GAZPROM
MARKETING & TRADING

2020 STRATEGIC REPORT WITH SUPPLEMENTARY FINANCIAL INFORMATION

Contents

STRATEGIC REPORT

The Directors present the Annual Report and the 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 2020.

Principal activities
The principal activities of the Group and Company are the marketing and trading of energy products including natural gas, power and liquefied natural gas ("LNG"). The Group is active across global energy market hub locations but is primarily focused in the European and Asian energy markets. Alongside trading of energy products, the Group is also engaged in the retail energy market, and in the charter and subcharter of vessels as part of the Group's shipping and logistics activities supporting the LNG business. In 2020 the Company has focused on its core commodities and as a result, physical oil and liquified petroleum gas ("LPG") trading was minimal during the period.

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

Financial results
During 2020, the Group continued to develop its core global trading and marketing activities. The international reach of the Group is reflected in the consolidated Financial Statements of the Group, which comprise the consolidated results of 9 (2019: 9) individual legal entities covering the UK, continental Europe, North America and Asia (see note 7).

The Group, like many corporations across the globe, faced unprecedented conditions during 2020 brought about by the COVID-19 pandemic with a significant reduction in global energy demand providing challenges in terms of falling prices and lower energy consumption. However, the market disruption caused by the pandemic also provided opportunities to capture value through trading. The Group's gas and power trading businesses were well positioned to take advantage of highly volatile market conditions experienced during the first half of the year including significant directional commodity market movements. The overall reduction in demand for gas across Europe during the second half of 2020 resulted in favourable market price structures for the Group to maximise value through gas storage initiatives.

Recent global LNG supply growth and lower global gas prices resulted in a continued narrowing of LNG price spreads, putting pressure on LNG traded margin. The Group's LNG business managed this adverse pricing impact through hedging activity and was able to generate additional value through effective optimisation of the physical portfolio during a challenging year.

The Group's retail business was adversely impacted by COVID-19 during the period, both in terms of increased customer debt provisioning and falling forecast for energy demand; however the business has a well-diversified customer base which helped to mitigate the biggest sectoral impacts.

The consolidated Statement of comprehensive income for the year is set out on page 06. The Group's profit for the financial year was £235.8m (2019: £312.1m), a decrease of 24% from the prior year. The Group's total equity as at 31 December 2020 was £628.5m (2019: £783.3m), representing a decrease of 20% when compared to 31 December 2019.

During 2020 the Company declared and paid £178.8m (2019: £100.0m paid, declared in 2018) of dividends to its immediate parent company Gazprom Germania GmbH ("GPG"). Since the reporting date, no further dividends were paid or proposed.

The performance of specific business units is discussed in further detail on pages 01 and 02.

Business activities and environment
The Group's strategic business units and reporting lines are aligned with its commercial activities and global scope. These strategic business units were: a) Global Commodity & Derivative Trading ("GCDT"); b) Global LNG & Shipping ("LNG"); and c) Global Retail ("Retail").

Global Commodity & Derivative Trading ("GCDT")
GCDT has reported an increase of 17% in net income compared to 2019. The strategic business unit is responsible for the trading activity of the Group including hedging and optimisation of gas supplied by OOO Gazprom Export and its affiliates as well as optimisation of the Group's assets across Western Europe. Furthermore, GCDT provides risk management services to the Gazprom Group and third parties as well as sourcing commercial opportunities directly from the market to generate additional value for the Group. Whilst the focus remains on gas and power, the business also trades emissions and foreign exchange.

The Gas business has outperformed 2019, predominantly due to value added through physical and virtual storage trading strategies, increasing the Group's inventory volumes in the latter half of the year by timing injections and withdrawals to maximise value from movements in seasonal price spreads across Europe. Proprietary and derivative strategies also contributed significantly to the performance of the business in the year, providing further opportunities to take advantage of the effects of price volatility on time and location spreads. The business further developed its structured trading offering and deal flow business with a broad range of customers during the period.

The Power trading business had another standout year of performance in 2020, largely due to the capture of trading and optimisation opportunities arising from continental transmission spread volatility and intraday trading in the first half of the year. Power has continued to develop its integrated business model, consolidating power origination and building strategic partnerships with new independent suppliers and generators.

As European Gas and Power markets become more competitive and sophisticated, the business continues to invest in and develop more flexible and innovative products to meet these challenges. During 2020 the Group continued to develop its capabilities in digital trading to maintain a leading position in the European Gas and Power markets and take advantage of new technologies to monetise market opportunities and reduce the level of risk in the portfolio.

Global LNG & Shipping ("LNG")
Income from LNG decreased significantly during 2020. The business accounted for 34% of the Group's net income in 2020 (2019: 46%) with a decrease of 36% compared to 2019. The Group's LNG business faced a challenging environment over the course of the year, driven by a significant reduction in overall demand across global energy markets. Combined with excess LNG supply growth, this exerted pressure on Asian LNG prices, narrowing key gas hub spreads and resulting in lower unit margin recognised during the year overall, despite a late flurry of Asian demand and upward price movement during the final quarter of 2020.

Despite the difficult macro-economic environment the business showed resilience, maximising economic value for 2020 through profitable short-term spot deals and cargo diversions to the most margin-optimal sales locations, as well as price hedging and the continued use of hedge accounting to align recognition of hedged value with physical margin. The number of LNG cargoes traded within the year increased significantly compared to 2019 (2020: 113 cargoes, 2019: 55 cargoes), driven predominantly by an increase in the Group's long-term purchase agreements with Yamal LNG and increased LNG trading activity in the spot market to backfill diverted long-term contracted cargoes.

Notably during the period, the LNG business was operationally impacted by port closures in India as a result of the Indian government's response to the COVID-19 pandemic which threatened to interrupt the delivery of contracted LNG sales. Working closely with its customers and suppliers, GM&T was able to take mitigating steps to minimise any resulting financial loss, including exercising applicable contractual provisions.

Shipping managed 8 vessels during 2020 (2019: 9) despite an increase in total traded cargoes as a result of a strategic shift in operations, reducing the number of external time charters and increasing focus on fulfilling internal requirements from the LNG trading desk.

Global Retail ("Retail")
Retail remains one of the largest gas suppliers to UK industrial and commercial customers with its market share increasing slightly year-on-year to 22% in the year (2019: 21%). Retail delivered 47,439 GWh of gas to end users in the UK across 177,554 sites during 2020 (2019: 50,834 GWh). In Ireland, the Company did not supply any gas to end users in 2020 (2019: 1,124 GWh) following the expiration of customer contracts on 31 December 2019.

The UK power business maintained market share at 0.6% (2019: 0.5%), after supplying 1,059 GWh of power to end users (2019: 1,212 GWh) across 4,023 sites.

In France, the business supplied 12,968 GWh of gas (2019: 16,706 GWh) across 15,613 sites.

In the Netherlands, the business supplied 3,953 GWh of gas to end users (2019: 3,651 GWh) and has increased the number of live gas sites to 26,431 (2019: 22,254 sites). The business also supplied 363 GWh of power to end users (2019: 418 GWh) and has increased the number of live power sites to 14,459 (2019: 13,858 sites).

Retail traded 951k/tonnes of carbon emission allowances (2019: 983k/tonnes).

The Retail Optimisation Desk ("ROD"), which serves as the interface between the retail sales business and the GCDT trading business, manages the Retail portfolio price and volume risk, enabling value to be locked in through a back-to-back hedging strategy for forecast Retail sales. During 2020 ROD was adversely impacted by falling customer demand forecasts as a result of the COVID-19 pandemic. Downward revisions to customer demand forecasts resulted in commodity purchase hedges being closed out at a financial loss to the Group due to the fall in prices during the period.

The retail customer receivable balances were a particular focus for management during the period given the market environment across its sale locations. The Group accordingly increased the provision for bad debt during 2020 by 133.3% (£6.1m). The retail business has taken steps to minimise exposure to the customer segments most adversely impacted by COVID-19 and is well positioned to rebound when the threats of the pandemic subside.

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

Strategy
The Group recognises the importance of its physical trading operations to upstream production companies within the Gazprom Group and continues to market and optimise all contracted gas purchase volumes from OOO Gazprom Export safely.

As global gas market pricing and structure evolves rapidly, the Group actively develops new marketing and trading strategies to maintain market share and to continue to offer Gazprom Export more flexible and tailored trading services to complement its asset portfolio and requirements. Leveraging its expertise and continuing to develop its digital and derivative capabilities, the Group will remain a crucial interface to the traditional European and growing Asian markets.

The commercial optimisation, operational and logistical management of the Group's physical LNG portfolio remains a significant strategic priority for the Group. Furthermore, the Group continues to play a major role in further developing Gazprom's physical LNG portfolio.

In addition to these activities, the Group continues to build capabilities in power trading, as well as developing its offer to end users through the Group's retail business, Gazprom Energy. The Group also decided to increase its focus on developing GM&T's position in environmental markets through further expanding carbon trading activities, sourcing projects for emissions credits and developing carbon offset products for customers seeking to reduce their carbon footprint.

As a result, the Group believes it is well placed to support Gazprom with the challenges and opportunities that will emerge from evolving energy markets in the 2020s.

S172(1) statement
The Directors, in executing the strategy and complying with their duties in the year, have considered how their actions would promote the success of the Group for the benefit of its members as a whole. The Directors take a long-term view to the decision making process, allocating resources and investment to business areas which are expected to bring the most benefit to the Group, and to the broader Gazprom Group of companies, in coming years. This is evidenced through continued investment in IT infrastructure to support future development of the business and an ongoing initiative to promote carbon trading (emissions credits and carbon offset products) alongside the Group's strategic business units.

Customers, strategic partners and suppliers – Standards of business conduct
The Group is both a significant procurer and provider of energy, playing an active role in the European and Asian markets as a trading counterparty and in ensuring security of energy supply for customers. As such, the Directors consider high standards of business conduct to be critical. Substantial focus is placed on strong and professional relationships with the Group's counterparties, including suppliers and customers; uninterrupted operations in its markets is fundamental to meeting this objective. Throughout the year, and particularly during the COVID-19 pandemic, the Group has been in contact with trading counterparties, suppliers and customers to ensure that commercial commitments are honoured. During the year, including the period impacted by the COVID-19 pandemic, there were no incidents which resulted in material disruption of the Group's operations, customer supplies, or which had an adverse impact on the wider community. For COVID-19-specific impact, please refer to the "Impact of COVID-19 pandemic and resulting economic fallout" section below.

The Group was able to offer focused support to the wider Gazprom Group companies during the period of reduced demand for gas by offering innovative solutions to optimise underutilised resources held by Group companies, and by providing additional routes to market.

Corporate Social Responsibility (CSR)

As a responsible business, we're committed to offering support for our local communities. During 2020, GM&T globally donated over £80,000 to not-for-profit organisations:

- Gift of Life foundation to buy medication for children in Russia with bone marrow transplant complications;
- Regents Place Foundation, a local social initiative providing care for homeless young people in London;
- ArtSocial Foundation, who arrange art therapy sessions for young patients at St Mary's Hospital in London;
- Rainbow Trust to fund the work of family support workers who provide emotional and practical support to families that have a child with a life-threatening or terminal illness;
- Francis House to expand and develop an emotional support programme for the siblings of the young people they care for;
- 42nd Street, contributing to creative programmes and materials to support young people who struggle with their mental health;
- University College London Hospitals (UCLH) NHS Foundation Trust supporting patients, staff and research within the Foundation Trust;
- Alzheimer's Society, contributing to care and research for people with dementia and their carers;
- Allergy UK, funding support, advice and information for those living with allergic disease;
- Institut Curie Paris, providing the renowned foundation with four new medical beds for children;
- Fondation Hôpitaux de Paris-Hôpitaux de France by helping purchase medication and medical equipment so desperately needed during the coronavirus pandemic; and
- National Centre for Infectious Diseases through the Staff Wellness Fund.

Standards of business conduct

We are committed to conducting business ethically, with honesty and integrity, and in compliance with all relevant laws and regulations. We do not tolerate any form of bribery, corruption or other unethical business conduct.

Our Code of Conduct outlines our core values and business principles that guide how we do business at the GM&T Group. It helps all employees to act in line with the standards, behaviours and principles required to do business to a high standard of professional and ethical conduct. Our policies and supporting documents provide further guidance and instruction, in line with best industry practice. These include our Competition Compliance, Financial Crime Compliance, Data Protection, and Information Security policies. Specific training is provided to relevant employees on these topics.

Employees

The Directors believe that the Group's success is aligned with the interests and wellbeing of its employees. They have been active in balancing the need for the business to remain competitive, and the need to continue to provide their employees with a stable work environment and development opportunities. Further information on the response to COVID-19's impact on working practices is outlined in the section below "Impact of the COVID-19 pandemic and resulting economic fallout".

The Human Resources team within the Group runs an annual employee engagement survey to assess the morale of staff and to actively identify any areas where working practices could be improved. A working group has been established during the year with representation from across the business to examine the long-term impacts of working away from the office, and to what extent more flexible working practices can be utilised by the Company going forward. Employee wellbeing continues to be a key priority for the Directors, and a Wellbeing Programme has been established to support employees to maintain and improve their physical and mental wellbeing. We have 37 qualified Mental Health First Aiders on hand to offer support and advice for employees who need it.

