Societe Generale International Limited (SGIL)

31.12.2019 Annual Report and Financial Statements

One Bank Street,
The SG Canary Wharf Office Building

Contents of the Report and Financial Statements for the Year Ended 31 December 2019

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS	Christophe Bernard Lattuada Michael John Collins John Charles Fortescue Hitchins Tara Marie Palmer Marcia Ina Cantor-Grable Keith McArdle Gill Lungley Alexandre Fleury
COMPANY SECRETARY	Gerard Alfred Marie de Lambilly
REGISTERED OFFICE	One Bank Street London E14 4SG
REGISTERED NUMBER	05407520 (England and Wales)
AUDITOR	Deloitte LLP 1 Little New Street London EC4A 3TR

STRATEGIC REPORT

The directors of Societe Generale International Limited (SGIL or "the Company") present their Strategic Report for the year ended 31 December 2019.

1. BUSINESS MODEL

SGIL is part of Societe Generale's Global coverage platform for Execution Services, Clearing, Settlement, and Reporting and provides these services on a broad range of equity, fixed income, foreign exchange, and commodity traded products as a member of exchanges and central counterparty clearing venues covering both listed and OTC markets around the world.

The Company also provides customers with value added services, including a Prime Brokerage offering, electronic platforms for trading and order routing, cross margining, the centralised reporting of customer portfolios and Cross-Asset Secured Financing.

As a Limited Activity Firm ('LAF'), SGIL will therefore:

- Not deal with, or for, Retail Customers (as defined by the 2004/39/EC Directive on markets in financial instruments;
- Not take proprietary speculative positions (as defined by IFPRU 1.1.5 R);
- Not undertake any securitization activities or invest in any securitisation assets;
- Not arrange or carry out contracts of insurance;
- Not undertake any insurance underwriting activities;
- Not engage in jurisdictions or business relationships presenting an unacceptable level of risk, as defined by the Compliance, Financial Crime Unit and Risk guidelines from Internal SGIL Normative Documentation;
- Ensure that all employees have the right level of knowledge and understanding of SGIL's cultural values and principles and that proper operational processes and controls are in place to mitigate the risk of fraud and regulatory breaches;
- Protect the data of its customers;
- Ensure that conduct risk policies and training are in place to ensure that conflicts of interests are avoided and that customers are treated fairly; and,
- Continually monitor the risk profile of the Company to ensure adherence to its risk appetite, as documented in the 'SGIL Risk Appetite Statement'.

The Company's ultimate parent company is Société Générale ('SGPM') which is incorporated in France. Copies of the Group accounts of Société Générale are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

2. REVIEW OF BUSINESS

During the year under review, the Company made a profit after tax of £101.2 million (2018 profit: £106.6 million). Total shareholders' funds for the year ended 31 December 2019 were £1,472.8 million (2018: £1,215.3 million).

In the context of the continued challenging market conditions our industry faces, the main focus is to increase profitability by resizing the business and adjusting our costs in line with market trends. The purpose of this strategic change is to simplify our Business Model and make it more robust.

The changes to its business model and strategy begun in Q2 2019 are the result of proactive management focused on ensuring that SGIL continues to operate in the appropriate markets and provides prime services where its customers need them. The result of this strategic change should result in a more optimised and effective use of our Capital resources.
The 2019 adjustment to SGIL Business Strategy is two-fold:

1. **Low capital consumption**: With a focus on low capital consumption services, SGIL started to streamline its product offering and reduce the cost of execution. The strategy moving forward is to concentrate on:

    - The core activity of clearing & execution of listed products
    - Customers which are capital light (i.e., well collateralized)
    - The UK, and offshore customers
    - More standard offering in terms of services and customer set-up (including the wind-down of Hedge Inventory Trading ('HIT'), in September 2019).

2. **Resizing and adjustment of costs:** Following the 2019 adjustment to SGIL's Business Strategy, the resizing and adjustment of costs of both commercial and support functions, the cost base will remain in line with market trends:
   - **Commercial:** Before the 2019 change in SGIL`s Business Strategy, the two Business Units MARK/PRM and MARK/CTY covered respectively Financial Institutions and Corporates. The main change in business strategy aims to transform both the MARK/PRM and MARK/CTY Business Units into the same sub-Business Unit, Primes Services & Clearing (MARK/EQD).

   - **Support function:** The restructuring plan enables SGIL to have tight controls and monitoring across all business functions.

3. BREXIT

The central scenario implemented around the impact of Brexit for SGIL involves the change in the booking model for European Economic Arena ('EEA') customer activity, with recognition of activity from these customers to be performed by Société Générale Paris. In 2019, SGIL completed its Brexit Programme and the financial impact did not exceed a loss of more than 12% of SGIL revenues.

Whereas there are still several possible outcomes of the current negotiations between the United Kingdom and the European Union, SGIL does not expect any major changes either in terms of governance and organisation or in terms of strategy regardless of the potential variations. In 2020, the impact is not expected to exceed a loss of more than 5% of SGIL Gross profit with a positive impact on Capital requirements, based upon a simulation conducted. Further, lower turnover, will partly be mitigated by cost savings.

4. SUBSEQUENT EVENTS

As part of SGIL`s strategic objective to transform the Prime Services Agency business into a capital efficient Prime Brokerage, certain of non-core remaining activities have already started to be moved from SGIL into SGPM beginning in 2020 (Dynamic Portfolio Swap, FX Prime Brokerage activity and Over The Counter ('OTC') transactions), with full completion expected by end of 2020.

In respect of 2019 financial year, the directors recommend the payment of a dividend on the ordinary shares of £101.2 million.

SGIL Management has made its own assessment, as for the coronavirus pandemic in Section 9.8 Coronavirus in Strategic report. The subsequent events on Coronavirus are disclosed in Note 23.

5. KEY PERFORMANCE INDICATORS

The directors of the Company use a number of different measures to monitor the ongoing performance of the Company. The directors assess the following financial key performance indicators ("KPI") in monitoring the performance of the Company.

Criteria

	2019	2018
	£'000	£'000
Gross profit	261,397	254,712
Profit before tax	123,147	132,064
Cost / income ratio (Operating Expenses / Net Banking Income)	52%	49%

No non-financial KPIs have been presented, as none are necessary for an understanding of the development, performance or position of the Company's business.
The movement in the KPIs reflects the start of implementing the new business model as described above.

6. STRATEGIC AIMS

In 2020 SGIL will focus to increase profitability by resizing and adjusting its cost in line with market trends
As part of the strategic objective to transform the Prime Services Agency business into a capital efficient Prime Brokerage, the 2020 adjustment SGIL Business Strategy will be four-fold:

1. **Focus on core Activity**: SGIL will finalize the transfer of the remaining non-core activities (FX PB, Referential Swaps, DPS, Repo and OTC bilateral) from SGIL into SGPM in 2020. SGIL will then give up its Swap Dealer licence. SGIL will optimize its scarce resources by doing more business with the existing domestic and international customers through new initiatives, leveraging key growth drivers and the talent pool.

2. **Remain the Global SG clearing & execution hub**: SGIL will remain the global hub for Societe Generale regarding clearing and execution of listed derivatives for any customer who can be served and booked out of the UK. As a result of EEA customers moving to SGPM, Brexit will reach its full negative impact on SGIL clearing revenues in 2020.

3. **Increase the profitability**: SGIL`s Strategy for the coming years is to focus on increasing its revenues from its core activities, while realigning the platform to be fit for more profitable growth.

4. **Enhance the market connectivity**: As a major derivative broker, SGIL will continue to invest in market connectivity and added value execution service to protect its execution revenues.

The SGIL Strategy can be adjusted in case of any unforeseen events or a change in Group Strategy.

7. STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Board of Directors of Societe Generale International Ltd ('SGIL') consider that they have fulfilled and performed their duties under section s172(1), by acting in the way they believe, in good faith, would be most likely to promote the success and sustainability of the company for the benefits of its members as a whole, and in doing so have had regard, amongst other matters, to the following factors:

- The likely consequences of any decision in the long term,
- The interests of the company's employees,
- The need to foster the company's business relationships with suppliers, customers and others,
- The impact of the company's operations on the community and the environment,
- The desirability of the company to maintain a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

SGIL Board members were engaged in the Business Strategy review undertaken during 2019, through regular updates received from Executive management and Business heads on key challenges, and particular consideration was given to the SG Group Strategic Business transformation initiative. Board members challenged the plans and assisted in constructing a long-term sustainable strategy for the Company which covered both the immediate the business transformation plan and approval of the five-year Budget plan.

