounts offset in the Statement of financial position[2] £'000s	Net amounts presented in the Statement of financial position £'000s	Amounts not offset in the Statement of financial position – Financial Instruments[3] £'000s	Amounts not offset in the Statement of financial position – Cash collateral[3] £'000s	Net amount £'000s
Assets						
Derivative financial assets	1,076,455	(636,713)	439,742	(167,063)	(2,329)	270,350
Trade receivables	3,626,236	(2,678,630)	947,606	–	–	947,606
Total	**4,702,691**	**(3,315,343)**	**1,387,348**	**(167,063)**	**(2,329)**	**1,217,956**
Liabilities						
Derivative financial liabilities	916,662	(636,713)	279,949	(167,063)	–	112,886
Trade payables	3,486,657	(2,678,630)	808,027	–	(2,329)	805,698
Total	**4,403,319**	**(3,315,343)**	**1,087,976**	**(167,063)**	**(2,329)**	**918,584**
2012						
Assets						
Derivative financial assets	1,395,723	(533,510)	862,213	(274,597)	(2,637)	584,979
Trade payables	3,232,885	(2,204,849)	1,028,036	–	–	1,028,036
Total	**4,628,608**	**(2,738,359)**	**1,890,249**	**(274,597)**	**(2,637)**	**1,613,015**
Liabilities						
Derivative financial liabilities	1,243,276	(533,510)	709,766	(274,597)	–	435,169
Trade payables	3,173,297	(2,204,849)	968,448	–	(2,637)	965,811
Total	**4,416,573**	**(2,738,359)**	**1,678,214**	**(274,597)**	**(2,637)**	**1,400,980**

(1) Amounts relate to derivative contracts which are both subject to and not subject to master netting agreements or collateral agreements or are subject to such agreements but the Group has not determined the agreements to be legally enforceable.

(2) Amounts relate to master netting agreements and collateral agreements which have been determined by the Group to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance.

(3) Amounts relate to master netting agreements and collateral agreements which have been determined by the Group to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment); or bankruptcy.

14 COMMITMENTS AND CONTINGENCIES

Lease commitments

The Group has entered into non-cancellable 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 GGLNG, including two custom built tankers, under 15 year charter terms, which will be delivered in 2014.

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

	Group		Company	
	2013 £'000s	2012 £'000s	**2013 £'000s**	2012 £'000s
Not later than one year	**128,284**	97,332	**5,273**	5,291
Later than one year and not later than five years	**459,639**	349,896	**20,802**	20,853
Later than five years	**586,356**	279,954	**6,500**	11,701
	1,174,279	727,182	**32,575**	37,845

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.

	2013 £'000s	2012 £'000s
Letters of credit and bank guarantees	**398,307**	272,094
Parent company guarantees	**359,901**	523,763
	758,208	795,857

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				
2013	**41,398**	**27,316**	**75,612**	**29,171**
2012	127,119	75,772	67,433	74,116
Other entities with significant influence over the Group				
2013	**78,979**	**2,362,875**	**661,856**	**924,546**
2012 (restated)	250,540	977,754	465,785	386,058
Other related parties				
2013	**320,308**	**651,658**	**278,018**	**302,551**
2012	417,621	779,411	235,994	258,357

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				
2013	**41,398**	**27,316**	**75,612**	**29,171**
2012	127,112	75,772	67,385	74,177
Other entities with significant influence over the Group				
2013	**78,973**	**1,853,916**	**623,052**	**817,326**
2012 (restated)	250,540	773,110	465,785	353,273
Subsidiaries				
2013	**1,388,777**	**528,268**	**266,409**	**359,990**
2012	1,254,639	408,775	505,893	376,711
Other related parties				
2013	**320,307**	**350,987**	**277,463**	**286,906**
2012	410,264	718,534	235,437	240,461

The Group has entered into an agreement to participate in a central cash management system, the balance receivable at 31 December 2013 being £0.4m receivable (2012: £4.8m 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 2013 the Company had provided £359.9m of parental guarantees on behalf of its subsidiaries (2012: £523.8m). During the year ended 31 December 2013, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2012: £nil).

16 RESTATEMENT OF 2012 FINANCIAL STATEMENTS

The financial information for the Group and the Company for the year ended 31 December 2012 has been restated following the identification of a system error in relation to identifying the correct unit of account for trades with three counterparties. This error resulted in an overstatement of certain balances within the Statement of financial position. The change due to the restatement is a reduction in Group current assets and Group current liabilities of £556.3m and Group non-current assets and Group non-current liabilities of £90.2m within derivative financial instruments. The change due to the restatement is a reduction in Company current assets and Company current liabilities of £742.6 and Company non-current assets and Company non-current liabilities of £171.8 within derivative financial instruments.

17 ULTIMATE PARENT GROUP AND CONTROLLING PARTY

The ultimate parent company and controlling party is OAO Gazprom, a company incorporated in Russia. The parent undertaking of the smallest Group which includes the Group and for which consolidated 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 OAO Gazprom are available from Nametkina str., 16 V-420, GSP-7, 117997, Moscow, Russia.

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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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