Likely future developments

The Group will continue to focus on the efficiency and control of its operations as part of considering the likely consequences of any decisions in the long term. This focus will allow the Group to manage the risks associated with its current level of business, while providing a robust platform for delivering future growth. The Group expects its future prospects to develop significantly based on the following:

- Maximising contribution to the financial performance of the Gazprom Group;
- Focusing on the Group's core energy commodities;
- Further development of products and trading services for evolving energy markets;
- Investment in people, systems and processes; and
- Continued operational efficiency.

Principal risks and uncertainties facing the Group

The Directors of the Group are committed to embedding a culture of enterprise-wide risk management throughout the organisation. The risk management process is the coordinated set of activities that are implemented to manage the risks that may affect the ability of the organisation to achieve its objectives. The risk management process, together with the documented policies, procedures and specific methodologies for the identification, assessment and management of risk, comprise the Risk Management System.

Implementation and oversight of all elements of the Risk Management System, in addition to its responsibility for ensuring the Group meets its strategic, financial and operational objectives, is under the stewardship of the Managing Director of GPG Group. The GM&T Directors are in turn responsible for ensuring that GM&T follows the risk strategy, principles and policies as defined by the Managing Director of GPG Group.

The "Global Risk Management Policy" defines the scope, objectives, policy and strategies for the management of risks within GPG Group, including GM&T Group. GPG's Risk Oversight Committee ("ROC") provides recommendations and support to the Managing Director of GPG Group on risk-related matters. The Risk function of GPG Group, which has a significant physical presence within GM&T, provides advice, control and oversight independent from the commercial business and other support functions.

Risk is defined as the potential events, circumstances, internal and/or external factors that could affect the achievement of defined goals. In pursuit of its strategic, financial and operational objectives GM&T seeks to retain exposure to some risks, and avoid, minimise or eliminate others where possible and cost effective.

The principal risks can be aggregated under the following broad categories:

- **Strategic Risk:** The risk that the Group is unable to achieve its strategic objectives as a result of actions by governments, regulators and competitors as well as risks associated with strategic long-term decision making within the Group.
- **Market Risk:** The risk of negative financial impacts due to changes in market factors. Market factors include (but are not limited to) commodity and derivative prices, interest rates, foreign exchange rates and volumes.
- **Credit Risk:** The risk of negative financial impact due to a counterparty's failure to meet its contractual obligations in accordance with agreed terms. This includes failure to make payment(s), or general non-performance of the full contract terms.

- **Liquidity Risk:** The risk that the Group cannot satisfy the financial obligations that arise during the course of business due to insufficient funding lines or available cash reserves.
- **Operational Risk:** The risk of negative impact due to inadequate controls or failed internal processes, people and systems, or from external events.

Impact of the COVID-19 pandemic and resulting economic fallout
The Group was significantly impacted by the COVID-19 pandemic during 2020. However, its employees responded with incredible commitment and dedication to ensure no interruption to core marketing and trading activities.

Operational response
The Group's response was coordinated by the Crisis Management Team ("CMT") – a cross-functional group comprised of representatives drawn from both commercial and support functions across GM&T Group and chaired by the Group's Chief Executive Officer. Since February, the CMT has met on a weekly basis to review a series of key indicators and to ensure that the Group is able to rapidly respond to the latest government guidance. Areas of heightened risk such as fraud were a particular focus for the CMT during the period with business controls being regularly reviewed, increased communications with employees on such risks and training rolled out across the business as the CMT deemed appropriate.

During February and March, the Group's initial response to the pandemic focused on moving staff from an almost exclusive 'working in office' environment to an almost exclusive 'remote home working' set up. The IT department was central to supporting this change and took necessary steps to ensure business continuity including building greater network capacity to support increased demand from home working and the procurement of additional IT equipment to ensure business activities could be facilitated without interruption or a significant drop in efficiency. During the summer period the Group began to repopulate offices in accordance with the government's guidelines and the Group's internal risk assessment with the majority of employees continuing to work remotely.

Employee wellbeing has been a priority for the Group's Directors throughout the period. Regular communication during this challenging period was critical and the Internal Communications team ensured that employees were well informed on the decisions and actions taken to mitigate the risks presented. Thorough protocols for dealing with cases of COVID-19 were developed and tested following a wide-ranging risk assessment. Changes to office layout, procedures to support extra cleaning and a 25% occupancy cap were key mitigation steps implemented as a result. Regular feedback on employee wellbeing has been crucial to adapting and improving the Group's response.

The CMT continue to monitor the ever evolving COVID-19 situation and the Directors have also taken steps to ensure that GM&T's working practices are reviewed and reconsidered for the inevitable new ways of working across our industry when the impact of the pandemic subsides in order to work in the most effective, efficient and competitive way possible.

Financial impact
The key impacts of COVID-19 on the Group's financial performance have been described in the "financial results" and "business activities and environment" sections on pages 01 and 02.

The credit environment during 2020 has been closely and regularly monitored by Group management. A wide array of indicators has been reviewed to monitor deterioration in credit markets generally and more specifically in the markets where GM&T has material credit exposure. Management have proactively taken measures to reduce exposure to counterparties and segments deemed most at risk in the pandemic environment. The Group has also taken a conservative approach in its assessment of Expected Credit Losses under IFRS 9, applying inputs reflecting stressed credit markets in its calculations to reflect prudently the higher risk environment in its bad debt provisioning.

The Group's liquidity position has also been impacted by the COVID-19 pandemic primarily due to volatility in the significant markets where the Group has exchange traded commodity hedge positions resulting in an increase in cash required to margin these positions. Regular forecasting and scenario planning throughout 2020 have been key to successfully navigating the volatile macro environment. The outlook for the Group is positive and profitable despite the business challenges presented by COVID-19 and the Group has sufficient funding headroom available to deliver its business plan even in a stressed operating environment. Further information on this assertion is presented in the "going concern" disclosure in note 2 Basis of preparation.

In addition to the risk measures and financial impact detailed above, the Group has regularly performed impairment assessments of assets in light of the potential COVID-19 impact and determined that there is no reasonable scenario in which impairment would be required.

Key performance indicators
The Group, along with its parent company, have identified a series of key performance indicators ("KPIs") which it believes are useful in assessing the Group's performance. These are set out below.

Indicator type	Key performance indicator	2020	2019	Change
Profitability	**Net income (£m)**	**544.0**	630.3	**(14%)**
Profitability	**EBITDA (£m)**	**354.1**	425.1	**(17%)**
	EBITDA is defined as Earnings (Profit for the financial year) before Interest, Tax, Depreciation and Amortisation			
Profitability	**Net profit after tax (profit for the financial year) (£m)**	**235.8**	312.1	**(24%)**
Efficiency	**Net profit after tax/Net income**	**43%**	50%	**(14%)**

Approved by, and signed on behalf of, the Board of Directors, in accordance with Section 414 of the Companies Act 2006.

A V Mikhalev
12 March 2021

W Skribot
12 March 2021

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

We have examined the supplementary financial information included within the Strategic Report with Supplementary Financial Information for the year ended 31 December 2020, which comprises the Group and Company statement of financial position as at 31 December 2020; the Group and Company statements of comprehensive income, the Group and Company statements of cash flows and the Group and Company statements of changes in equity for the year then ended; and the notes to the supplementary financial information.

Respective responsibilities of the directors and the auditors
The directors are responsible for preparing the Strategic Report with Supplementary Financial Information, in accordance with the Companies Act 2006, which includes information extracted from the full Annual Report and Consolidated Financial Statements of Gazprom Marketing and Trading Limited for the year ended 31 December 2020.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report with Supplementary Financial Information, with those full Annual Report and Consolidated Financial Statements.

This statement, including the opinion, has been prepared for and only for the Gazprom Marketing and Trading Limited's members 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 summary financial information to full annual financial statements. Our audit report on the company's full Annual Report and Consolidated Financial Statements describes the basis of our opinion on those financial statements.

Opinion
In our opinion the supplementary financial information is consistent with the full Annual Report and Consolidated Financial Statements of Gazprom Marketing & Trading Limited for the year ended 31 December 2020.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH
12 March 2021

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 £'000s	Group 2019 £'000s	Company 2020 £'000s	Company 2019 £'000s
Revenue		**2,616,966**	3,071,564	**89**	131
Cost of sales		**(2,630,567)**	(2,990,993)	**–**	–
Gross (loss)/profit		**(13,601)**	80,571	**89**	131
Trading activities:					
Net trading income		**557,636**	549,727	**272,860**	271,673
Net income		**544,035**	630,298	**272,949**	271,804
Administrative expenses	5	**(243,172)**	(257,614)	**(152,333)**	(161,041)
Net impairment (losses)/reversals on financial and contract assets	13	**(17,232)**	(11,377)	**4,662**	(3,391)
Other impairment expense		**–**	(11,241)	**–**	–
Income from subsidiaries[1]		**–**	–	**16,253**	12,473
Operating profit		**283,631**	350,066	**141,531**	119,845
Interest income		**8,323**	13,017	**491**	4,689
Interest expense		**(29,187)**	(30,982)	**(14,619)**	(15,687)
Other income		**8,224**	11,353	**7,739**	11,353
Dividend income from subsidiaries		**–**	–	**8,095**	–
(Loss)/gain on disposal of non-current assets		**(14)**	336	**(14)**	–
Profit before tax		**270,977**	343,790	**143,223**	120,200
Tax		**(35,156)**	(31,678)	**(22,615)**	(20,822)
Profit for the financial year		**235,821**	312,112	**120,608**	99,378
Hedge reserves:					
Hedging (losses)/gains recognised during the year		**(60,961)**	208,483	**(1,935)**	1,954
Cost of hedging		**2,247**	(3,479)	**–**	–
Tax on items taken directly to equity		**(15,729)**	12,145	**327**	(332)
Hedging gains reclassified to profit or loss		**(102,895)**	(230,932)	**–**	–
Tax on items transferred from equity		**(9,535)**	21,781	**–**	–
Loss on foreign currency translation		**(23,275)**	(17,234)	**–**	–
Total other comprehensive (expense)/income		**(210,148)**	(9,236)	**(1,608)**	1,622
Total comprehensive income[2]		**25,673**	302,876	**119,000**	101,000
Total comprehensive income attributable to:					
Equity owners of the parent		**25,673**	302,876	**119,000**	101,000

1 During the year, Income from subsidiaries was reclassified from profit before tax to operating profit, as a review of this balance concluded that this is a more faithful representation of its underlying nature. The comparative balance was also reclassified.
2 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 39 form an integral part of the Supplementary Financial Information.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Assets					
Non-current assets					
Intangible assets		**50,699**	53,506	**29,492**	32,503
Property, plant and equipment		**11,649**	14,756	**8,646**	10,622
Right-of-use assets	6	**264,800**	308,484	**18,854**	26,951
Financial assets measured at fair value	14	**230,848**	323,890	**299,933**	416,199
Investments in subsidiaries	7	**–**	–	**7,958**	4,117
Deferred tax assets		**37,096**	52,019	**4,442**	2,238
Trade and other receivables	12	**19,415**	17,173	**–**	–
Lease receivables		**143,475**	169,248	**2,823**	4,484
		757,982	939,076	**372,148**	497,114
Current assets					
Inventories	8	**754,742**	390,896	**725,901**	368,320
Trade and other receivables	12	**1,955,777**	1,671,127	**1,739,760**	1,371,434
Lease receivables		**20,484**	19,585	**1,467**	569
Financial assets measured at fair value	14	**2,011,155**	1,778,646	**2,175,015**	2,074,443
Current tax assets		**752**	1,677	**–**	–
Cash equivalents receivable from related parties	12	**40,937**	208,487	**47,252**	300,730
Cash at bank and in hand	12	**21,339**	34,014	**8,017**	4,638
		4,805,186	4,104,432	**4,697,412**	4,120,134
Total assets		**5,563,168**	5,043,508	**5,069,560**	4,617,248
Liabilities					
Current liabilities					
Trade and other payables	12	**1,691,739**	1,857,792	**1,361,168**	1,586,654
Financial liabilities measured at fair value	14	**1,990,496**	1,559,667	**2,163,034**	1,868,239
Provisions	10	**11,310**	12,092	**11,531**	10,876
Current tax liabilities		**25,239**	24,189	**4,653**	11,212
Loans and overdrafts	12	**464,335**	–	**979,568**	470,767
Lease liabilities		**57,609**	55,496	**5,882**	6,299
		4,240,728	3,509,236	**4,525,836**	3,954,047
Non-current liabilities					
Trade and other payables	12	**806**	1,040	**190**	190
Lease liabilities		**401,557**	468,984	**20,361**	29,503
Financial liabilities measured at fair value	14	**270,710**	266,333	**323,178**	371,392
Provisions	10	**8,312**	9,586	**6,928**	9,249
Deferred tax liabilities		**12,517**	5,065	**–**	–
		693,902	751,008	**350,657**	410,334
Total liabilities		**4,934,630**	4,260,244	**4,876,493**	4,364,381
Net assets		**628,538**	783,264	**193,067**	252,867
Equity					
Ordinary share capital		**20,000**	20,000	**20,000**	20,000
Other reserves		**(159,280)**	29,192	**14**	1,622
Foreign currency translation reserve		**30,960**	54,235	**–**	–
Retained earnings		**736,858**	679,837	**173,053**	231,245
Equity attributable to:					
Owners of the parent		**628,538**	783,264	**193,067**	252,867
Total equity		**628,538**	783,264	**193,067**	252,867

The notes on pages 10 to 39 form an integral part of the Supplementary Financial Information.