Employees are fundamental to the delivery of the strategic plan. SGIL aims to focus on "talent" and its workforce in general as a fundamental asset of the Company. The Directors engage with our employees through regular communication and feedback sessions; through a structured appraisal process; and through annual employee surveys, to help understand which policies employees value and what changes they would like to see implemented within the organisation. The results allow SGIL to analyse what is working well and to identify areas needing improvement to increase the commitment to and success of the Company.

SGIL commits to be a responsible employer and ensuring the health, safety, diversity and well-being of its employees is one of its primary considerations. The interests of employees in key decisions is a priority. During 2019 the SGIL Board reviewed and approved the Company's benefit pension scheme to realign the schemes across all employees to ensure consistent and fair treatment in addition to reviewing the annual salary and bonus awards. It is well recognised that SGIL's business relationships with its suppliers, customers and other third parties are the cornerstone of its operational success and reputational integrity and are continuously reviewed and scrutinised.

All issues identified which pertain to SGIL's business relationships are the subject of management updates within the SGIL governance framework, with all matters deemed of highest importance escalated to the Board for awareness, input and, where relevant, decision. Specifically, during 2019, the Board have been periodically updated and informed in respect of all activity being undertaken as part of the SG Group project to redesign and improve the Group anti-bribery and corruption framework. This framework defines, to a significant extent, through normative documentation, accompanying procedures and Group tools, the manner in which SGIL staff should interact with and document their engagement with all third parties. This is an area under continuing review and development.

Board members have undertaken a significant focus on the challenging economic, political and regulatory environment during 2019, including Brexit affairs. The Board was continuously involved in the strategic discussion around the Brexit impact, and the decision making to adapt the business and Company`s organisation to remain compliant with the likely regulations in case of a "hard" Brexit. A core principle was to ensure that no customers would suffer detriment as a result of Brexit. The transfer of EEA customers from SGIL to SGPM was therefore one of the key decisions made to ensure that the SG Group will be able to continue providing a quality service after a potential hard Brexit.

The Company is committed to maintaining a reputation for high standards of business conduct. A Risk culture program was launched in 2019 in order to (i) improve the performance of the company and individuals, (ii) align Companybehaviors to its regulatory responsibilities, (iii) better embed risk culture, and finally (iv) understand how individuals engage with this. The Board reiterated SGIL's commitment to this, and strongly supported the initiative through a series of ad-hoc Board meetings.

Looking forward, the Board's focus for the coming year will include monitoring the business strategy initiatives to ensure the delivery of the initial plan, with an emphasis on assessing how the negotiations between the EU and UK governments will impact the Company's activities.

Regulators

It is within the Company's culture to promote high standards of conduct within the Company and with all external parties. In particular, as directors of the Company, safety, soundness and adherence to all relevant aspects of regulation is key to the business model. Directors and relevant staff maintain awareness of this through engagement with regulators, industry bodies and specialist advisors. This engagement is maintained through regulatory seminars, online forums and round table events. This has allowed the Board to stay on top of the increasing regulatory requirements and ensure it operates to the standard required.

Environmental, Social, and Governance ('ESG')

SGIL new office at One Bank Street has been designed to drive innovation and collaboration. With the latest technology and full connectivity throughout the building, our staff will be better-equipped to continue driving innovation and creating value for our customers – helping us go further together. Our new office is one of the most environmentally-friendly buildings in the City and Canary Wharf, with an Outstanding BREEAM rating to prove it. This theme runs throughout the building, with lush greenery creating a calmer, more creative environment for us and our customers.

SGIL in the UK is also committed to having a positive impact on society, with a particular focus on raising educational attainment and boosting the employment prospects of those in the communities close to our offices. Through a range of different activities, and particularly drawing on our combined skills, experience and expertise, we support a broad group of charities and community organisations and, in turn, beneficiaries that include school and university students, young people, adult learners, those seeking work etc. We also help to capacity-build small charities and social enterprises to enable and empower them to expand their reach, capability and impact.

8. REGULATORY ENVIRONMENT

SGIL is a UK based MiFID Investment Firm authorised and regulated by the Financial Conduct Authority ('FCA') and is designated as a Limited Activity Firm ('LAF') and significant IFPRU Firm under the FCA's Prudential Sourcebook for Investment Firms ('IFPRU'). SGIL is also designated a standard ILAS (Individual Liquidity Adequacy Standards) BIPRU Firm. SGIL is classified by the FCA as a Client Assets Sourcebook ('CASS') Large Company due to the amount of client money held being greater than £1 billion.

SGIL is a Swaps Dealer regulated by the US Commodity Futures Trading Commission ('CFTC') and, as such, the Company is permitted to conduct execution business for US customers in relation OTC derivatives. But it should be noted that it may not clear these contracts, as it is not regulated as a Futures Commission Merchant ('FCM').

SGIL is fully owned subsidiary of Société Générale S.A., a global systemically important bank (‘G-SIB’), incorporated in France.

Under CRD IV, SGIL needs to comply with the EU CRR (Capital Requirements Regulation) and the FCA’s IFPRU handbook.

9. PRINCIPAL RISKS AND UNCERTAINTIES

The Company faces a number of risks as part of its normal day to day business. The principal risks and uncertainties faced by the Company are:

9.1. Operational Risk

SGIL has adopted the Basel II definition of **Operational risk** being the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The SGIL definition of operational risk is further extended to include regulatory risk, fraud, conduct risk and reputational risk, as the causes of these are most often as a result of an operational risk event or control failure.

The nature of SGIL’s business exposes it to a diverse range of operational risks. These may lead to operational errors, incidents, loss events as well as events which do not generate financial losses but could cause regulatory breaches or reputational damage.

9.2. Liquidity and Funding Risk

Liquidity risk is defined as the SGIL’s inability to meet its financial obligations at a reasonable cost. SGIL assesses this risk over various time horizons via stress tests including intraday liquidity risk.

The Funding risk is defined as risk that SGIL will not be able to finance the development of its businesses at a scale consistent with its commercial goals and at a competitive cost compared to its competitors.

9.3. Business and Strategic Risk

Business Risk is defined as revenue risk related to worsening economic conditions (in addition to the already identified impact of other risks).

Strategic Risk is defined as the risks inherent in the choice of a given business strategy or resulting from SGIL’s inability to execute its strategy.

9.4. Credit Risk

Credit Risk (including concentration and settlement risk) is defined as the risk of losses arising from the inability of SGIL’s customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by counterparty, country and sector concentration risk.

9.5. Market Risk

As a Limited Activity Firm, in compliance with article 96 (1) of the EU CRR, SGIL is an investment Company that deals on own account only for the purpose of fulfilling or executing a customer order or for the purpose of gaining entrance to a clearing and settlement system or a recognised exchange when acting in an agency capacity or executing a customer order. As reflected in SGIL Risk Appetite, SGIL has no appetite for proprietary speculative positions and can only hold residual market risk positions as part of its customer facilitation activities.

Although not considered one of the main risks for SGIL, **Market Risk** is the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets.

The management of risk is discussed in the following section. Further discussion of liquidity risk, credit risk, and market risk can also be found at Note 20 to the Financial Statements.

9.6. Climate change Risk

SGIL reassesses, at least, annually its developing understanding and potential exposure to climate risk through its internal capital adequacy assessment process (ICAAP) during which climate risk is incorporated in its scenario planning and stress testing.

The impact of physical and transitional risk on SGIL`s business is currently assessed as follows:

- In terms of physical risk, SGIL's premises are established in the heart of the city of London and therefore the risk of damage caused by climate change is relatively low. Furthermore, physical assets are covered by insurance. However, physical risk does arise from the fact that SGIL outsources certain functions/activities to staff located in India. If there were a climatic event here, this would cause disruption which could lead to capital losses.

- In terms of transition risk, SGIL's primary business concerns Fixed Income and FX prime brokerage which is not directly related to or impacted by climate change events. Aligned with the Corporate Social Responsibility ("CSR") principles, SGIL is active on CO2 futures market as a clearer and a broker, without open positions on this asset class. The CO2 is covered by the Market Risk Stress Test. SGIL does not undertake any direct activities or investment related to the physical or transition related events.

The impact of physical and transitional risk on the businesses of its customers. An analysis per country risk for the Risk related to the Climate change is not relevant for SGIL for two main raisons:

- **Commodities Portfolio**: Most of the Commodities counterparties are multinational corporations which work across the world. The registration country does not reflect the asset country. Indeed, most of these counterparties are registered in Sovereign Upper Investment Grade ("SUIG") countries whereas their assets can be located anywhere.

- **Prime Services Portfolio:** Most of these counterparties are hedge funds, brokers, and banks and invest across the world. Thus, the registration country of these counterparties does not reflect where these counterparties invest. For this portfolio, this risk is mitigated. Indeed, in case of any event related to climate change, the counterparties can adapt their investment strategy quickly and easier (vs. corporate industry where there is direct physical investment).