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 12 March 2021 and signed by the Directors as a consistent extract thereof as a part of the Strategic Report with Supplementary Financial Information on 12 March 2021.

Signed on behalf of the Board

A V Mikhalev
12 March 2021

W Skribot
12 March 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Group	Ordinary share capital £'000s	Hedge reserves £'000s	Foreign currency translation reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2019	**20,000**	**22,734**	**71,469**	**367,725**	**481,928**
Profit for the year	–	–	–	312,112	312,112
Other comprehensive income/(expense)	–	7,998	(17,234)	–	(9,236)
Total comprehensive income/(expense)	**–**	**7,998**	**(17,234)**	**312,112**	**302,876**
Less: Currency translation difference	–	(1,540)	–	–	(1,540)
Transactions with owners:					
Dividends declared or paid	–	–	–	–	–
Balance at 31 December 2019	**20,000**	**29,192**	**54,235**	**679,837**	**783,264**
Profit for the year	**–**	**–**	**–**	**235,821**	**235,821**
Other comprehensive expense	**–**	**(186,873)**	**(23,275)**	**–**	**(210,148)**
Total comprehensive (expense)/income	**–**	**(186,873)**	**(23,275)**	**235,821**	**25,673**
Less: Currency translation difference	–	(1,599)	–	–	(1,599)
Transactions with owners:					
Dividends declared or paid	–	–	–	(178,800)	(178,800)
Balance at 31 December 2020	**20,000**	**(159,280)**	**30,960**	**736,858**	**628,538**

Company	Ordinary share capital £'000s	Hedge reserves £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 1 January 2019	**20,000**	**–**	**131,867**	**151,867**
Profit for the year	–	–	99,378	99,378
Other comprehensive income	–	1,622	–	1,622
Total comprehensive income	**–**	**1,622**	**99,378**	**101,000**
Transactions with owners:				
Dividends declared or paid	–	–	–	–
Balance at 31 December 2019	**20,000**	**1,622**	**231,245**	**252,867**
Profit for the year	**–**	**–**	**120,608**	**120,608**
Other comprehensive expense	**–**	**(1,608)**	**–**	**(1,608)**
Total comprehensive (expense)/income	**–**	**(1,608)**	**120,608**	**119,000**
Transactions with owners:				
Dividends declared or paid	–	–	(178,800)	(178,800)
Balance at 31 December 2020	**20,000**	**14**	**173,053**	**193,067**

The notes on pages 10 to 39 form an integral part of the Supplementary Financial Information.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	**2020 £'000s**	2019 £'000s	**2020 £'000s**	2019 £'000s
Operating activities					
Operating profit		**283,631**	350,066	**141,531**	119,845
Depreciation of property, plant and equipment and right-of-use assets		**42,732**	41,389	**6,984**	7,989
Amortisation of intangible assets		**19,569**	21,965	**12,946**	17,012
Unrealised fair value movements on trading contracts at fair value		**(300,101)**	(176,681)	**(116,721)**	(123,929)
Other unrealised movements		**(27,347)**	(32,849)	**(8,610)**	(13,452)
(Decrease)/increase in provisions	10	**(2,056)**	18,629	**(1,666)**	17,324
Other income		**8,225**	11,353	**7,738**	11,353
Impairment losses/(reversal) of financial, contract and other assets		**17,232**	11,377	**(4,661)**	3,391
Operating cash flows before movements in working capital		**41,885**	245,249	**37,541**	39,533
Increase in inventories		**(363,846)**	(46,295)	**(357,581)**	(74,684)
(Increase)/decrease in receivables		**(340,993)**	1,145,318	**(402,798)**	1,009,489
Decrease in payables		**(133,492)**	(830,253)	**(181,718)**	(751,975)
Decrease/(increase) in financial contracts measured at fair value through profit or loss		**432,962**	(104,338)	**377,058**	(119,213)
Cash (used in)/generated from operations		**(363,484)**	409,681	**(527,498)**	103,150
Interest and banking charges paid		**(8,147)**	(7,229)	**(16,421)**	(13,716)
Interest income received		**273**	3,922	**568**	4,450
Income taxes paid		**(32,043)**	(30,944)	**(29,200)**	(27,174)
Net cash (used in)/generated from operating activities		**(403,401)**	375,430	**(572,551)**	66,710
Investing activities					
Investment income received		**–**	–	**8,095**	–
Interest received on lease receivables		**8,050**	8,915	**89**	73
Purchases of property, plant and equipment		**(2,401)**	(2,403)	**(2,277)**	(2,173)
Proceeds from disposal of property		**276**	958	**276**	–
Purchases of intangible assets		**(17,286)**	(14,581)	**(10,459)**	(14,541)
Proceeds from lease agreements		**19,985**	20,756	**368**	2,034
Capital contribution to subsidiary		**–**	–	**(3,841)**	(3,690)
Net cash generated from/(used in) investing activities		**8,624**	13,645	**(7,749)**	(18,297)
Financing activities					
Drawdown of loan from the Group	12	**–**	–	**45,234**	244,383
Repayment of obligations under lease agreements		**(52,884)**	(50,560)	**(2,864)**	(6,198)
Interest paid on lease payables		**(20,954)**	(23,343)	**(217)**	(479)
Drawdown/(repayment) of loan from parent undertakings	12	**466,848**	(67,277)	**466,848**	(67,277)
Dividends paid		**(178,800)**	(100,000)	**(178,800)**	(100,000)
Net cash generated/(used in) from financing activities		**214,210**	(241,180)	**330,201**	70,429
Net (decrease)/increase in cash and cash equivalents		**(180,567)**	147,895	**(250,099)**	118,842
Exchange gain/(loss) on cash and cash equivalents		**342**	(74)	**–**	–
Cash and cash equivalents at the beginning of the year		**242,501**	94,680	**305,368**	186,526
Cash and cash equivalents at the end of the year		**62,276**	242,501	**55,269**	305,368

The notes on pages 10 to 39 form an integral part of the Supplementary Financial Information.

NOTES TO THE SUPPLEMENTARY FINANCIAL INFORMATION

YEAR ENDED 31 DECEMBER 2020

1 CORPORATE INFORMATION

Gazprom Marketing & Trading Limited is a private company limited by shares 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 on page 01.

2 BASIS OF PREPARATION

Statement of compliance

The Group's Annual Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The primary statements in this Annual Report and Financial Statements are presented in accordance with International Accounting Standards (IAS) 1 'Presentation of financial statements'.

The Strategic Report with Supplementary Financial Information 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 2020 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 the way of emphasis without qualifying the report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Basis of measurement

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

Statement of going concern

The Directors have adopted the going concern basis when preparing the financial statements, having assessed the principal risks and considered the potential downside risks presented by the COVID-19 pandemic.

Liquidity forecasting for the Group is assessed by the GPG Group Treasury and GM&T Risk functions on a regular basis for the rolling 12-month period forward. The required funding is provided centrally by the parent company to cover the Group's needs. To ensure sufficient funding is maintained, the GPG Group Treasury team calculates Liquidity Risk Reserve ("LRR"), which represents potential additional liquidity that the business could require in future periods under various stressed market, credit and operational risk scenarios. Ensuring available funding sources to cover the LRR in addition to the base liquidity forecast provides comfort that the Group has substantial headroom to absorb any potential shock events.

Under the LRR calculation methodology, market risk scenarios are based on marginal value at risk ("MVaR") assessments and include stresses against the Group's material energy commodity market exposures. The operational risk component is focused on scenarios which involve the non-receipt of receivables as well as additional negative credit events based on credit value at risk ("CVaR") metrics.

The LRR model is regularly back tested, most recently to assess the 2020 period during which the macro environment was considered stressed relative to prior years. These tests demonstrated that the LRR continues to be an appropriate model for assessing the Group's liquidity positions and providing assurance to management that adequate funds are available (including GPG funding lines outlined below) to support the ongoing business through a severe but plausible downside scenario.

The Group's required funding, available from its immediate parent company Gazprom Germania Group, totals €1.1bn and is comprised of:

1. €500m committed funding line to September 2022
2. €600m cash pooling agreement to September 2022

The Directors of the Group are committed to optimising the Group's liquidity, ensuring that capital is allocated to commercial activities providing the best returns, carefully monitoring the working capital usage within the business and optimising where possible.

Based on a liquidity forecast prepared by management, in which it included any reasonably possible change in the key assumptions on which the cash flow forecast is based and assessing various risk scenarios, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for 12 months from the approval of these financial statements and that at this point in time there are no material uncertainties regarding going concern. These financial statements for the year ended 31 December 2020 have therefore been prepared on a going concern basis, which contemplate the realisation of assets and liquidation of liabilities during the normal course of operations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These policies have been consistently applied to all the years presented.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement 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 Great British Pounds ("Sterling") as described below in the Foreign currency accounting policy.

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

Revenue recognition
Revenues consist of amounts recognised in relation to the Group's Retail gas and electricity supply contracts, and the Group's physical LNG and LPG activities. Revenue is recognised on an accruals basis as performance obligations are satisfied, either at a point in time or over time.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Given the straightforward nature of the contractual terms within the respective revenue streams, the Group does not expect significant uncertainty over the timing or amount of revenue.

Retail
Performance obligations for Retail gas and electricity supply contracts; gas storage; and transportation contracts are satisfied over time, as the goods or services are supplied over the term of the contract and control is transferred. Progress is measured using either the input method or the invoiced amount when applicable, to reflect the value to the customer of the Group's performance completed to date.

For Retail gas and electricity supply contracts, the performance obligations reflect delivery of the respective products over the life of the contract. The transaction price allocated to the performance obligation is the contractually agreed price per unit. This is the amount of consideration the Group expects to receive, net of discounts, rebates, VAT and other sales taxes or duty. There is no variable price element in the performance obligations.

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 (this value must be estimated as most meters will not be read on the year end date). This estimate for unread gas and electricity meters is based upon historical consumption patterns. Such amounts are recognised within contract assets (accrued income) until they are invoiced, at which point they become trade receivables (being an unconditional right to receive consideration).

Contract assets also arise when contract modifications on "blend and extend" contracts are treated as a separate contract, when a customer extends the term of an existing supply contract at a lower rate to the original contract and is charged at a blended rate of the original and new contract.

This treatment results in revenue being recognised at the contractual rate on the original contract for the remaining original contractual period, with the customer being invoiced at the new, comparatively lower blended rate. When the original contract expires and the extension contract begins, revenue will be recognised at the lower contractual rate of the extension contract, whilst the customer is invoiced at the comparatively higher blended rate, realising the contract assets.

Contract liabilities (deferred income) arise when customers prepay for gas and power. Revenue is subsequently recognised when the performance obligations are satisfied i.e. when the products are delivered.

LNG and LPG
Performance obligations for physical LNG and LPG activities are satisfied at a point in time, when control of the goods is transferred to the customer, per the contractual Incoterms. The transaction price is allocated to this performance obligation.

There are no significant financing components in the Group's contracts with customers, as payment is usually due within 20 days.

Cost of sales
Cost of sales includes the cost of LNG, LPG, Retail gas and Retail electricity purchased during the period and related transportation, distribution costs, balancing charges, bought-in materials, costs of emissions certificates to satisfy regulatory requirements and other services. It also includes the net costs of chartering and subchartering of vessels which are not captured within the scope of IFRS 16: Leases (refer to the accounting policy on leases on page 13).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Net trading income recognition
The Group undertakes significant activities which, for the purposes of disclosure in the Financial Statements, have been classified as "trading". The Group uses the net gains and losses generated from non-financial and financial instruments classified as held for trading per IFRS 9 as the basis for this categorisation.

Net income from trading activities is recognised on transactions that optimise the performance of the Group's energy portfolio. The Group routinely enters into sale and purchase transactions for commodities. These contracts, which are non-financial instruments, include pricing terms that are based on a variety of commodities and indices. Where required by IFRS 9, these contracts are recognised in the Statement of financial position at fair value with movements in fair value recognised in the Statement of comprehensive income within 'Net trading income'.

'Net trading income' is attributable to the Group's principal activities, those are the marketing and trading of energy products, except in relation to Retail gas and electricity contracts, gas storage and transportation contracts, and physical LNG and LPG activities.

In addition to net gains and losses from items classified as held for trading within the scope of IFRS 9, revenues and costs of complementary contracts are also disclosed within Net trading income.

These include products which are considered to be part of the Group's trading activities: certain emission certificates, held at the lower of cost or net realisable value; and gas and other energy storage and transportation capacities against which revenue is recognised on an accrual basis. Revenue in respect of gas storage and transportation is subject to the Revenue recognition accounting policy set out above. Energy purchase and sale transactions entered to optimise the performance of the storage facilities are also presented within 'Net trading income'.

Right-of-use assets
Right-of-use assets are recognised to represent those assets to which the Group has access under lease contracts. They are measured at cost comprising of:

- The amount of initial measurement of the corresponding lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Right-of-use assets are depreciated over the lease term on a straight-line basis, as each asset's useful life is considered equal to or greater than the lease term.

In instances where the timing of cash flows under the lease has changed or the total expected cash flows have changed due to the exercise of extension or termination options, or other lease modifications which have not been accounted for as separate leases; the right-of-use asset is adjusted in an amount corresponding to the amount of change in the lease liability (see below).

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

LNG, LPG and certain gas positions which are managed outside of the trading books; and certain emissions certificates are held at the lower of cost and net realisable value. Net realisable value is the price at which inventory can be sold in the ordinary course of business after allowing for the estimated costs of sale. Bunker fuel and LNG heel for chartered vessels are recorded at the lower of cost and net realisable value.

Gas storage
Physical gas storage contracts are treated as executory contracts and carried at amortised cost. Inventory stored in this manner is accounted for separately from the storage contract.

Virtual gas storage contracts are treated as financial instruments held at fair value with gains and losses reported through Net trading income. Any inventory placed within virtual storage arrangements is derecognised from the Statement of financial position, and a corresponding financial asset receivable is recorded.

Where virtual gas storage capacity has been sold and the Group receives gas inventory under the arrangement, a financial liability measured at the fair value of the gas to be returned to the counterparty is recorded.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Trade payables and receivables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade receivables are initially recognised at the amount of consideration that is unconditional, less expected credit losses, unless they contain a significant financing component in which case they are recognised at fair value.

Leases
The Group leases various offices, ships, equipment and vehicles for fixed periods of up to 15 years. The ships are used for the purpose of transporting LNG in the Group's Global LNG, Oil and Shipping business.

Extension options in some contracts provide the lessee with the right to extend the lease past the initial term of the contract. Termination options in some contracts provide the lessee with the right to terminate the lease before the end of the lease term.

For ships, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For all other classes of right-of-use assets, the Group has elected not to separate non-lease components from lease components, and instead accounts for these as a single lease component.

Lessee
Where the Group is the lessee, it recognises a right-of-use asset and a corresponding lease liability in the Statement of financial position on the date that the leased asset is made available for use to the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. The Group's lease payments consist only of fixed payments during the lease term, and as such the lease liability is the net present value of the fixed payments. The accounting policy for right-of-use assets can be found above on page 12.

Where the lease contains extension or termination options, the lease term is determined to be the non-cancellable period of the lease plus any additional period where the Group is reasonably certain to exercise an extension option or not to exercise a termination option.

The Group makes use of the exemption under IFRS 16 for short-term leases, under which payments for leases with a term shorter than 12 months are recognised on a straight-line basis through the Statement of comprehensive income. No right-of-use asset is recognised in these instances.

Where possible, lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Uses a bottom-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

Lessor
A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the related asset to the lessee; otherwise it is classified as an operating lease.

a) Finance leases
Assets held under finance leases are presented as receivables in the Statement of financial position at an amount equal to the net investment in the lease. Finance income recognition is based on a pattern reflecting a constant periodic return on the net investment in the finance lease.

b) Operating leases
Payments received under operating leases, net of lease incentives or premiums, are recognised in the Statement of comprehensive income on a straight-line basis over the period of the lease.

c) Intermediate lessor
The Group acts as an intermediate lessor by subleasing ships to external counterparties and subleasing office space to both related and unrelated counterparties. These subleases are treated in line with normal lessor activity, except that the assessment of the transfer of risks and rewards is now with reference to the term of the head lease, rather than the useful economic life of the underlying asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provisions and impairment

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

Assets which are not measured at fair value through profit or loss are assessed for impairment on an ongoing basis. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses are recognised to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use. Intangible assets (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Onerous contract provisions are recognised for those contracts which do not form part of cash-generating units and for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Foreign currency

a) Functional and presentation currency

The Financial Statements of the Group and Company are presented in Sterling, which is also the functional currency of the Company.

All currency amounts in the Financial Statements are rounded to the nearest thousand Sterling unless stated otherwise.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

c) Translation of subsidiaries results

Subsidiaries of the Company have been consolidated into the Group Financial Statements using the average conversion rate for the year for items presented on the Statement of comprehensive income and the closing rate for items presented on the Statement of financial position. Translation differences arising from net investments in foreign operations are taken to the Foreign currency translation reserve.

Financial and non-financial instruments within the scope of IFRS 9

Trading assets and liabilities are recognised in the Statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or when the Group transfers the financial asset and substantially all the risk and rewards of ownership to another party.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets within the scope of IFRS 9 are classified at amortised cost, fair value through profit or loss or fair value through other comprehensive income, on the basis of the business model within which they are held, and on their contractual cash flow characteristics. Financial liabilities within the scope of IFRS 9 are classified as held at amortised cost or fair value through profit or loss.

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 in line with business model assessments.

Trading contracts at fair value through profit and loss

Trading assets and liabilities are carried in the Statement of financial position at fair value with gains or losses recognised in the Statement of comprehensive income within 'Net trading income', except for certain financial instruments designated as hedging instruments. Financial assets or financial liabilities classified as held for trading 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 Statement of comprehensive income. The determination of fair value and the treatment of financial instruments designated as hedging instruments are described below.

The Group enters into contracts to buy or sell commodities for trading purposes and not for the purpose of receipt or delivery of the underlying commodity in order to meet the Group's expected own-use requirements. Even though the majority of these contracts are physically delivered, where such contracts are deemed to be capable of net settlement, for example where the commodity is deemed to be readily convertible to cash, they are treated as financial assets or liabilities within the scope of IFRS 9 and measured at fair value with associated gains or losses recognised directly in the Statement of comprehensive income within 'Net trading income'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial and non-financial instruments within the scope of IFRS 9 continued

Financial assets and liabilities at amortised cost

Financial assets held within a business model where the objective is to collect contractual cash flows, and where such contractual cash flows are solely payments of principal and interest, are classified as assets held at amortised cost. They are initially recognised on settlement date at fair value, plus any directly attributable transaction costs. They are subsequently measured at amortised cost, using the effective interest rate method, less an allowance for expected credit losses.

Financial liabilities which are not measured at fair value through profit and loss are classified as liabilities held at amortised cost. They are initially recognised on settlement date at fair value, less any directly attributable transaction costs, and subsequently measured at amortised cost, using the effective interest rate method.

Trade and other receivables, and short-term payables, for which the effect of discounting would be immaterial, are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

Interest is recognised in the Statement of comprehensive income within 'Interest income' or 'Interest expense' as appropriate. The fair value on initial recognition includes directly attributable transaction costs.

Fair value

The Group uses various methods to determine the fair value of items for both initial recognition and subsequent measurement.

At the close of business on the reporting date, the fair value of assets traded in an active market is determined by reference to the bid price for net open asset positions; the ask price for net open liability positions; and mid-market prices where there are assets and liabilities with offsetting risks.

Where the 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 similar, discounted cash flow analysis and option pricing models.

The Group endeavours to utilise valuation techniques that maximise dependence on market observable inputs and minimise the use of unobservable inputs. Refer to note 15 for further details on the Group's use of fair value measurement.

Treatment of "day-one" gains and losses

In the normal course of its business, the Group will acquire non-financial and financial instruments where the fair value on initial recognition is the transaction price. For certain transactions the fair value on initial recognition is based on other observable market data for the same instrument or calculated using a valuation technique where all input variables are based on observable market data. When evidence from observable market data that the fair value is different to the transaction price, the Group recognises a "day-one" gain or loss at inception within 'Net trading income'.

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

Embedded derivatives

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

Offsetting of balances

Financial and non-financial assets and liabilities are reported on a net basis only where there is a currently enforceable legal right of offset and there is an intention to settle on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets and expected credit loss model

The Group applies an expected loss model for the impairment of financial assets which are not measured at fair value through profit and loss. The Group has the following types of financial instruments that are subject to the expected credit loss model:

- Trade and other receivables
- Finance lease receivables from affiliated companies
- Contract assets
- Financial guarantee contracts
- Cash and cash equivalents

The measurement of expected credit losses on financial assets and financial guarantee contracts is based on the term of the asset, the credit quality of the obligor and assumptions about the future risk of default and expected loss rates. The Group uses judgement in making these assumptions; selecting the inputs to the impairment calculation based on the Group's past credit loss experience, existing market conditions, and forward-looking estimates at the end of each reporting period.

For details of the key assumptions and inputs used, see note 13 on credit risk.

Expected credit losses, and any subsequent reversals, are recognised in the Statement of comprehensive income and are reflected in the carrying amount of the impaired asset on the Statement of financial position.

Reversals of expected credit losses occur when the expected credit loss decreases as a result of changes in inputs regarding risk of default and expected loss rates. These reversals are limited such that the value of the asset cannot exceed the amortised cost value that would have been recorded at the reporting date had the impairment not been recognised.

Where recoveries of actual credit losses are achieved from independent credit enhancements (e.g. guarantees), those inflows are accounted for independently from the original exposure.

The Group applies the simplified approach, as described by IFRS 9, to measure expected credit losses for trade and other receivables, contract assets and finance lease receivables. The simplified approach permits the use of a lifetime expected loss allowance.

Loss allowances on financial guarantees are based on expectations of credit losses over a 12-month horizon, unless there has been a significant increase in credit risk of the reference entity in the contract since initial recognition. Where there has been a significant increase in credit risk on the contract since initial recognition, the lifetime expected loss model is applied.

Hedge accounting

IFRS 9 sets out the criteria for the application of hedge accounting. A key requirement is that the hedging relationship must be documented in detail and an economic relationship between the hedged item and hedging instrument be demonstrated.

The Group uses certain financial and non-financial instruments to hedge exposures to financial risks, such as commodity price risks and foreign exchange risks which arise in the normal course of business. All such hedging instruments are measured at fair value upon initial recognition and are re-measured to fair value at each subsequent reporting date.

For those instruments designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the Group's risk management strategy and objective for undertaking the hedge. It also includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements, including an analysis of sources of hedge ineffectiveness and how the hedge ratio is determined.

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

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

The treatment of gains and losses arising from the revaluation of hedging instruments depends on the nature of the hedging relationship.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value hedges
Fair value hedges are used to hedge the risk of changes in fair value of unrecognised firm commitments. The Group applies fair value hedge accounting when hedging commodity price risks of natural gas storage contracts.

The change in fair value of derivatives designated within effective fair value hedges continues to be recognised in the Statement of comprehensive income. During the life of the hedge, the change in fair value of the designated firm commitments attributable to the risk being hedged is recognised on both the Statement of financial position and in the Statement of comprehensive income as a financial instrument at fair value through profit and loss.

Fair value hedge accounting is discontinued only when the hedging relationship or a part thereof ceases to meet the qualifying criteria. This includes instances where the risk management objective changes or when the hedging instrument is sold, terminated or exercised. The accumulated adjustment to the carrying amount of the hedged item at the point of discontinuation is then amortised prospectively to profit or loss over the hedged item's remaining period to maturity.

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 Statement of financial position or a highly probable forecast transaction. The effective portions of changes in the fair value of instruments that are designated and qualify as cash flow hedges are deferred in Equity. The gain or loss relating to the ineffective portion is recognised immediately in 'Net trading income'.

Amounts deferred in Equity are recycled to the Statement of comprehensive income in the periods during which the hedged item is recognised in the Statement of comprehensive income. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred are transferred from Equity and included in the initial measurement of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the risk management objective for the hedge relationship has changed, the hedging instrument expires, is sold, terminated, exercised or the hedge relationship 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 the Statement of comprehensive income. 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 IMPACT OF CHANGES IN ACCOUNTING POLICY

New standards and interpretations not yet adopted
Certain new accounting standards, amendments and interpretations have been published; these have been fully adopted where the requirements of these publications are mandatory for this reporting period. These standards did not have a material impact on the Group in the current reporting period.

The Group has not early adopted the requirements of any standard, amendment or interpretation which is not mandatory for the reporting period. These standards are not currently expected to have a material impact on the Group in the current or future reporting periods, nor on foreseeable future transactions.