9.7. LIBOR ("London Interbank Offered Rate") transition

The interest rate benchmark London Interbank Offered Rate (LIBOR) is expected to cease after end 2021.

The transition from LIBOR to Risk-Free Rates (RFR) is treated as mandatory as the regulators have delivered a very clear message about their intention.

A program has been launched, at the SG group level, to allow the management of the transition across all Business Units, and all regions.

A more in-depth governance has been setup within MARK, one of the most impacted Business Units.

At MARK level, areas of work focus on:

- Assessing MARK exposures to monitor our legacy/new transactions, and to drive the migration of legacy transactions and to reply to regulators requests
- Information & education of both our staff and our customers. Clear, fair and not misleading communications are instrumental to mitigate litigation risk with our customers
- Adaptation of our IT systems and processes to adopt new RFR or manage CCP switch. SG is for example participating to the beta testing requested by the FCA and streams SONIA prices

Group guidelines have been formalized to include fallbacks in contractual documents, to add Risks Warnings in pre-trade documentation, or to promote SONIA based transactions over LIBOR GBP based ones.
From a market conduct perspective, a guideline has been validated to adopt a replacement rate, deemed economically equivalent, in case of modification of a contract linked to an IBOR benchmark replacement (to avoid the risk of unfair treatment).

9.8. Coronavirus

SGIL Management has made its own assessment as to whether the entity is a going concern related to the coronavirus pandemic.

In order for Management to make an assessment as accurately as possible, all available information about the future and the specifics to SGIL's circumstances were taken into consideration.

Considering the level of uncertainty with regards to the evolution of the coronavirus crisis in the UK, but also in the rest of the world, and also the unpredictable impact on customers, SGIL Management is currently not in a position to prepare a detailed forecast given the unknown evolving nature of the pandemic.

However, the Company has taken strong and preventive measures to mitigate as much as possible the impact on its financial position.

Steps have been taken to enable all staff to stay home in order to protect themselves while continuing to perform their role. Only business critical staff, already identified, continue to work in-office at One Bank Street or their respective building. These are clearly extraordinary circumstances the Company is operating under, while ensuring that staff continue working in a responsible manner, whether that relates to business or in the way they interact with one another during this period.

SGIL Management considered that the entity can continue to operate in the current working model in the event the current restrictions are extended for months.

People fatigue is taken seriously by Management, however in addition to the decrease in terms of volumes and volatility compared to the initial situation, a series of measures have been taken to mitigate fatigue risk by ensuring that staff members take holidays and have strengthened the staff for key operational teams.

The rate of Covid-19 cases within SGIL is very low to date given the rapid implementation of home working and related measures (e.g. those who must come into the office are encouraged to drive rather than use public transport).

Similar measures were taken by all offshore and outsourced centers which provide services to SGIL.

SGIL has implemented its operational and IT resiliency plan, splitting its teams, departments across multiple locations (5 in the UK, 4 in India) as well as expanding working from home access for as many of its critical staff as possible to ensure business continuity.

Further, SGIL is implementing contingency plans in respect of creating capacity within the UK allowing for fail-over of critical outsourced functions as part its BCP action plan as well as utilising other regions for follow the sun support as necessary and appropriate.

Given the availability of the current liquidity resources and strong Capital position, as disclosed in the above section, Management strongly believe that the entity can continue to operate even if the situation deteriorates further. Additional contingency measures have been identified to adapt the activity and reduce the risks if the situation were to worsen. In the meantime, the business continues to operate effectively.

As a consequence, SGIL management strongly believe that the entity can continue to operate in a safe mode despite the existing and potential impacts of the coronavirus crisis and the existing level of uncertainties.

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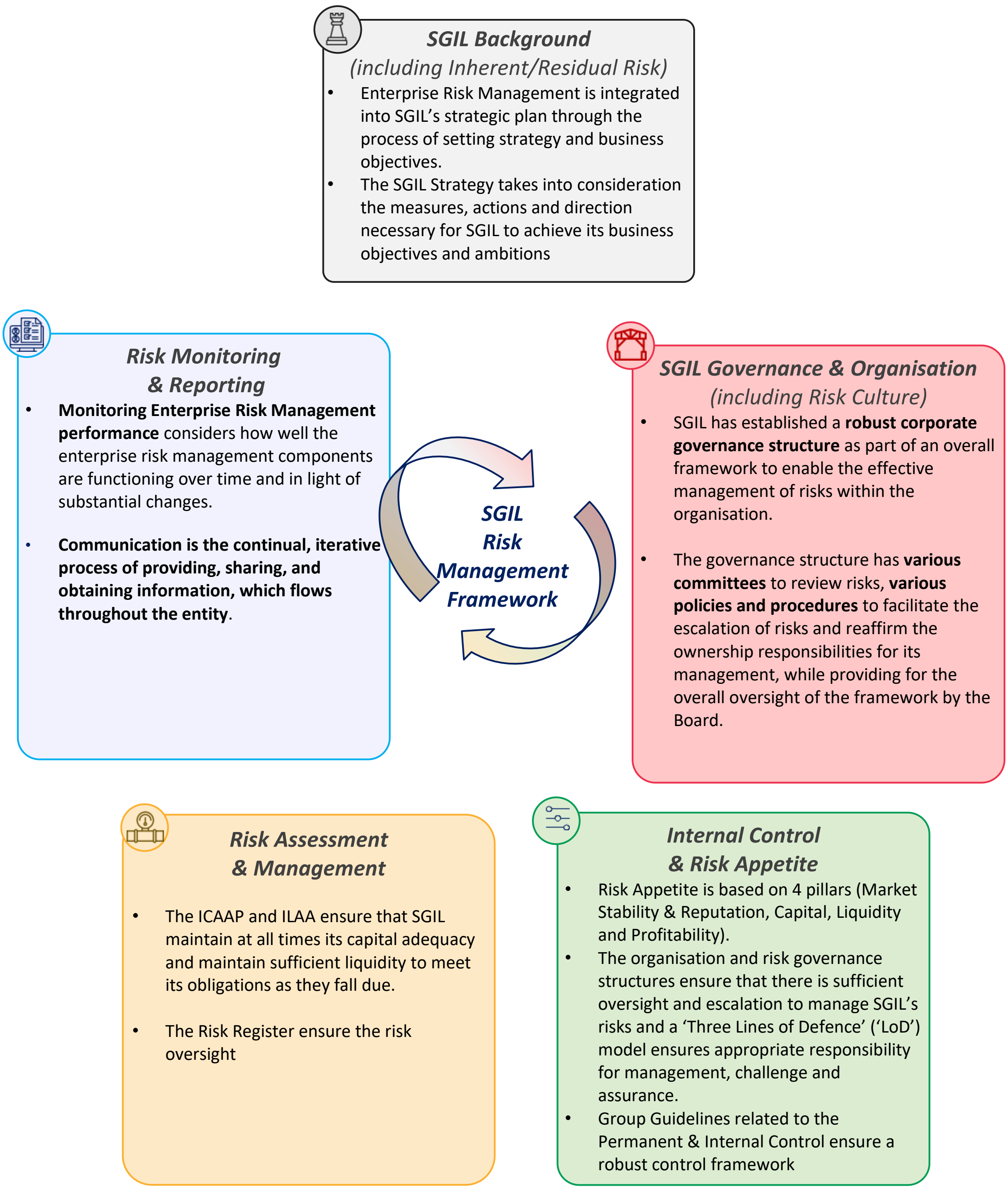
10. OVERVIEW OF RISK MANAGEMENT

Risk management is a fundamental management and control function and is vital for upholding the Company's reputation, performance and future success. It is therefore of critical importance to the Company's stakeholders that risk management processes are fit for purpose and subject to regular review and enhancement.

The standards of risk management of the Company are set out in the SGIL Risk Management Framework that has been designed to ensure that risk is appropriately considered within all business decision making in the achievement of business objectives and strategy. The SGIL Risk Management Framework comprises the following components:



11. RISK GOVERNANCE AND ORGANISATION

The Company's strategy, performance and operations are overseen by a Board of Directors. As part of its responsibilities, the Board oversees sound risk management and internal controls to enable risks to be assessed and managed.

11.1. Governance Structure

The Company's Board of Directors provides strategic oversight of the business and its operations. The Board is ultimately responsible for the risks within the Company and approves the risk appetite and the framework to adhere to that appetite.

The composition of the Board of Directors is intended to provide the requisite levels of experience and appropriate challenge to oversee the Company. The Board comprises 2 Executive Directors, 3 Non-Executive Directors ("NED") and 3 Independent Non-Executive Directors ("INED"). The NEDs and INEDs provide challenge and independent oversight over the Company's strategy and operations. The Chairman of the Board is a NED.