5 ADMINISTRATIVE EXPENSES

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Administrative expenses				
Staff costs	**130,850**	137,352	**95,283**	93,652
Other employee costs	**12,560**	14,921	**10,294**	11,143
Office costs	**33,051**	33,703	**24,323**	25,768
Rentals under short-term leases	**10**	281	**7**	268
Travel expenses	**739**	4,499	**416**	3,048
Consultancy (excluding Auditors' remuneration)	**2,416**	2,410	**1,246**	1,503
Auditors' remuneration	**1,245**	1,093	**834**	658
Depreciation	**42,732**	41,390	**6,984**	7,989
Amortisation	**19,569**	21,965	**12,946**	17,012
	243,172	257,614	**152,333**	161,041

6 RIGHT-OF-USE ASSETS

Group	Leasehold property £'000s	Vessels £'000s	Office equipment £'000s	Vehicles £'000s	Total £'000s
Cost					
At 1 January 2019	35,112	310,304	–	–	345,416
Additions and remeasurement	13,623	–	–	49	13,672
Disposals	(49)	(1,709)	–	–	(1,758)
Derecognition due to sublease	(3,859)	–	–	–	(3,859)
Currency translation	(292)	(9,092)	–	–	(9,384)
At 1 January 2020	**44,535**	**299,503**	**–**	**49**	**344,087**
Additions and remeasurement	910	–	52	–	962
Transfers	441	–	–	–	441
Remeasurement	(773)	–	–	–	(773)
Currency translation	(215)	(9,635)	(3)	–	(9,853)
At 31 December 2020	**44,898**	**289,868**	**49**	**49**	**334,864**
Accumulated depreciation					
At 1 January 2019	–	–	–	–	–
Charge for the year	6,745	29,806	–	21	36,572
Currency translation	(63)	(906)	–	–	(969)
At 1 January 2020	**6,682**	**28,900**	**–**	**21**	**35,603**
Charge for the year	5,105	32,297	4	25	37,431
Currency translation	(84)	(2,886)	–	–	(2,970)
At 31 December 2020	**11,703**	**58,311**	**4**	**46**	**70,064**
Net book value					
At 31 December 2020	**33,195**	**231,557**	**45**	**3**	**264,800**
At 31 December 2019	37,853	270,603	–	28	308,484

Company	Leasehold properties £'000s	Vehicles £'000s	Total £'000s
Cost			
At 1 January 2019	22,007	–	22,007
Additions and remeasurement	13,146	49	13,195
Disposals	(40)	–	(40)
Derecognition due to sublease	(3,859)	–	(3,859)
At 1 January 2020	**31,254**	**49**	**31,303**
Additions	648	–	648
Remeasurement	(6,248)	–	(6,248)
At 31 December 2020	**25,654**	**49**	**25,703**
Accumulated depreciation			
At 1 January 2019	–	–	–
Charge for the year	4,331	21	4,352
At 1 January 2020	**4,331**	**21**	**4,352**
Charge for the year	2,471	26	2,497
At 31 December 2020	**6,802**	**47**	**6,849**
Net book value			
At 31 December 2020	**18,852**	**2**	**18,854**
At 31 December 2019	26,923	28	26,951

7 INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name of subsidiary	Registered address	Place of incorporation and operation	Business activity	Ordinary shares owned	Proportion of voting power
Gazprom Global LNG Ltd ("GGLNG")	20 Triton Street, London, NW1 3BF	United Kingdom	Energy trading	100%	100%
Gazprom Marketing & Trading Retail Ltd ("GM&T Retail")	20 Triton Street, London, NW1 3BF	United Kingdom	Energy supply	100%	100%
Gazprom Mex (UK) 1 Ltd	20 Triton Street, London, NW1 3BF	United Kingdom	Holding company	100%	100%
Gazprom Mex (UK) 2 Ltd	20 Triton Street, London, NW1 3BF	United Kingdom	Holding company	100%	100%
Gazprom Marketing & Trading France SAS ("GM&T France")	68 Avenue des Champs Elysées 75008, Paris, France	France	Energy supply	100%	100%
Gazprom Marketing & Trading USA, Inc. ("GM&T USA")	1675 S State St, Ste B, Dover, Kent County, State of Delaware, 19901 USA	USA	Energy trading	100%	100%
Gazprom Marketing & Trading Singapore Pte Ltd ("GM&T Singapore")	10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315	Singapore	Energy trading	100%	100%
Gazprom Marketing & Trading Mexico S.de R.L.de C.V. ("GM&T Mexico")	Bosque de Ciruelos 180 PP 101, Bosques de las Lomas, Del. Miguel Hidalgo, Distrito Federal, 11700, Mexico	Mexico	Energy trading	100%	100%
Gazprom Marketing & Trading Switzerland AG ("GM&T Switzerland")	Poststrasse 2 Zug, 6300, Switzerland	Switzerland	Energy trading	100%	100%

All investments were held directly by the Company, except for the investment in Gazprom Marketing & Trading Mexico S.de R.L. de C.V. of whose equity Gazprom Mex (UK) 1 Ltd holds 99.99% and Gazprom Mex (UK) 2 Ltd holds 0.01%. In addition, Gazprom Mex (UK) 1 Ltd holds 100% of the equity of Gazprom Mex (UK) 2 Ltd.

Dividend income of £8.1m was received by the Company from its subsidiaries in 2020 (2019: £nil).

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

	Company	
	2020 £'000s	2019 £'000s
At 1 January	**4,117**	427
Capital contribution to subsidiaries	**3,841**	3,690
At 31 December	**7,958**	4,117

8 INVENTORIES

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Gas in storage	**661,445**	247,161	**661,246**	247,149
Emissions, green energy and other compliance certificates	**72,300**	126,165	**58,105**	121,171
LNG inventories	**18,600**	17,099	**6,550**	–
Other inventories	**2,397**	471	**–**	–
	754,742	390,896	**725,901**	368,320

£1,474.9m of Group inventory was derecognised from the Statement of financial position and subsequently recognised as an expense in the year (2019: £1,154.0m). £163.9m of Company inventory was derecognised from the Statement of financial position and subsequently recognised as an expense in the year (2019: £68.1m).

£5.3m (2019: £75.0m) of gas in storage was accounted for at the lower of cost or net realisable value at year-end as the Group does not hold active withdrawal or injection rights.

During the year, certain certificates have been reclassified from Gas in storage to Emissions, green energy and other compliance, as a review of such balances concluded that this is a more faithful representation of their underlying nature. Reclassification of £3.9m from Gas in storage to Emissions, green energy and other compliance was made to the Group's comparative period.

9 LEASES

The Group leases various offices, ships, office equipment and vehicles for fixed periods up to 15 years. The ships are used for transporting LNG in the Group's Global LNG, Oil and Shipping business.

Disclosure of the carrying value, additions and depreciation of right-of-use assets can be found in note 6, right-of-use assets.

The Group also acts as an intermediate lessor by subleasing ships and office space to both related and unrelated counterparties.

The Company subleases office space to both related and unrelated counterparties.

a) Amounts recognised in the Statement of comprehensive income

The Statement of comprehensive income includes the following amounts relating to leases:

		Group		Company	
	Note	**2020 £'000s**	2019 £'000s	**2020 £'000s**	2019 £'000s
Depreciation of right-of-use assets, included within administrative expenses	6	**37,431**	36,572	**2,497**	4,352
Lease interest expense, included within interest expense		**20,954**	23,343	**217**	479
Expense relating to short-term leases, included within cost of sales		**7,529**	22,623	**255**	255
Income relating to short-term leases for right-of-use assets, included within cost of sales		**29,835**	40,719	**–**	–
Income relating to short-term leases for non-right-of-use assets, included within cost of sales		**–**	3,250	**–**	–
Finance income on the net investment in leases		**8,050**	8,915	**89**	73

b) Extension and termination options

Some of the Group's office leases contain termination options, and some of the Group's shipping leases contain extension options. These options provide flexibility for the Group to respond to the dynamic and constantly evolving nature of the commodity marketplace by managing its assets and infrastructure.

Certain of the Group's shipping contracts contain flexibility around redelivery dates at the end of the lease term, between 30- and 90-day extensions. These provisions allow the Group to avoid penalties for late delivery where ships are delayed due to poor weather, congestion at ports or other operational difficulties.

The majority of extension and termination options held can be exercised only at the Group's discretion. The Group takes the view that there is no reasonable certainty that the Group will exercise such options unless there are existing approved business plans to do so at the reporting date.

As of 31 December 2020, potential future cash flows of £480.7m (undiscounted) (2019: £495.4m (undiscounted)) have not been included in the lease liability, because it is not reasonably certain that the leases will be extended or not terminated.

c) Committed leases not yet commenced

The Group signed two shipping leases, both with a seven-year lease term, commencing in 2021. The total future payments (relating to the base term) under these leasing contracts are £266.0m. Both of the seven-year shipping contracts each contain 10-year extension options.

d) Lease commitments

The Group has entered into long term contracts that are within the scope of IFRS 16. These contracts include LNG tankers chartered by the Group and property leases.

The maturities of the undiscounted lease liabilities under IFRS 16 are as follows:

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Not later than one year	**73,850**	75,804	**6,385**	6,880
Later than one year and not later than five years	**290,832**	302,321	**20,659**	27,405
Later than five years	**170,821**	247,254	**1,283**	3,842
	535,503	625,379	**28,327**	38,127

9 LEASES continued

e) Intermediate lessor

In managing the Group's right-of-use assets, the Group and the Company may sublease certain assets to external or related counterparties, with the purpose of maximising the economic value accruing to the Group from utilising the assets.

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangements in which it subleases office spaces and vessels to third parties in return for monthly lease payments. The sublease periods do not represent a significant proportion of the remaining lease terms of the head leases and accordingly are classified as operating leases.

Income from subleasing these assets recognised during the financial year 2020 was £29.8m (2019: £40.7m) for the Group.

Undiscounted lease payments from operating leases to be received on an annual basis are shown below:

	Group		Company	
Operating leases	**2020 £'000s**	2019 £'000s	**2020 £'000s**	2019 £'000s
Within 1 year	**1,434**	21,248	**–**	–
More than 2 years	**–**	–	**–**	–
Total undiscounted lease payments	**1,434**	21,248	**–**	–

Subleases – classified as finance leases

The Group's subleases of two LNG vessels and certain property leases are classified as finance leases because these subleases comprise the majority of the remaining term of the related head leases. The corresponding right-of-use assets are derecognised and a net investment in the sublease is recognised under "Lease receivables".

Finance income related to net investments in subleases during the financial year was £8.1m (2019: £8.9m) for the Group.

The following table shows a maturity analysis of the undiscounted lease payments to be received:

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Within 1 year	**27,499**	27,594	**1,788**	831
Between 1 and 2 years	**26,499**	28,530	**865**	1,957
Between 2 and 3 years	**26,499**	28,064	**865**	1,577
Between 3 and 4 years	**26,451**	27,317	**865**	831
Between 4 and 5 years	**25,714**	27,266	**283**	831
Later than 5 years	**59,095**	87,603	**–**	266
Total: undiscounted lease payments	**191,757**	226,374	**4,666**	6,293
Less: unearned future finance income	**(27,529)**	(36,233)	**(157)**	(227)
Less: Loss allowance for leases (note 13)	**(269)**	(1,308)	**(219)**	(1,013)
Net investment in finance lease	**163,959**	188,833	**4,290**	5,053
Current	**20,484**	19,585	**1,467**	569
Non-current	**143,475**	169,248	**2,823**	4,484
Total	**163,959**	188,833	**4,290**	5,053

9 LEASES continued

f) Net investment in leases as an intermediate lessor

Changes in the carrying amount of the net investment in leases are shown below:

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Opening net investment in leases	**188,833**	3,019	**5,053**	3,019
Remeasurement of existing and recognition of new finance leases on transition	**–**	209,320	**–**	1,293
Recognition of new finance leases during the year	**–**	2,775	**–**	2,775
Remeasurement of existing finance leases	**(276)**	–	**(526)**	–
Lease payments received	**(28,035)**	(29,671)	**(457)**	(2,107)
Finance income earned in the year	**8,050**	8,915	**89**	73
Translation differences	**(4,613)**	(5,525)	**131**	–
Closing net investment in leases	**163,959**	188,833	**4,290**	5,053

10 PROVISIONS

Group	**Property £'000s**	**Onerous contracts £'000s**	**Other £'000s**	**Total £'000s**
At 1 January 2019	2,403	551	95	3,049
Additional provisions	–	16,255	3,152	19,407
Provisions utilised/released	–	(778)	–	(778)
At 1 January 2020	**2,403**	**16,028**	**3,247**	**21,678**
Additional provisions	–	8,150	351	8,501
Provisions utilised/released	–	(7,298)	(3,297)	(10,595)
Currency translation	19	–	19	38
Transfer	–	(530)	530	–
At 31 December 2020	**2,422**	**16,350**	**850**	**19,622**

Company	**Property £'000s**	**Onerous contracts £'000s**	**Other £'000s**	**Total £'000s**
At 1 January 2019	1,500	–	1,301	2,801
Additional provisions	–	15,466	1,858	17,324
Provisions utilised/released	–	–	–	–
At 1 January 2020	**1,500**	**15,466**	**3,159**	**20,125**
Additional provisions	–	8,150	–	8,150
Provisions utilised/released	–	(7,266)	(2,550)	(9,816)
At 31 December 2020	**1,500**	**16,350**	**609**	**18,459**

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. These provisions give rise to related assets which are included as part of the initial measurement of right-of-use assets, see note 6.

Onerous contract provisions relate to a long-term contract for capacity on a gas transportation pipeline which has been treated as an onerous contract during both the current and prior period. Judgement has been exercised to determine the expected amount of onerous payments which exceed expected future benefits, particularly for future periods where market prices are not readily available.