The Company Senior Management is responsible for the day to day management of the Company.
At Executive level, the Company's Chief Risk Officer (CRO) has a direct reporting line to the Company's CEO as well as a functional reporting line to Societe Generale's Risk Division, and to the chair of the Board Risk Committee (BRC). This positioning has been designed to meet the following objectives:

- Ensure the Company maintains full independence of risk assessment and control;
- Ensure a rapid reporting of reliable and comprehensive information about the Company's risks to enable effective decision making; and
- Ensure the quality and consistency of risk principles, procedures and methodologies within the Company and in alignment with the Group.

During 2019 SGIL implemented the Senior Managers and Certification Regime which aims to reduce harm to customers and strengthen market integrity by making individuals more accountable for their conduct and competence.

The Board and the Executive committee structures are aligned to ensure effective oversight:

- At the Board level, the Board of Directors and the technical committees the Board of Directors has established, including the Board Risk Committee;
- At the Executive level, the Executive Committee and its sub-committees including the Risk & Control Committee (RCC).

Please note that the directors have selected the Wates Corporate Governance Principles for Large Private Companies as SGIL's corporate governance code (the Code). Further discussion can be found in the Directors Report.

11.2. Outsourcing services

Where essential services are provided by Group entities, these are managed under the Outsourced Essential Services and Activities policy of the Company. The provision of services between the Company and Group entities are governed by Client Service Level Agreements (CSLAs) and the oversight of these arrangements is managed by the Service Management Committee at the executive level and the Board Risk Committee at the Board level.

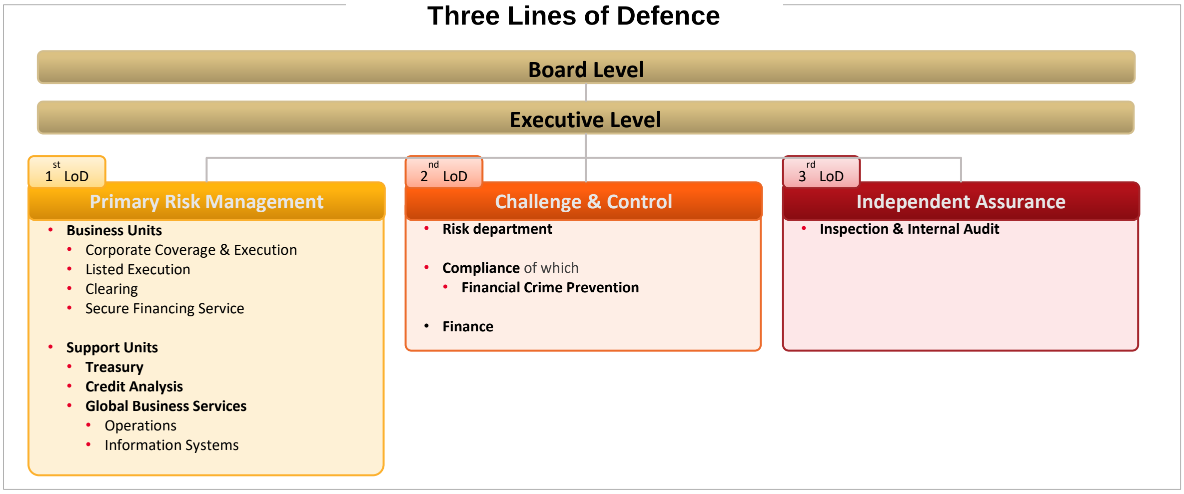
11.3. Three Lines of Defence Organisation

SGIL has embedded a formalised corporate governance structure, which ensures that the Board of Directors has visibility on the risks faced by SGIL and the framework in place to manage and mitigate them. The risk governance structures ensure there is sufficient oversight and escalation to manage SGIL's risks and that a 'Three Lines of Defence' ('LoD') model ensures appropriate responsibility for management, challenge and assurance:

- **The First Line of Defence (1st LoD)** is defined as the business and support units within SGIL and have the direct responsibility for the ownership, use and management of risk within their processes and activities.

- **The Second Line of Defence (2nd LoD)** is defined as being the risk and compliance and finance functions who provide an independent oversight and challenge of the embedding of the Risk Management Framework within the business and ensuring that the framework is current for the SGIL Business Model.

- **The Third Line of Defence (3rd LoD)** is defined as being the Internal Audit function and provides an independent assurance that SGIL's risk management, governance, policies and internal control processes are operating effectively. The Internal Audit function for SGIL is outsourced to the SG Inspection and Audit Division and reports directly to the Board via the Chair of the Board Audit Committee ('BAC').



12. RISK ASSESSMENT AND MEASUREMENT

12.1. Risk Assessment

The Risk Management Process & Methodology processes and activities within the Risk Management Framework are designed to consider the nature and severity of identified risks and enable the development of related risk management actions and strategies.

Risks to the business are identified through various processes and actions, including the reporting of operational risk events, the performance of Risk and Control Self-Assessment process, limit excesses, control testing and new product assessments.

The risk assessment of the identified risks ensures that the root cause of the risk is identified which enables appropriate risk mitigating actions or strategy to be developed and implemented to reduce the level of residual risk. The risk is subject to ongoing risk management and monitoring to ensure the residual risks are fully mitigated on a permanent basis.

The Company assesses its risks mainly through the yearly Risk Control Self-Assessment (RCSA) exercise and the continuous refresh of its Risk Register. In parallel, the identification and validation of the Company's major risks and follow-up of major action plans is managed on a dynamic and continuous basis through an Active Risk Register (ARR) which becomes the core part of the monthly Risk and Control Committee (RCC). As such, the major risks of the Company along with their plans of action and potential emerging risks are reviewed on a monthly basis and formally validated during the year through the RCC and the Board Risk Committee (BRC), thus integrating the Internal Capital Adequacy Assessment Process (ICAAP) operational risk scenario identification exercise in a continuous process. Additionally, once a year, the ARR is reconciled to the output of the RCSA for completeness.

12.2. Risk Quantification

The Company utilises standard risk quantification methodologies. The key elements of the quantification framework are listed below:

- **Operational Risk**

SGIL recognises these inherent risks and seeks to mitigate and manage their occurrence within the levels defined within the SGIL Risk Appetite Statement. The embedding of a robust and effective Operational Risk Management Framework, including a Risk Governance structure, defined policies and procedures and a Three Lines of Defence Model of risk ownership and oversight are critical components in the management of operational risk within SGIL. SGIL identifies, manages and monitors its operational risk using the following risk processes and methodologies:

- **Reporting of Operational Risk Events** (including Losses, Gains and Near Misses) Root causes of the events are identified and appropriate remedial and preventative action plans are owned and managed to completion;
- **Key controls** within all main processes have been identified and assessed as to their effectiveness in mitigating risk. The controls are reviewed and attested to by the business and control owners on a periodic basis as to their continued effectiveness, the status of the implementation of control improvements are confirmed and any remaining residual risk is identified and further assessed;
- Various levels of **control testing** are performed by the business and the 2LoD, including Permanent Control Testing.
- **Risk & Control Self-Assessment ('RCSA')** reviews are completed on an annual basis by the 1LoD process and control owners and any residual risk identified is further mitigated by appropriate action plans. The population of processes identified for review is based upon an assessment of their inherent risk to the business;
- **Key Risk Indicators ('KRIs')** are reported by the business process and activity owners and is used to identify and monitor risk trends and incidents;
- **Transversal or process risk reviews** are performed by the 2LoD based upon risk prioritisation and identification of emerging risks or areas of risk concern;
- **Oversight and review of key inherent and residual risks** are monitored through the reporting and use of risk scorecards to the 2LoD and the SGIL Risk & Control Committee (RCC);
- Various thresholds of risk with related management actions have been identified as part of the overall SGIL Risk Appetite Statement and are monitored on an ongoing basis by the RCC and BRC.

- **Liquidity and Funding Risk**

The Risk department monitors the Metrics ("Survival horizon – BIPRU12.4, Survival horizon – BIPRU12.5, Liquidity on segregated client money bank and Committed Funding Capacity") on a daily basis and reports to the Board any breaches.

SGIL will always hold liquid assets to ensure compliance with Overall Liquidity Adequacy Rule (OLAR). SGIL considers this appropriate due to its belief that holding liquidity resources sufficient to survive in excess of 35 days would provide enough time to either outlast a stress event and / or take mitigating actions to address its impacts.

- **Business and Strategic Risks**

SGIL does not have specific appetite for Business and Strategic Risk and no specific metric for these risk categories. To minimise its exposure to Business Risk, SGIL will:

- Set and publish the Company's strategy and objectives annually, in line with the strategic guidelines from Societe Generale;
- Adhere to an annual financial planning process, covering its capital, liquidity, profit and loss and balance sheet statements; and,
- Establish a selective and prudent new activity/product approval process, ensuring alignment with the defined strategy and adequacy of the delivery capacity.
- These risks are assessed as part of the SGIL Stress Testing Exercise or on ad-hoc basis for any particular event.