Other provisions may include legal provisions. In the ordinary course of business, from time to time the Group becomes engaged in contractual disputes with trading counterparties which may result in litigation for which a provision is required. The provision at 31 December 2020 represents the best estimate of the amount required to settle such obligations.

11 NET DEBT RECONCILIATION

The table below sets out an analysis of the movement in net debt during the year:

Group

31 December 2020	Cash £'000s	Loan from subsidiary entities £'000s	Finance lease liabilities £'000s	Total £'000s
Net debt as at 1 January 2020	**242,501**	**–**	**(524,480)**	**(281,979)**
Acquisitions and remeasurement of leases	**–**	**–**	**410**	**410**
Cash flow	**(180,567)**	**(466,848)**	**52,884**	**(594,531)**
Currency translation	**342**	**2,513**	**12,020**	**14,875**
Net debt as at 31 December 2020	**62,276**	**(464,335)**	**(459,166)**	**(861,225)**

Group

31 December 2019	Cash £'000s	Loan from subsidiary entities £'000s	Finance lease liabilities £'000s	Total £'000s
Net cash as at 1 January 2019	94,680	(67,277)	–	27,403
Adoption of IFRS 16	–	–	(578,002)	(578,002)
Acquisitions and remeasurement of leases	–	–	(11,914)	(11,914)
Cash flow	147,895	67,277	50,560	265,732
Currency translation	(74)	–	14,876	14,802
Net debt as at 31 December 2019	**242,501**	**–**	**(524,480)**	**(281,979)**

Company

31 December 2020	Cash £'000s	Loan from parent and subsidiary entities £'000s	Finance lease liabilities £'000s	Total £'000s
Net debt as at 1 January 2020	**305,368**	**(470,767)**	**(35,802)**	**(201,201)**
Acquisitions and remeasurement of leases	**–**	**–**	**6,247**	**6,247**
Cash flow	**(250,099)**	**(512,082)**	**2,864**	**(759,317)**
Currency translation	**–**	**3,281**	**448**	**3,729**
Net debt as at 31 December 2020	**55,269**	**(979,568)**	**(26,243)**	**(950,542)**

Company

31 December 2019	Cash £'000s	Loan from parent and subsidiary entities £'000s	Finance lease liabilities £'000s	Total £'000s
Net debt as at 1 January 2019	186,526	(297,464)	–	(110,938)
Adoption of IFRS 16	–	–	(28,845)	(28,845)
Acquisitions and remeasurement of leases	–	–	(13,155)	(13,155)
Cash flow	118,842	(177,106)	6,198	(52,066)
Currency translation	–	3,803	–	3,803
Net debt as at 31 December 2019	**305,368**	**(470,767)**	**(35,802)**	**(201,201)**

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the Group's financial instruments, including:

- an overview of all the financial instruments held by the Group, including trading contracts to deliver non-financial items which are within the scope of IFRS 9;
- specific information about each type of financial instrument.

For information about determining the fair value of the instruments, including judgements and estimation uncertainty involved, refer to note 14, financial and non-financial instruments within the scope of IFRS 9.

The Group holds the following financial instruments:

		Group		Company	
	Note	**2020 £'000s**	2019 £'000s	**2020 £'000s**	2019 £'000s
Financial assets					
Financial assets at amortised cost:					
Trade and other receivables	12a	**1,975,192**	1,688,300	**1,739,760**	1,371,434
Lease receivables		**163,959**	188,833	**4,290**	5,053
Cash equivalents receivable from related parties	12b	**40,937**	208,487	**47,252**	300,730
Cash and cash equivalents	12b	**21,339**	34,014	**8,017**	4,638
Financial assets measured at fair value through profit or loss:					
Trading contracts	14	**2,179,286**	2,019,713	**2,412,231**	2,407,819
Fair value storage contracts	14	**62,717**	82,823	**62,717**	82,823
		4,443,430	4,222,170	**4,274,267**	4,172,497
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and other payables	12c	**1,692,545**	1,858,832	**1,361,358**	1,586,844
Lease liabilities		**459,166**	524,480	**26,243**	35,802
Loans and overdrafts	12d	**464,335**	–	**979,568**	470,767
Financial liabilities measured at fair value through profit or loss:					
Trading contracts	14	**2,223,300**	1,784,706	**2,448,306**	2,198,337
Fair value storage contracts	14	**37,906**	41,294	**37,906**	41,294
		4,877,252	4,209,312	**4,853,381**	4,333,044

For financial assets and financial liabilities measured at fair value through profit or loss, changes in fair value are immediately recognised in profit or loss, except for effective amounts in hedging relationships.

The Group's exposure to various risks associated with financial instruments, the maximum exposure to credit risk at the end of the reporting period, and the carrying amount of each class of financial assets is discussed in note 13.

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

a) Trade and other receivables

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Due within one year				
Amounts receivable from sale of commodities:	**1,775,020**	1,478,653	**1,670,180**	1,315,225
from third parties	**1,659,763**	1,439,475	**1,442,289**	1,145,562
from subsidiary companies	**–**	–	**125,446**	130,562
from affiliated companies	**115,257**	39,178	**102,445**	39,101
Contract assets	**154,515**	162,982	**–**	–
Prepayments	**20,653**	22,148	**8,761**	11,097
Other debtors	**5,589**	7,344	**60,819**	45,112
	1,955,777	1,671,127	**1,739,760**	1,371,434
Due after one year				
Other long-term receivables	**19,415**	17,173	**–**	–
	19,415	17,173	**–**	–
Relating to:				
Financial assets	**1,800,024**	1,503,170	**1,730,999**	1,360,337
Non-financial assets	**175,168**	185,130	**8,761**	11,097
	1,975,192	1,688,300	**1,739,760**	1,371,434

Included within trade and other receivables are contract assets and prepayments, which are non-financial assets. These items have been aggregated within trade and other receivables as they represent a material class of similar items.

The Group holds these financial assets with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest rate method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 13.

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.

b) Cash and cash equivalents

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Cash at bank and in hand	**21,339**	34,014	**8,017**	4,638
Cash equivalents with parent companies	**40,937**	208,487	**40,937**	208,487
Cash equivalents with subsidiary companies	**–**	–	**6,315**	92,243
Total cash and cash equivalents	**62,276**	242,501	**55,269**	305,368

Cash equivalents with subsidiaries comprise balances held with subsidiaries under cash pooling arrangements.

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

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

c) Trade and other payables

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Due within one year				
Amounts owed for purchase of commodities:	**1,492,282**	1,672,892	**1,284,391**	1,502,002
to third parties	**1,311,196**	1,203,563	**1,073,679**	977,355
to subsidiaries	**–**	–	**35,714**	68,863
to affiliated companies	**181,086**	469,329	**174,998**	455,784
Contract liabilities	**7,351**	7,908	**–**	–
Accruals	**70,571**	78,153	**56,405**	58,701
Deferred income	**3,677**	13,166	**2,013**	8,032
Other payables	**117,858**	85,673	**18,359**	17,919
	1,691,739	1,857,792	**1,361,168**	1,586,654
Due after more than one year				
Other long-term payables	**806**	1,040	**190**	190
Relating to:				
Financial liabilities	**1,681,517**	1,837,758	**1,359,345**	1,578,812
Non-financial liabilities	**11,028**	21,074	**2,013**	8,032
	1,692,545	1,858,832	**1,361,358**	1,586,844

Included within trade and other payables are contract liabilities and deferred income, which are non-financial in nature.

Included within the Group's trade and other payables to third parties is an amount of £162.1m (2019: £135.8m) relating to gas commodity prepayments.

d) Loans and overdrafts

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Amounts owed:				
to parents	**464,331**	–	**464,333**	–
to subsidiaries	**–**	–	**515,235**	470,767
to third parties	**4**	–	**–**	–
	464,335	–	**979,568**	470,767

As at 31 December 2020, the Group had access to various uncommitted and committed rolling credit facilities. Details of the facilities of the Group are discussed in the Liquidity risk section of note 13.

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

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Risk Management System is an integral component of the business processes and activities of the Group. GPG's Managing Director has overall responsibility for the GPG Group-wide Risk Management System. The GM&T Directors are in turn responsible for ensuring that GM&T follows the risk strategy, principles and policies as defined by the GPG Managing Director. This process is run on the principle of three lines of defence, with the Risk Owners (principally the Commercial Department) operating as the first-line of defence; the Risk Co-ordinators (the independent Group Risk Department) operating as the second-line of defence; and the Audit function (Controls Review Department) operating as the third-line of defence.

The Gazprom Marketing & Trading Commercial Department, as Risk Owners, are primarily responsible for managing the Group's risks. They are supported by the Group Risk Department that provides an advisory, control and oversight function, independent of the Commercial and other Support Functions. The GPG Managing Director is further supported in his risk management responsibilities by the GPG Risk Oversight Committee ("ROC"). The ROC provides recommendations and advice to the GPG Managing Director on risk-related matters and consists of members from the PAO Gazprom Risk and Legal functions, as well as Gazprom Export Risk.

The Risk Management System defines enterprise risk management throughout the GPG Group, setting out a unified framework of risk management throughout the GPG group companies, including the Group. This policy is further supported by specific risk policies for Credit, Market and Liquidity risk, as well as other risk management policies, frameworks and methodologies. GM&T follows the GPG risk policies and related documentation and as the main trading entity for the GPG Group plays a key role in establishing the application of effective risk management throughout the GPG Group.

Capital management

The Group's objectives in managing its capital are to safeguard its ability to continue as a going concern and to generate long-term profitability. It achieves this through maintaining adequate reserves and loans from related parties. Share capital and reserves at 31 December 2020 were £628.5m (2019: £783.3m). The Group has £464.3m borrowings from its parent company, GPG (2019: £nil). The Group manages its liquidity to ensure that sufficient cash is available to meet all contractual commitments as they fall due and also to ensure that there is sufficient funding to withstand stressed market conditions or extreme or unplanned events. Liquidity is managed by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

Market risk

Market risk is the risk of loss that results from changes in market factors (e.g. commodity prices, foreign currency exchange rates, interest rates, volumes, etc). 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 contracts whereby the commercial terms are broadly matched. However the Group does hold some unhedged positions, subject to certain limits approved by the Company's Managing Director, largely in relation to its proprietary energy trading business. The proprietary energy trading business exposes the Group to commodity price risk and foreign currency risk.

The Group uses a Value-at-Risk ("VaR") measure to monitor and review its exposure to market risk. VaR is an estimate of the potential loss on a given position or portfolio 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 one day.

Executive management has approved VaR limits for all trading activities, 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 as such, additional market risk monitoring techniques are employed such as stress testing and sensitivity analysis.

Based upon VaR and 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:

	2020		2019	
Group	**Average £'000s**	**Year End £'000s**	Average £'000s	Year End £'000s
Trading VaR	**3,490**	**2,590**	2,790	3,270

These VaR values are within the limits set by the Company's Managing Director.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

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 as the cost of procurement varies with wholesale commodity prices.

The risk 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. These contracts are carried at fair value with changes in fair value recorded in the Statement of comprehensive income unless they are designated as hedging instruments in an effective hedge relationship. Retail energy supply contracts and physical LNG/LPG contracts are not accounted for under the scope of IFRS 9 and are treated as executory contracts. Changes in fair value of these contracts do not immediately impact Operating 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 commodity contracts at 31 December 2020 is disclosed in note 14.

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 manage the exposure.

a. Transactional currency risk

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

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

Material transactional exposures are managed 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 restrictions by currency on the level of open positions allowed. A formal policy is in place for the management of non-trading related transactional foreign currency risks such as inter-company loans and non-functional currency overheads.

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 budgeted exposures are assessed against the costs to hedge and management decides whether any action is required. The table below details the Group's foreign currency exposure, by currency, and calculates the impact on total comprehensive income of a reasonably possible parallel shift of the foreign currency against Sterling.

	2020 Sensitivity analysis			2019 Sensitivity analysis		
	Net assets £000s	**Percentage change applied**	**Total comprehensive income £'000s**	Net assets £000s	Percentage change applied	Total comprehensive income £'000s
Euro	**739**	**(5.49)%**	**(41)**	2,070	5.52%	114
US Dollar	**346,532**	**3.45%**	**11,970**	696,060	(5.49)%	(38,314)
	347,271		**11,929**	698,130		(38,200)

The percentage change applied for the foreign currency rate against Sterling has been calculated based on the greatest absolute annual percentage change over a two-year period from 1 January 2019 to 31 December 2020 and is therefore not necessarily the same percentage change in each foreign currency exchange rate in the current year.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

iii. Interest rate risk

The Group is not exposed to interest rate risk to the extent that borrowings are executed at floating rates. Cash flows associated with floating rate borrowings will fluctuate with changes in interest rates. The application of a parallel shift in the interest rate curve of 50 basis points on drawn loan balances extant at year-end would result in an additional expense of £6,400 per day as at 31 December 2020 (2019: £nil).

Credit risk

Credit risk management practices

The Group's exposure to credit risk takes the form of any potential loss associated with a counterparty's failure to meet their payment or performance obligations. These risks may arise in all forms of commercial agreements which include those 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 Company's Managing Director and by certain individuals to whom authority has been delegated. All counterparties are assigned a grading based on external ratings where available and an internal assessment methodology in other cases, with this used to set the maximum exposure that would be accepted against any particular counterparty. The internal assessment methodology is reviewed by the ROC. The credit exposure to each counterparty is then monitored on a daily basis to ensure those limits are not exceeded.

The majority of significant exposures arising through trading activities are with investment grade counterparties. The Group incorporates counterparty credit risk in determining the fair value of financial instruments. The impact of the Group's own credit risk has been reflected in the fair value of derivative financial instruments.

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

The Group's credit position is impacted by cash pledged or received under margin and collateral agreements. The terms and conditions of these agreements depend upon the counterparty and the specific details of the transaction. In the Group, credit risk is managed by determining and monitoring a customer's creditworthiness and financial strength before commencing trading, with regular reviews thereafter. Creditworthiness is ascertained by reviewing an appropriate mix of internal and external information to determine limits, contract types and payment mechanisms required to reduce credit risk to an acceptable level.

The Group defines default as having occurred where receivables are more than 90 days past due or where irrecoverability is certain.

The Group's maximum exposure to credit risk on financial assets held at fair value through profit or loss is £2,242.0m (2019: £2,102.5m) and on financial assets held at amortised cost is £2,026.3m (2019: £1,934.5m). 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 £2,474.9m (2019: £2,490.6m) and on financial assets held at amortised cost is £1,790.6m (2019: £1,670.8m), of which £172.7m (2019: £431.3m) related to transactions within the Group.

For financial assets and financial guarantee contracts subject to the impairment requirements of IFRS 9, the exposure to credit risk of the Group as at 31 December 2020 is disclosed in the expected credit loss section below, based on the carrying amounts of the financial assets the Group believes are subject to credit risk.

Expected credit losses

The Group has the following types of financial assets which are not measured at fair value through profit and loss and which are subject to the expected credit loss ("ECL") model:

- Trade and other receivables, including contract assets
- Lease receivables
- Cash and cash equivalents
- Financial guarantee contracts

For trade and other receivables, including contract assets, the Group applies the simplified approach to measure a loss allowance using the lifetime expected credit loss model.

For lease receivables, cash and cash equivalents and financial guarantee contracts, the Group measures the loss allowance at the 12-month expected credit loss amount unless there has been a significant increase in credit risk since initial recognition. Where there has been a significant increase in credit risk since initial recognition, the lifetime expected loss model is applied.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued
Expected credit losses continued

ECL methodology

For trade receivables in the Retail business, for which the counterparties tend to be of lower credit quality, where the balance is considered to be at an increased risk of default, specific loss allowance provisions are applied using assumptions based on past history, existing market conditions and forward-looking estimates.

For all other balances, the loss allowance is based on the counterparty's probability of default ("PD"), multiplied by the loss given default rate ("LGD"), multiplied by the credit exposure. The approach uses both historical and forward-looking data such as credit ratings, audited annual financial statements, credit default swaps pricing and industry and company specific analysis of the counterparty's future prospects.

Exposure to credit risk

In order to assess the Group's exposure to credit risk, the gross carrying amount of financial instruments subject to the ECL model, or for financial guarantee contracts, their gross notional amount, are grouped by credit risk ratings in the table below.

The available credit ratings range from AAA (highest credit quality) to D (lowest credit quality), with the latter representing exposure to counterparties already in default. Where the Group is unable to obtain a credit rating for a counterparty at the reporting date, the exposure is included in the 'Unrated' category. Expected credit losses for these entities are calculated using a weighted average of the relevant industry's rated portfolio. Contract assets represent receivables for gas supplied to the customer portfolio of the Retail business which has not yet been allocated to specific customer accounts or invoiced. Expected credit losses for these balances are calculated using the weighted average credit rating of the Retail portfolio.

Group

	Credit rating					
31 December 2020	**AAA to BBB- £'000s**	**BB+ to B- £'000s**	**CCC+ to C £'000s**	**D £'000s**	**Unrated £'000s**	**Contract asset £'000s**
Lifetime ECL						
Gross carrying amount – trade and other receivables	**1,370,821**	**399,661**	**76,264**	**5,120**	**14,694**	**115,474**
12-month ECL						
Gross carrying amount – cash and cash equivalents	**59,399**	**2,700**	**147**	**–**	**–**	**–**
Gross carrying amount – lease receivables	**160,718**	**172**	**3,338**	**–**	**–**	**–**
Exposure to credit risk – financial guarantee contracts	**–**	**–**	**–**	**–**	**–**	**–**

Company

	Credit rating					
31 December 2020	**AAA to BBB- £'000s**	**BB+ to B- £'000s**	**CCC+ to C £'000s**	**D £'000s**	**Unrated £'000s**	**Contract asset £'000s**
Lifetime ECL						
Gross carrying amount – trade and other receivables	**1,219,233**	**450,435**	**62,059**	**–**	**–**	**–**
12-month ECL						
Gross carrying amount – cash and cash equivalents	**46,140**	**9,015**	**147**	**–**	**–**	**–**
Gross carrying amount – lease receivables	**999**	**172**	**3,338**	**–**	**–**	**–**
Exposure to credit risk – financial guarantee contracts	**–**	**130,437**	**–**	**–**	**–**	**–**

The loss allowance as at 31 December 2019 is determined as follows:

Group

	Credit rating					
31 December 2019	**AAA to BBB- £'000s**	**BB+ to B- £'000s**	**CCC+ to C £'000s**	**D £'000s**	**Unrated £'000s**	**Contract asset £'000s**
Lifetime ECL						
Gross carrying amount – trade and other receivables	1,132,432	374,115	15,114	2,165	38,522	120,502
12-month ECL						
Gross carrying amount – cash and cash equivalents	240,563	–	1,999	–	–	–
Gross carrying amount – lease receivables	186,414	–	3,726	–	–	–
Exposure to credit risk – financial guarantee contracts	–	–	–	–	–	–

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued
Expected credit losses continued
Exposure to credit risk continued

Company

	Credit rating					
31 December 2019	**AAA to BBB- £'000s**	**BB+ to B- £'000s**	**CCC+ to C £'000s**	**D £'000s**	**Unrated £'000s**	**Contract asset £'000s**
Lifetime ECL						
Gross carrying amount – trade and other receivables	946,306	409,883	6,615	–	–	–
12-month ECL						
Gross carrying amount – cash and cash equivalents	212,352	92,243	861	–	–	–
Gross carrying amount – lease receivables	2,341	–	3,726	–	–	–
Exposure to credit risk – financial guarantee contracts	–	145,498	–	–	–	–

Collateral and other credit enhancements

The Group receives cash collateral from certain counterparties as a method of mitigating credit risk on trade receivables. Where the carrying value of the trade receivables is supported by cash collateral, no expected credit loss has been recognised on these amounts. The carrying value of trade receivables where no expected credit loss has been recognised amounts to £30.7m.

Write-off policy

The Group's write-off policy on trade receivables in the Retail business requires derecognition of amounts where irrecoverability is certain on amounts greater than six months overdue. Examples where irrecoverability is certain may include:

- The counterparty is in insolvency or bankruptcy proceedings, or undergoing financial reorganisation;
- The debt is overdue and it is considered uneconomical to pursue; or
- The debt has been passed to collection agencies and is more than one year overdue.

For all other balances, due to the higher credit quality of the counterparties involved, and the low rate of expected credit loss, the write-off policy only requires derecognition of amounts on an individual basis where it has been assessed that irrecoverability is certain.

Amounts recognised in profit or loss

During the year, the following losses/(gains) were recognised in the Statement of comprehensive income in relation to expected credit loss.

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Individual receivables written off directly	**7,709**	6,219	**3**	–
Movement in loss allowance for trade and other receivables	**10,591**	4,175	**(1,739)**	960
Movement in loss allowance for lease receivables	**(1,039)**	936	**(794)**	995
Movement in loss allowance for cash and cash equivalents	**(29)**	47	**(57)**	(112)
Movement in loss allowance for financial guarantee contracts	**–**	–	**(2,075)**	1,548
Net impairment losses/(gains) on financial assets and financial guarantee contracts	**17,232**	11,377	**(4,662)**	3,391

Liquidity risk

Liquidity risk represents the risk that the Group is unable to satisfy the financial obligations that arise during the course of business due to insufficient funding lines or available cash reserves.

Liquidity risk is monitored on a daily basis with cash flow forecasts amended as appropriate and adjustments made to the funding plan or business plan if required. Working capital requirements are actively managed to ensure the Group's financing facilities are sufficient even in stress case scenarios.

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

The Group has access to committed facilities of €500m and a cash pool facility of €600m with its parent company GPG and significant bilateral trade finance lines.

Cash balances are managed centrally by the GPG Group's Treasury function. Interest is received based on market interest rates.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued

The following tables detail the Group's liquidity analysis for its financial and certain non-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 undiscounted gross cash inflows to be received on an annual basis related to lease receivables have been separately disclosed in note 9.

The table below presents contractual undiscounted cash flows within relevant maturity groupings based on the contractual tenor remaining at the date of the Statement of financial position.

Group

31 December 2020	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						
Commodity trading contracts	**4,744,427**	**21,765,578**	**6,445,302**	**2,178,308**	**–**	**35,133,615**
Derivative instruments	**31,573**	**166,334**	**32,998**	**14,800**	**–**	**245,705**
Fair value storage contracts	**–**	**62,717**	**–**	**–**	**–**	**62,717**
Cash and cash equivalents	**62,276**	**–**	**–**	**–**	**–**	**62,276**
Trade and other receivables	**1,802,289**	**153,488**	**19,415**	**–**	**–**	**1,975,192**
Total	**6,640,565**	**22,148,117**	**6,497,715**	**2,193,108**	**–**	**37,479,505**
Due for payment						
Commodity trading contracts	**4,736,319**	**21,943,115**	**6,253,555**	**1,856,905**	**–**	**34,789,894**
Derivative instruments	**40,443**	**458,398**	**44,997**	**35,962**	**–**	**579,800**
Fair value storage contracts	**–**	**27,192**	**10,714**	**–**	**–**	**37,906**
Trade and other payables	**1,521,714**	**170,025**	**616**	**190**	**–**	**1,692,545**
Loans and overdrafts	**329,426**	**134,909**	**–**	**–**	**–**	**464,335**
Total	**6,627,902**	**22,733,639**	**6,309,882**	**1,893,057**	**–**	**37,564,480**

Group

31 December 2019	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						
Commodity trading contracts	4,933,503	23,982,490	7,696,615	2,317,280	332	38,930,220
Derivative instruments	30,750	170,954	55,638	13,903	5	271,250
Fair value storage contracts	–	82,823	–	–	–	82,823
Cash and cash equivalents	242,501	–	–	–	–	242,501
Trade and other receivables	1,600,094	71,033	17,173	–	–	1,688,300
Total	6,806,848	24,307,300	7,769,426	2,331,183	337	41,215,094
Due for payment						
Commodity trading contracts	4,913,158	23,281,733	7,265,011	2,134,524	–	37,594,426
Derivative instruments	24,298	157,947	53,663	16,102	4	252,014
Fair value storage contracts	–	41,294	–	–	–	41,294
Trade and other payables	1,844,166	13,626	929	111	–	1,858,832
Total	6,781,622	23,494,600	7,319,603	2,150,737	4	39,746,566

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued

Company

31 December 2020	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						
Commodity trading contracts	**4,878,183**	**22,604,789**	**6,984,242**	**2,511,920**	**215**	**36,979,349**
Derivative instruments	**43,157**	**313,631**	**87,389**	**14,806**	**–**	**458,983**
Fair value storage contracts	**–**	**62,717**	**–**	**–**	**–**	**62,717**
Cash and cash equivalents	**55,269**	**–**	**–**	**–**	**–**	**55,269**
Trade and other receivables	**1,630,619**	**109,141**	**–**	**–**	**–**	**1,739,760**
Total	**6,607,228**	**23,090,278**	**7,071,631**	**2,526,726**	**215**	**39,296,078**
Due for payment						
Commodity trading contracts	**4,758,000**	**22,061,336**	**6,311,689**	**1,887,093**	**18**	**35,018,136**
Derivative instruments	**78,669**	**527,262**	**77,130**	**35,958**	**–**	**719,019**
Fair value storage contracts	**–**	**27,192**	**10,714**	**–**	**–**	**37,906**
Trade and other payables	**1,191,388**	**169,780**	**–**	**190**	**–**	**1,361,358**
Loans and overdrafts	**621,200**	**358,368**	**–**	**–**	**–**	**979,568**
Total	**6,649,257**	**23,143,938**	**6,399,533**	**1,923,241**	**18**	**38,115,987**

Company

31 December 2019	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						
Commodity trading contracts	5,079,328	24,889,686	8,302,188	2,684,834	–	40,956,036
Derivative instruments	30,640	258,978	88,093	13,923	–	391,634
Fair value storage contracts	–	82,823	–	–	–	82,823
Cash and cash equivalents	305,368	–	–	–	–	305,368
Trade and other receivables	1,299,671	71,763	–	–	–	1,371,434
Total	6,715,007	25,303,250	8,390,281	2,698,757	–	43,107,295
Due for payment						
Commodity trading contracts	4,943,761	23,429,778	7,330,217	2,160,887	–	37,864,643
Derivative instruments	32,357	450,351	135,447	35,699	–	653,854
Fair value storage contracts	–	41,294	–	–	–	41,294
Trade and other payables	1,576,913	9,931	–	–	–	1,586,844
Loans and overdrafts	198,236	272,531	–	–	–	470,767
Total	6,751,267	24,203,885	7,465,664	2,196,586	–	40,617,402

Economic capital
The Group employs an economic capital framework to ensure that sufficient capital is retained for the Group to withstand unexpected financial losses.