- **Credit Risk**

The credit risk exposure (including concentration and settlement risk) faced by SGIL is largely short-term in nature due to the daily monitoring and margining process. The main credit risk exposure arises from the following:
- Cross margining activities;
- Margin financing activities; and,
- Cash held at banks, carrying brokers, clearing houses and group entities.

For cross margining and margin financing, SGIL would only suffer a credit loss if: (i) the customer does not pay; (ii) to close out the customer's trades SGIL realised a loss greater than the variation margin that had been posted (i.e. on previous days); and (iii) any haircuts applied were less than the negative result from the realised losses. SGIL has a diverse portfolio of customers which ranges from financial services companies and regulated funds to corporates, such as energy companies and commodity trading houses.

The maintenance of the Credit Risk Management Framework is the responsibility of the CRO, who collaborates with the Societe Generale Risk Division and Finance Division, governed by SLAs to ensure alignment with the policies, procedures, and standards of Societe Generale.

The 4 main sub-categories are:
- Counterparty Credit Risk: The credit risk assessment and measurement is performed via the credit portfolio assessment and the Credit Approval Process. The main metrics are: Net and gross Credit Value at Risk, Debtor Risk, Financing.

- Country Credit Risk: Risks linked to the business environment (legal or fiscal risk, interference of the State, corruption, etc.) are also included in country-risk, in one or other of its strands (political or commercial).

- Concentration Credit Risk: is the risk of losses arising as a result of concentrations in exposures due to an imperfect diversification. This imperfect diversification can arise from the small size of a portfolio, or a large number of exposures to specific obligors (single name concentration,) or from imperfect diversification with respect to economic sectors or geographical regions.
  To assess the level of concentration, SGIL is using the Herfindahl-Hirschmann ('HHI') approach as presented by the Prudential Regulation Authority ('PRA') in its Statement of Policy, dated in December 2017.

- Settlement Risk: The Settlement / Delivery Risk that arises when payments are not exchanged simultaneously.

- **Market Risk**

There is no appetite in the Limited Activity Firm to generate income using proprietary or speculative activities. Hedging activity, however, is required in order to neutralise the market risk on customer over-the-counter contracts.

Intra-day market risk positions are monitored by the First Line of Defense. The risk is overseen by SGIL`s Risk Department.
Market Risk exposure is measured and framed for each desk using standard Market Risk metrics and limits:

- Volcker Metrics (Stress Test, Stress Value at Risk, Value at Risk, Delta Nominal)
- Overnight outright position allowed
- Max tenor
- Positions / open interest
- Market Risk Limits are assigned to a given desk for a specific list of products.

13. RISK MONITORING AND REPORTING

The SGIL Monitoring and Reporting Framework has been designed with a view to provide on an ongoing basis a comprehensive view of the SGIL risk profile to ensure that the Company stays within the Risk Appetite Statement (‘Management Information’ or ‘MI’). Its purpose is to enable escalation of breaches (including overruns) and to ensure the resolution of risks and the maintenance of risk mitigation processes. The Management Information (‘MI’) is made up of three key elements within the Risk Management Framework:

1. **Risk Register** - The Risk Register records the inherent risks and residual risk faced by the Company, as well as the risk mitigating actions approved by the RCC, Senior Management and the Board to reduce the risk exposure of the Company. The Risk register includes but is not limited to:
   - The Risk Identification & Risk Mapping as part of the ICAAP
   - The ICAAP Report and the ILAA Report
   - For specific risk category, a dedicated risk register can be performed depending on the criticality of the risk category. For instance, for operational risk, the annual Risk & Control Self-Assessment (‘**RCSA**’) process performed by the business is also designed to assess the effectiveness of controls in mitigating risk within the main business processes

2. **Monthly Board Report (‘MBR’)**- a comprehensive dashboard sent to the Board of Directors on monthly basis. The MBR includes an overview of the current situation regarding Finance, Treasury/ALM, Operational Risk, Credit Risk, Market Risk, Capital, and Compliance topics to capture the relevant information from the different SGIL committees.

3. **Risk Appetite** – The SGIL Risk Appetite is translated into a series of qualitative business acceptance criteria and quantitative limits, thresholds and risk indicators, monitored on a regular basis to ensure that the company stays within its risk appetite. Should the results of the controls in place imply that SGIL is exposed to a risk exceeding its stated risk appetite, escalation and resolution protocols are triggered in line with the applicable policies and procedures;

Aligned with the Risk Appetite Framework, the escalation principles are designed to define the course of action when risk appetite limits or thresholds or crisis limit are breached. They must ensure that the necessary people are duly informed and actions taken. Metrics are monitored on a regular basis (daily, weekly or monthly), although communicated to the Board on a monthly basis.

ON BEHALF OF THE BOARD:

....
Christophe Lattuada - Director
Date: 23th April 2020

DIRECTORS' REPORT

The directors of the Company present their report and the audited financial statements for the year ended 31 December 2019.

1. PROFITS AND APPROPRIATIONS

During the year under review the Company made a profit after tax of £101.2 million (2018 profit: £106.5 million). The directors recommend the payment of a dividend on the ordinary shares in respect of this financial year of £101.2 million.

Total shareholders' funds for the year ended 31 December 2019 were £1,472.8 million (2018: £1,215.3 million).

The Company's strategic highlights, business and future developments and principal risks and uncertainties are set out in the Strategic Report (pages 2 to 14). Post balance sheet events are disclosed in Note 23.

2. DIRECTORS

The directors, who served throughout the year except as noted, were as follows:

Christophe Bernard Lattuada	
Michael John Collins	
Keith McArdle	(appointed on 13 November 2019)
John Charles Fortescue Hitchins	
Tara Marie Palmer	
Marcia Ina Cantor-Grable	
Jonathan Simon Whitehead	(resigned 26 June 2019)
Barry John Pearce	(resigned 23 June 2019)
Bruno Germain	(resigned 26 June 2019)
Alexandre Fleury	(appointed on 18 March 2020)
Gill Lungley	(appointed on 10 February 2020)

The information relating to directors' remuneration is disclosed in Note 4.

No directors have any direct financial interests in the Company.

3. EMPLOYEE ENGAGEMENT

SGIL commits to be a responsible employer and ensuring the health, safety, diversity and well-being of its employees is one of its primary considerations. The interests of employees in key decisions is a priority.

During 2019 the SGIL Board reviewed and approved the Company's benefit pension scheme to realign the schemes across all employees to ensure consistent and fair treatment in addition to reviewing the annual salary and bonus awards.

Employees are also fundamental to the delivery of the strategic plan. We aim to focus on "talent" and workforce in general as a fundamental asset of the Company.

4. BUSINESS RELATIONSHIPS

All issues identified which pertain to SGIL's business relationships are the subject of management updates within the SGIL governance framework, with all matters deemed of highest importance escalated to the Board for awareness and input.

Specifically, during 2019, the Board have been periodically updated and informed in respect of all activity being undertaken as part of the SG Group project to redesign and improve the Group anti-bribery and corruption framework. This framework defines, to a significant extent, through normative documentation, accompanying procedures and Group tools, the manner in which SGIL staff should interact with and document their engagement with all third parties. This is an area under continuing review and development.

It is well recognised that SGIL's business relationships with its suppliers, customers and other third parties are the cornerstone of its operational success and reputational integrity and are continuously reviewed and scrutinized.

5. CORPORATE GOVERNANCE ARRANGEMENTS

The directors have selected the Wates Corporate Governance Principles for Large Private Companies as SGIL's corporate governance code (the Code). For the year ended 31 December 2019, the Board considers that it has complied in full with the provisions of the Code. Set out below is a short supporting statement summarising how each of the six principles set out in the Code has been applied to achieve better outcomes.

5.1. Purpose and Leadership

Under SGIL's Board Terms of Reference the Board has overall responsibility for SGIL, and its main role is to:

- Establish a sustainable business model for SGIL and a clear strategy consistent with that model;
- Review and approve SGIL's financial reporting and controls;
- Exercise effective oversight of SGIL's corporate governance, risk management and control framework;
- Provide leadership of SGIL within a framework of prudent and effective controls which enables risk to be assessed and managed; and
- Articulate and oversee the embedding by executive management of a culture of risk awareness and ethical behaviour that SGIL should follow in the pursuit of its business goals.

SGIL is wholly owned by Societe Generale SA. The Board ensures it understands the views of its shareholder through regular interactions between directors and senior executives of Societe Generale SA. Please also see Section 5.2 (Board Composition) below.