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

14 FINANCIAL AND NON-FINANCIAL INSTRUMENTS WITHIN THE SCOPE OF IFRS 9

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.

The Group enters into contracts to buy or sell commodities for trading purposes and not for the purpose of receipt or delivery of the underlying commodity to meet the Group's expected own-use requirements. Even though the majority of these contracts are physically delivered, where such contracts are deemed to be capable of net settlement, for example where the commodity is deemed to be readily convertible to cash, they are treated as financial assets or liabilities and measured at fair value through profit and loss. These contracts are within the scope of IFRS 9 and associated gains or losses are recognised directly in the Statement of comprehensive income within Net trading 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 certain instruments 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 Statement of comprehensive income when the underlying hedged transaction affects profit or loss. All instruments that are not part of a hedging relationship are recognised in the Statement of financial position at fair value with movements in fair value recognised in the Statement of comprehensive income.

For the Group and the Company, all derivatives not subject to hedge accounting 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 IFRS 9 (2019: £nil).

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

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Non-current assets				
Commodity trading contracts	**222,174**	282,994	**278,379**	375,214
Emission allowances	**8,496**	8,888	**8,496**	8,888
Foreign exchange contracts	**178**	32,008	**13,058**	32,097
	230,848	323,890	**299,933**	416,199
Current assets				
Commodity trading contracts	**1,858,615**	1,604,433	**1,984,978**	1,895,891
Emission allowances	**56,589**	14,648	**56,590**	14,648
Foreign exchange contracts	**33,234**	76,742	**70,730**	81,081
Fair value storage contracts	**62,717**	82,823	**62,717**	82,823
	2,011,155	1,778,646	**2,175,015**	2,074,443
Current liabilities				
Commodity trading contracts	**1,831,297**	1,486,066	**1,988,515**	1,759,332
Emission allowances	**65,150**	12,462	**69,642**	16,789
Foreign exchange contracts	**66,857**	19,845	**77,685**	50,824
Fair value storage contracts	**27,192**	41,294	**27,192**	41,294
	1,990,496	1,559,667	**2,163,034**	1,868,239
Non-current liabilities				
Commodity trading contracts	**236,622**	262,176	**284,296**	328,986
Emission allowances	**10,875**	3,661	**10,876**	6,585
Foreign exchange contracts	**12,499**	496	**17,292**	35,821
Fair value storage contracts	**10,714**	–	**10,714**	–
	270,710	266,333	**323,178**	371,392

15 FAIR VALUE MEASUREMENT

In determining the fair value of assets and 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 maximise the use of observable inputs and minimise the use of unobservable inputs.

Fair value hierarchy

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

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

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

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

The following tables show the Group's assets and liabilities that were accounted for at fair value at the reporting date according to their level within the fair value hierarchy. 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 assets and liabilities and their placement within the fair value hierarchy.

	Group			
2020	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Held for trading assets				
Commodity trading contracts	**155,963**	**1,921,073**	**3,753**	**2,080,789**
Emission allowances	**31,997**	**33,088**	**–**	**65,085**
Forward foreign exchange contracts	**–**	**33,412**	**–**	**33,412**
Fair value storage contracts	**–**	**62,717**	**–**	**62,717**
	187,960	**2,050,290**	**3,753**	**2,242,003**
Inventories	**32,815**	**662,723**	**–**	**695,538**
Held for trading liabilities				
Commodity trading contracts	**404,390**	**1,658,007**	**5,522**	**2,067,919**
Emission allowances	**44,743**	**31,282**	**–**	**76,025**
Forward foreign exchange contracts	**–**	**79,356**	**–**	**79,356**
Fair value storage contracts	**–**	**37,906**	**–**	**37,906**
	449,133	**1,806,551**	**5,522**	**2,261,206**

15 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued

2019	Group Level 1 £'000s	Group Level 2 £'000s	Group Level 3 £'000s	Group Total £'000s
Held for trading assets				
Commodity trading contracts	119,268	1,766,078	2,082	1,887,428
Emission allowances	16,069	7,467	–	23,536
Forward foreign exchange contracts	–	108,749	–	108,749
Fair value storage contracts	–	82,823	–	82,823
	135,337	1,965,117	2,082	2,102,536
Inventories	57,229	176,088	–	233,317
Held for trading liabilities				
Commodity trading contracts	178,232	1,563,672	6,338	1,748,242
Emission allowances	7,078	9,045	–	16,123
Forward foreign exchange contracts	–	20,341	–	20,341
Fair value storage contracts	–	41,294	–	41,294
	185,310	1,634,352	6,338	1,826,000

2020	Company Level 1 £'000s	Company Level 2 £'000s	Company Level 3 £'000s	Company Total £'000s
Held for trading assets				
Commodity trading contracts	**155,963**	**2,103,641**	**3,753**	**2,263,357**
Emission allowances	**31,997**	**33,089**	**–**	**65,086**
Forward foreign exchange contracts	**–**	**83,788**	**–**	**83,788**
Fair value storage contracts	**–**	**62,717**	**–**	**62,717**
	187,960	**2,283,235**	**3,753**	**2,474,948**
Inventories	**32,815**	**662,523**	**–**	**695,338**
Held for trading liabilities				
Commodity trading contracts	**404,390**	**1,862,899**	**5,522**	**2,272,811**
Emission allowances	**44,745**	**35,773**	**–**	**80,518**
Forward foreign exchange contracts	**–**	**94,977**	**–**	**94,977**
Fair value storage contracts	**–**	**37,906**	**–**	**37,906**
	449,135	**2,031,555**	**5,522**	**2,486,212**

15 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued

	Company			
2019	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Held for trading assets				
Commodity trading contracts	119,224	2,149,798	2,082	2,271,104
Emission allowances	16,069	7,468	–	23,537
Forward foreign exchange contracts	–	113,178	–	113,178
Fair value storage contracts	–	82,823	–	82,823
	135,293	2,353,267	2,082	2,490,642
Inventories	57,229	172,184	–	229,413
Held for trading liabilities				
Commodity trading contracts	178,222	1,903,757	6,338	2,088,317
Emission allowances	7,078	16,297	–	23,375
Forward foreign exchange contracts	–	86,645	–	86,645
Fair value storage contracts	–	41,294	–	41,294
	185,300	2,047,993	6,338	2,239,631

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

	Group £'000s	**Company £'000s**
Fair value at 1 January 2019	(51,639)	(51,639)
Transfer to Level 2	27,459	27,459
Purchases	(4,256)	(4,256)
Settlements	24,180	24,180
Fair value at 1 January 2020	**(4,256)**	**(4,256)**
Purchases	**(1,769)**	**(1,769)**
Settlements	**4,256**	**4,256**
Fair value at 31 December 2020	**(1,769)**	**(1,769)**

Changing one or more of the less observable inputs within a valuation model is not expected to materially change the fair value of the instruments as reported.

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

Significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy:
There were no significant transfers between Level 1 and Level 2 (2019: £nil).

In the prior year, natural gas contracts with volume flexibility which were previously classified as Level 3 assets and liabilities were transferred to Level 2 of the fair value hierarchy.

The Group uses a proprietary model to forecast offtake volumes which determines the contracts' extrinsic value. During 2019, investigations into this methodology and its inputs concluded that there were no significant unobservable inputs used in deriving the fair value of these positions. All inputs into the model are observable, although the model itself is internally developed and includes certain volumetric assumptions. As such, it was concluded that the transfer of such contracts from Level 3 to Level 2 of the fair value hierarchy was appropriate.

It is the Group's policy to treat all transfers between levels of the fair value hierarchy as if they occurred at the start of the reporting period.

15 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives:
All instruments are valued in accordance with the techniques outlined in the fair value hierarchy disclosure above. The majority of Level 3 assets and liabilities comprise of power interconnector contracts. The Group uses a proprietary model with unobservable inputs, for which the valuation differs on day one to the transaction price. The model price is then calibrated to ensure that it reflects the transaction price. The impact of varying the unobservable parameters as at 31 December 2020 and at 31 December 2019 is immaterial.

Day-one P&L
If, at inception of a contract, the fair value cannot be supported substantially by observable market data, any gain or loss determined by the valuation methodology is not recognised in the Statement 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 Statement 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 Statement of comprehensive income. Changes in the fair value of held-for-trading assets and liabilities after initial recognition are included in the Statement 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	
	2020 £'000s	2019 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statement of comprehensive income at 1 January	**9,309**	19,218
Initial fair value of new contracts not recognised in the Statement of comprehensive income	**7,337**	9,309
Fair value recognised in the Statement of comprehensive income during the year	**(9,309)**	(19,218)
Fair value of contracts not recognised through the Statement of comprehensive income at 31 December	**7,337**	9,309

	Company	
	2020 £'000s	2019 £'000s
Day-one gains and losses		
Fair value of contracts not recognised through the Statement of comprehensive income at 1 January	**9,309**	19,218
Initial fair value of new contracts not recognised in the Statement of comprehensive income	**7,337**	9,309
Fair value recognised in the Statement of comprehensive income during the year	**(9,309)**	(19,218)
Fair value of contracts not recognised through the Statement of comprehensive income at 31 December	**7,337**	9,309

16 CONTINGENCIES

Contingent liabilities
In the normal course of business, the Company incurs certain contingent liabilities arising from guarantees provided to third parties on behalf of subsidiary entities. No material losses are anticipated as a result of these guarantees.

The following contingent liabilities have not been provided for by the Group or the Company, as it is not anticipated that any material liabilities will arise from these contingencies.

	Group		Company	
	2020 £'000s	2019 £'000s	**2020 £'000s**	2019 £'000s
Letters of credit and bank guarantees	**–**	–	**2,409**	–
Parent company guarantees	**–**	–	**19,725**	40,692
	–	–	**22,134**	40,692

The table above shows the exposure to the Company on its issued guarantees as at 31 December.

17 RELATED PARTY TRANSACTIONS

a) Transactions

During the year, the Group entered into various transactions with related parties as shown in the table below.

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				
2020	**5,834**	**10,523**	**77,728**	**468,523**
2019	4,275	7,674	238,314	101,523
Other entities with indirect control over the Group				
2020	**638,633**	**1,514,008**	**539,364**	**126,691**
2019	109,141	5,036,728	1,523	343,950
Other related parties				
2020	**5,959,405**	**6,148,018**	**713,269**	**187,763**
2019	8,002,523	8,893,399	642,522	153,387

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				
2020	**5,834**	**10,523**	**77,728**	**468,315**
2019	4,275	7,674	240,818	101,422
Other entities with indirect control over the Group				
2020	**542,302**	**1,489,429**	**524,789**	**126,370**
2019	108,883	4,973,454	1,500	342,378
Subsidiaries				
2020	**2,159,878**	**1,443,071**	**430,601**	**789,397**
2019	1,883,610	962,210	644,917	968,315
Other related parties				
2020	**5,949,962**	**6,015,384**	**552,974**	**177,183**
2019	7,992,639	8,667,728	622,804	141,100

b) Commitments

The Group and Company have the following commitments with related parties:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Parent company purchases	**15**	2	**15**	2
Other entities sales	**4**	56	**4**	–
Other entities purchases	**557**	563	**41**	–
Other subsidiaries purchases	**–**	–	**60**	33

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.

At 31 December 2020 the Company had provided £361.0m of parental guarantees on behalf of its subsidiaries (2019: £370.3m).

18 ULTIMATE PARENT AND CONTROLLING PARTY

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

OFFICERS AND PROFESSIONAL ADVISERS

Directors
A V Mikhalev
W Skribot

Secretary
Norose Company Secretarial Services Limited

Registered office
20 Triton Street
London
NW1 3BF
United Kingdom

Bankers
UniCredit Bank AG
Citigroup Inc.
ING Bank N.V.
Natixis
Raiffeisen Bank International AG
Deutsche Bank

Solicitors
Baker & McKenzie LLP
Norton Rose Fulbright LLP
Herbert Smith Freehills LLP
Baker Botts LLP
Buzescu Ca
Reed Smith LLP
Schonherr Rechtsanwalte GmbH
King and Spalding (Singapore) LLP
Dentons UK and Middle East LLP
DLA Piper UK LLP
Floyd Zadkovich LLP
Griffin Professional Services Limited
Wedlake Bell LLP

Independent auditor
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH
United Kingdom

Registered in England No. 3768267

Details correct at time of publication

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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20 Triton Street
London
NW1 3BF
United Kingdom

www.gazprom-mt.com