The Board is the ultimate sponsor of SGIL's Culture and Conduct Programme and receives regular updates from the Chief Executive Officer on this topic.

Conflicts of interest between SGIL and directors are managed as part of the assessment of prospective directors, ongoing disclosure obligations, a requirement to seek the Board's agreement before accepting further commitments which may give rise to a conflict and recusal from decision making where there is an unavoidable conflict (for example on the extension of a director's term).

SGIL has a Whistleblowing Policy which has been reviewed and approved by the Board in 2019. John Hitchins, SGIL's senior independent non-executive director, acts as the Board's whistleblowing champion. Individuals can flag concerns via a whistleblowing electronic mailbox and John is notified each time this facility is used.

The Board and the management of SGIL are focused on ensuring the relationships, communication and engagement with its employees and workforce stakeholders is maintained and strengthened via a number of initiatives and regular interactions. The Company utilises various approaches in this regard: The management communicates to all employees in Town Hall meetings and regular employee communications are made via email and on its Company's intranet site. These cover all types of issues related to the business and business performance, employee policies, events, networks, training and engagement activities. One Town Hall was attended by the non-executive directors allowing employees the chance to ask them questions directly.

The Company is also continuing to build on the various initiatives offered as part of its people engagement framework, Life@Work, which includes programmes and events focusing on wellbeing, diversity and inclusion and work/life balance.

5.2. Board Composition

As at the end of 2019, SGIL had two independent non-executive directors, two non-executive directors and two executive directors. Michael Collins, a non-executive director, acts as Chair of the SGIL Board. Christophe Lattuada, an executive director, acts as Chief Executive Officer of SGIL. Michael and Christophe's respective roles are clearly articulated in the Company's Board Terms of References.

The composition of the SGIL Board was carefully considered during 2019 and the following individuals were selected to join the Board to complement the skills, expertise and knowledge of the other directors:

(a) Gill Lungley was invited to join the Board as an independent non-executive director. Gill has extensive IT experience in the financial services sector.

(b) Alexandre Fleury was invited to join the Board as a non-executive director. Alexandre is Societe Generale's Global Head of Equities & Equity Derivatives and will provide a shareholder voice as well as bringing his extensive Markets business experience to the Board.

(c) Keith McArdle joined the Board as an executive director. Keith is SGIL's Chief Administrative Officer and has 20 years' experience managing global teams, while executing and delivering large scale strategic change and remediation programmes at Societe Generale and previously Newedge Group.

The ongoing development of the Board is fostered through a Board and individual training programmes.

The effectiveness of the Board and each Board Committee is assessed annually.

5.3. Director Responsibilities

The Board's work is supported by the following Board level committees: the Audit Committee, the Risk Committee, the Nomination Committee and the Remuneration Committee.

The Board, Board Committees and individual directors have a clear understanding of their accountability and responsibilities. These are set out in SGIL's Board and Board Committee Terms of Reference which are reviewed at least annually and Directors' appointment letters which are updated when desirable.

During 2019 SGIL implemented the Financial Conduct Authority's Senior Managers and Certification Regime which aims to reduce harm to customers and strengthen market integrity by making individuals more accountable for their conduct and competence. Directors' terms were updated as a result of the implementation of this regime.

The Board ensures that systems and controls are operating effectively by reviewing key performance and risk indicators as well as providing constructive challenge to executive management.

The major risks of the Company along with their plans of action and potential emerging risks are reviewed on a monthly basis and formally validated during the year through the RCC and the Board Risk Committee (BRC), thus integrating the Internal Capital Adequacy Assessment Process (ICAAP) operational risk scenario identification exercise in a continuous process.

Additionally, an executive summary is annually submitted to the Board members before statutory accounts validation describing the internal control framework to ensure the accuracy and integrity of the financial statements.

5.4. Opportunity and Risk

The SGIL Board Risk Committee ensures an oversight of the risk and compliance functions and focuses on the risk management, risk appetite, capital and liquidity adequacy assessment. The SGIL Board Audit Committee oversees the effectiveness of the internal control framework together with the processes for budgeting, capital and liquidity planning. The SGIL Board oversees both Board Committees and also promotes the long-term sustainable success of SGIL by reviewing opportunities raised by the Business Units and ensuring the creation and preservation of value by reviewing the budget, the strategy and the capital & liquidity planning.

5.5. Remuneration

SGIL's Remuneration Committee is tasked with, among other things, taking steps to satisfy itself that the remuneration policy of SGIL complies with relevant financial services industry standards, its shareholder's policy globally, and regulatory requirements, including the requirement to ensure that SGIL's remuneration policies, procedures and practices (a) are consistent with and promote sound and effective risk management, (b) are in line with the business strategy, objectives, values and long-term interests of SGIL, (c) address broader societal factors including diversity and corporate social responsibility; and (d) fulfil all requirements under the FCA Remuneration Code.

The Remuneration Committee of the Company also ensures that remuneration practices are aligned with its employee engagement strategy – this can be evidenced, as an example, in the Company's Gender Pay Gap reports which also highlight some of the Company's diversity initiatives. Finally, the Company has a Speak Up facility and Whistleblowing policy to ensure that if employees have concerns they are able to easily and safely raise them, and this is backed up by its Culture and Conduct program to ensure that employees feel comfortable to challenge management and Company practices when needed.

5.6. Stakeholder Relationships and Engagement

The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions. Examples of employee engagement during 2019 include: employee surveys; a town hall meeting with presentations from a number of the Directors; the promotion of employee inclusion networks and proactively canvassing employees' views in relation to the move to new premises at One Bank Street, Canary Wharf. Further information on SGIL's Corporate Social Responsibility ambitions may be found at pages 247 et seq of the Societe Generale Group Registration Document 2019 (https://www.societegenerale.com//sites/default/files/documents/Document%20de%20r%C3%A9f%C3%A9rence/2019/ddr-2019_societe-generale_eng_version.pdf#page=273).

6. REGULATORY CAPITAL

As the business changes, the Company will continue to proactively monitor and control its ongoing capital requirements to ensure regulatory compliance.

7. EMPLOYMENT POLICIES

The Company's employment policies (summarised in the Employee Handbook and expanded on in the employee HR Portal and intranet) are developed and monitored to ensure they fulfil the Company's legal obligations but also to demonstrate best practice in terms of both HR policies and organizational culture.

Its employee policies, benefits and working environment underpin equal opportunities for all employees (regardless of their background) and its Life@Work and Culture and Conduct frameworks are in place to support all employees to thrive in their roles and be their best in the work place. The Company has a wide ranging and inclusive training curriculum to support employees' professional and personal skills development in partnership with their managers and the HR department. Its open culture is fostered by employee networks and diversity initiatives including those outlined in its Gender Pay Report and its commitments under the Women in Finance Charter. Its employee benefits package "Choices" allows permanent employees to utilise a benefits allowance to focus on what works for them and their families.

The Company has a strong focus on employee engagement and utilises a number of approaches in this regard including Town Hall meetings, email, intranet site and discussion and networking events. Finally, SGIL has moved to a brand-new building in Canary Wharf, shared with the other SG entities in London, where employees can work in a state-of-the-art environment and one of the most environmentally-friendly buildings in the City and Canary Wharf.

8. DIRECTORS' INDEMNITIES AND INSURANCE

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. In addition, the Company maintains liability insurance for its directors and officers.

9. GOING CONCERN

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future.

Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. As an integral part of the Société Générale group, the Company benefits from the Group's support and investment to provide technology and infrastructure support to the Company in the normal course of business and ensure the Company has sufficient financial resources to meet its obligations in the foreseeable future.

As noted in the strategic report, the directors have considered the implications of Brexit for the Company and believe the company is fully prepared. They have further considered the risks posed by the current COVID-19 crisis and as described in the strategic report consider the measures taken will enable the Company to continue to operate effectively.
Accordingly, the directors believe that preparing the accounts on a going concern basis is appropriate.

10. DIRECTORS' DISCLOSURE TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

11. AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

ON BEHALF OF THE BOARD:

....
Christophe Lattuada - Director
Date: 23th April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Societe Generale International Limited (the 'Company'):

- Give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The statement of comprehensive income;
- The balance sheet;
- The statement of changes in equity; and
- The related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- The directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which The financial statements are prepared are consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

Ben Jackson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23th April 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	Restated 2018 £'000
Profit and loss from continuing operations			
Turnover (*)	2	1,646,234	1,740,472
Operating costs (*)	2	(1,384,839)	(1,485,760)
Gross profit		261,395	254,712
Administrative expenses	3, 4, 5	(115,054)	(136,002)
Operating profit	5	146,341	118,710
Interest income	6	20,578	20,618
Interest expense	6	(43,775)	(7,264)
Profit before taxation		123,145	132,064
Tax on profit on ordinary activities	7	(21,932)	(25,501)
PROFIT FOR THE YEAR		**101,213**	**106,563**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Gains and losses on FVTOCI investments		7,985	(1,117)
Cash Flow hedges losses		(14)	(245)
Deferred tax on losses on FVTOCI investments		(1,697)	268
Other comprehensive loss, net of tax		6,273	(1,094)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**107,486**	**105,469**
Profit attributable to			
Equity shareholder of the Company		**101,213**	**106,563**
Total comprehensive income attributable to			
Equity shareholder of the Company		**107,486**	**105,469**

All profits for the current financial year are from continuing activities.

(*) 2018 comparative balances have been restated. See Note 2 for further information.

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	237	237
Other receivables	12	864,000	640,000
Deferred tax assets	7	-	1,592
		864,237	641,829
CURRENT ASSETS			
Investments at fair value through OCI	9	1,123,429	1,290,909
Inventories	10	0	123,776
Financial assets at fair value through P&L	11	1,749,102	2,503,454
Trade and other receivables	12	32,773,420	40,538,137
Cash and cash equivalents		7,774,014	2,118,837
		43,419,965	46,575,113
TOTAL ASSETS		**44,284,202**	**47,216,942**
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities at fair value through P&L	13	(1,690,431)	(2,474,273)
Trade creditors and other payables	14	(40,821,485)	(43,376,767)
Deferred tax liabilities	7	(363)	-
		(42,512,278)	(45,851,040)
NON-CURRENT LIABILITIES			
Subordinated debt	15	(295,000)	(145,000)
Provisions	16	(4,132)	(5,597)
		(299,132)	(150,597)
TOTAL LIABILITIES		(42,811,411)	(46,001,637)
NET ASSETS		**1,472,791**	**1,215,305**
EQUITY			
Share capital	17	1,150,000	1,000,000
Other reserves		7,755	(1,965)
Retained earnings		315,036	217,270
TOTAL EQUITY AND RESERVES		**1,472,791**	**1,215,305**

The financial statements were approved and authorised for issue by the Board of Directors on 27th March 2020 and were signed on its behalf by:

....

Christophe Lattuada - Director

SOCIETE GENERALE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital £'000	Other reserves £'000	Retained Earnings £'000	Totals £'000
At 1 January 2018	**1,000,000**	**(871)**	**129,308**	**1,128,437**
Issue of share capital	-	-	-	-
Dividend Paid	-	-	(18,600)	(18,600)
Profit for the year	-	-	106,562	106,562
Other comprehensive income/ (loss) for the year	-	(1,094)	-	(1,094)
At 31 December 2018	**1,000,000**	**(1,965)**	**217,270**	**1,215,305**
Issue of share capital	150,000	-	-	150,000
Profit for the year	-	-	101,213	101,213
Other comprehensive income/ (loss) for the year	-	6,273	-	6,273
(*) Other adjustment		3,447	(3,447)	-
At 31 December 2019	**1,150,000**	**7,755**	**315,036**	**1,472,791**

(*) Reclassification of 2018 IFRS 9 First Time Application ("FTA") between Other reserves and Retained Earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1 : ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

Basis of preparation

Societe Generale International Limited is a Private Company limited by shares, incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 14.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

These financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

A market is considered active if there are sufficient transactions on an ongoing basis to provide current pricing information for the asset or liability and the pricing information is released publicly.

Disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, and related party transactions. Where required, equivalent disclosures are given in the group accounts of Société Générale S.A. The group accounts of Société Générale S.A. are available to the public and can be obtained as set out in Note 22.

Adoption of new and revised Standards

In the current year, the Company has reviewed and assessed any impact on IFRS 16 Leases issued by the International Accounting Standards Board (IASB) that is mandatorily effective for an accounting period that begins on or after 1 January 2019. As the Company has no lease, IFRS 16 does not have any impact on disclosures or on the amounts reported in these financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 14. Together with information set out in Note 20, the Strategic Report further describes the financial position of the Company; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to operational and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currencies

The Company's presentation and functional currency is British Pounds Sterling which is the currency of the primary economic environment in which the Company operates. Amounts are presented in thousands (£'000) unless otherwise stated.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling spot rate at the date of the balance sheet (see section Market risk in Note 20). Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Transactions in currencies other than the functional currency are converted to sterling spot rate at the date of the transaction. All exchange rate movements are taken to the profit and loss account.

Turnover

Turnover comprises interest income, commission and fee income, income on financial instruments and inventory measured at fair value through profit and loss, and gains and losses on foreign exchange. Income and expenses that arise from back-to-back transactions are presented gross within turnover.

Revenues are recognised when the promised goods or services are delivered to the customers, in an amount that is based on the consideration the Company expects to receive in exchange for those goods or services when such amounts are not probable of significant reversal.

Fee and commission income results from transaction-based arrangements in which the customer is charged a fee for the execution or clearing of transactions. Such revenues primarily arise from transactions in clearing and execution. Fee and commission income is recognised on trade date when the performance obligation is satisfied.

Interest income is generated from margin balances held, financing and reverse repo transactions and is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest expense is generated from the same type of activity as described above.

Operating costs

Operating costs represent the costs of providing brokerage services, and include settlement costs payable to other Group companies, transaction charges from exchanges and third party brokers, and interest expense on margin balances held, financing and reverse repo transactions.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(a) **Classification of financial assets**

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- And the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i). Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the 'Interest income' within the Turnover line item.

(ii). Debt instruments classified as at FVTOCI

Treasury bonds held by the Company are classified as at FVTOCI. The treasury bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these treasury bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these treasury bonds had been measured at amortised cost. All other changes in the carrying amount of these treasury bonds are recognised in other comprehensive income and accumulated under the heading of Other Reserves within Shareholder Equity. When these treasury bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii). Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in 'Net gains and losses' within the Turnover line item.

(b) **Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Net gains and losses' within Turnover line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'Net gains and losses' within the Turnover line item;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Net gains and losses' within the Turnover line item.

(c) **Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, amounts due from customers, initial margin and default funds posted to CCPs, brokers and reverse repos. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

To determine the amount of impairment or provision to be recorded at each reporting date, these exposures are split among three categories based on the increase in credit risk observed since initial recognition. An impairment or provision shall be recognised for the exposures in each category as follows:

Observed deterioration in credit risk since initial recognition of the financial asset

Credit risk category	**Stage 1** Performing assets	**Stage 2** Under-performing or downgraded assets	**Stage 3** Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ⇨ *Maintained if the credit risk has not increased significantly*	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument has become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i). Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

For loan commitments and financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. To identify Stage 2 exposures, the Company uses all available past and forward-looking data (behavioral scores, loan to value indicators, macroeconomic forecast scenarios, etc.) to assess the counterparty's credit risk. A financial asset moves to the stage 2 exposures if its internal credit risk rating decreased by at least two notches in the last 18 months.

(ii). Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii). Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(d) **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss in Net gains and losses on financial transactions. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

(a) **Classification as debt or equity**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) **Equity instruments**

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(c) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.
However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

(i). Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.
A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the ‘other gains and losses’ line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.
Gains or losses on financial guarantee contracts and loan commitments issued by the Company that are designated by the Company as at fair value through profit or loss are recognised in profit or loss.

(ii). Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

(iii). Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

(iv). Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in 'Net gains and losses' within Turnover line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(v). Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Company designates certain derivatives as hedging instruments in respect of interest rate risk in **fair value hedges** and in **cash flow hedges**.

However, similarly to SG Group and in accordance with the transitional measures provided by IFRS 9, the Company has elected to continue recognising hedging transactions under IAS 39 as adopted by the European Union.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

a) Fair value Hedges

The Company hedges the interest risk of its fixed-rate debt instruments classified under Financial Assets at FVTOCI with interest rate swaps paying fixed rate and receiving the variable rate (plain vanilla swaps). The interest rate risk is defined as the risk that the value or cash flows of an instrument will fluctuate due to variations in market interest rates.
The fair value change on qualifying hedging instruments is recognised in profit or loss.
For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but gain or loss on the hedged item is recognised in profit or loss. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the gain or loss on the hedging instrument.

Prospective effectiveness is assessed via a rate sensitivity ratio between the hedged and hedging instruments. Retrospective effectiveness is performed on a daily basis using the dollar offset method. For both testing, the ratio should fall within the threshold of [80:125]%.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or redeemed early.

b) Cash Flow Hedges

The Company issues to certain employees share-value linked deferred bonuses (see Note 3). The Company hedges the effect of the movement of Societe Generale's share price to reduce market risk with cash settled options on SG shares (see Note 13).

The effective portion of changes in the fair value of the options that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in 'Net gains and losses' within the Turnover line item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Netting of Financial Assets and Liabilities

In accordance with IAS32, the Company reports certain financial assets and liabilities on a net basis in the balance sheet only if there is a legally enforceable right of offset to net the recognised amounts and there is the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

Inventories

Inventories arise in the course of broker-dealer activities, are held for trading purposes and thus are stated at fair value less costs to sell, measured at the nearest available exchange quoted price. Changes in valuation of inventories are recorded to profit and loss in 'net gains and losses on financial instruments'.

Cash and Cash Equivalents

Cash and cash equivalents include debit current accounts and short-term deposits at banks with a maturity less than three month.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

Impairment of intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any) and the carrying amount of the asset is reduced to its recoverable amount.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss statement except to the extent that it relates to items recognised in Other Comprehensive Income.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date, and is the expected tax payable or receivable on the taxable profit and loss for the year and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Pension costs and other post-retirement benefits

The Company operates a defined contribution Personal Pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge in Note 3 to the financial statements represents contributions payable by the Company to the fund.

Share-based payment

The Company's employees receive share-based payments from the parent Company, Société Générale SA, the details of these can be found in Note 3.
For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

Client Money Balances

As required by the UK Client Assets rules in line with the Financial Services Market Act (FSMA) 2000, the Company maintains certain balances on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts. These amounts and the related liabilities to clients, whose recourse is limited to segregated accounts, are disclosed in Note 18 to the financial statements and are not included in the Company's balance sheet as the Company is not beneficially entitled thereto.

Critical accounting judgements and estimates

In the application of the Company's accounting policies, which are described in Note 1 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting judgements are those that the Directors have made in the process of applying the Company's accounting policies and that had a significant effect on the amounts recognised in financial statements. There were no critical accounting judgements in the current or prior year.

Estimates are those where the Directors have estimated income or expenditure, or the carrying amounts of assets or liabilities, based on historical experience or other factors that are considered relevant to the estimate where actual results may differ from those estimates. The true up between estimated and actual SG recharges is communicated in April by SG Group. This amount recorded in 2019 pertaining to 2018 is £1,209k.

The Transfer Pricing are the prices at which the Company receives services provided by other entities of Societe Generale Group. SGIL is recharged on a monthly basis for services performed by Global Business Services (GBS) support functions to the benefit of the Business Lines and, by Head-office departments as well as at Central level, business line level and, in some cases at regional level. Transfer Pricing amounts are estimated based on actual amounts from January to September, and then estimated for the last quarter of the year based on historical experience, which may end up with adjustments in the course of the following year.

NOTE 2 : GROSS PROFIT

Gross profit is attributable to the principal activities of the Company:

	Interest income	Commission and fee income	Net gains and losses on financial instruments	**Total £'000**
	£'000	£'000	£'000	**£'000**
Turnover	771,724	776,219	98,291	1,646,234
Operating costs	(693,224)	(691,615)	-	(1,384,839)
At 31 December 2019	**78,500**	**84,604**	**98,291**	**261,395**

Net gains and losses on financial instruments (at fair value through profit and loss) arise from the Company's brokerage activities carried out on a matched principal basis. This also include foreign exchange gains and losses on principal treasury positions, and gains and losses on revaluation of monetary assets and liabilities.

Restatement 2018: Prior year adjustment of £395,463k is due to the de-netting of the settled interest and expense on Repo & Reverse Repo positions.

	Notes	**2018 Previously reported** £'000	**Restated 2018** £'000	**Impact of restatement** £'000
Profit and loss from continuing operations				
Turnover	2	1,345,009	1,740,472	395,463
Operating costs	2	(1,090,297)	(1,485,760)	(395,463)
Gross profit		254,712	254,712	-

2018 Previously reported

	Interest income	Commission and fee income	Net gains and losses on financial instruments	**Total £'000**
	£'000	£'000	£'000	**£'000**
Turnover	294,509	880,344	170,156	1,740,472
Operating costs	(299,409)	(790,888)	-	(1,485,760)
At 31 December 2018	**(4,900)**	**89,456**	**170,156**	**254,712**

Impact of restatement on Note 2:

	Interest income	Commission and fee income	Net gains and losses on financial instruments	**Total £'000**
	£'000	£'000	£'000	**£'000**
Turnover	395,463	-	-	395,463
Operating costs	(395,463)	-	-	(395,463)
		-	-	-
At 31 December 2018	-	-	-	-

Analysis of the Company's turnover remitted from geographic source:

	2019 £'000	Restated 2018 £'000
United Kingdom	660,153	557,521
France	44,508	73,856
Rest of Europe	479,934	578,482
Americas	162,635	236,469
Asia-Pacific	268,013	272,822
Other	30,991	21,321
	1,646,234	**1,740,472**

The geographical analysis of the turnover is calculated using only UK originated revenues, removing the impact of revenue generated where there is repatriation to the originating entity

NOTE 3 : STAFF COSTS

	2019 £'000	2018 £'000
Wages and salaries	51,831	47,769
Social security costs	6,241	6,854
Pension and other staff costs	4,268	3,686
	62,340	**58,309**

As at the year-end, there were no unpaid pension contributions (2018: £nil).

The average number of employees throughout the year was as follows:

	2019 £'000	Restated 2018 £'000
Management	9	9
Front office	100	114
Support	326	348
	435	**471**

Share-based payments

The Company's staff participates in the following share schemes offered by Societe Generale SA:

Fidelity plan

The Company issues to certain employees share-value linked deferred bonuses. The vesting periods of these bonuses are between one and three years from the date of declaration of the award and the employees will only be entitled to these bonuses on the condition that they are still employed by the Company at the scheduled payment dates during the vesting period. These bonuses are cash-settled and from the 2015 award onwards, the Company hedges the effect of the movement of Societe Generale's share price to reduce market risk (see note 13).

The element of this valuation relating to variation in the price of Societe Generale shares since declaration to the balance sheet date was a loss of £657k (2018: loss of £1,065k). The profit and loss recognised in the year related to the plan was an expense of £476k (2018: £1,973k) recorded under Administrative expense.

UK Share plan

The Share Incentive plan provides the opportunity for all employees to purchase Societe Generale shares out of gross pay. For every four shares bought, Societe Generale will match one additional share. An employee may contribute £10-£125 from gross pay each month, but no more than 10% of gross pay. Matching shares are paid by the Company on a monthly basis.

NOTE 4 : DIRECTORS' EMOLUMENTS

	2019 £'000	2018 £'000
Directors' remuneration	884	1,187
Pension contributions to defined contribution schemes	59	80
	943	**1,267**

Remuneration of the highest paid director:

	2019 £'000	2018 £'000
Directors' remuneration	479	754
Pension contributions to defined contribution schemes	37	50
	516	**804**

NOTE 5 : OPERATING PROFIT

The operating profit is stated after charging:

	2019 £'000	2018 £'000
Amortisation of intangible assets	-	2,203
Depreciation of fixed assets	183	0
Recovery provision (ECL)	288	263
Operating rental recharges	4,262	4,079
Fees payable to Company's auditor for:		
- The audit of the Company's annual accounts	950	825
- Other services	211	180

Included in administrative expenses are amounts recharged from other Société Générale S.A. group companies for £28,895k (2018: £25,921k).

NOTE 6 : INTEREST INCOME AND EXPENSE

	2019 £'000	2018 £'000
Interest income from deposits with Group companies (Note 12)	20,578	20,618

	2019 £'000	2018 £'000
Interest expense on borrowings with Group companies (Note 14)	43,775	7,264

NOTE 7 : TAXATION

The UK corporation tax rate applicable for financial reporting is 19% (2018: 19%).

(a) Analysis of the tax charge / (credit) in the year:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax	21,969	24,959
Adjustment in respect of prior periods	(319)	(26)
Total current tax	**21,650**	**24,933**
Deferred tax		
Origination and reversal of temporary differences in the current year	419	532
Adjustment in respect of prior periods	23	(13)
Changes in Corporation tax rate	(161)	49
Total deferred tax	**282**	**568**
Total taxation on profit on ordinary activities	**21,932**	**25,501**

(b) Factors affecting the tax charge / (credit):

The charge for the year can be reconciled to profit and loss as follows:	2019 £'000	2018 £'000
Profit on ordinary activities before tax	123,147	132,064
Tax on profit on ordinary activities at standard tax rate of 19%	23,398	25,092
(2019: 19%)		
Effects of:		
- Expenses not deductible for tax purposes	71	1,622
- Financial Asset at FVTP&L	(296)	-
- Adjustment in respect of prior years and other	(1,081)	(1,262)
- Changes in Corporation Tax rate	(161)	49
	21,932	**25,501**

(c) **Deferred tax assets/ (liabilities):**

The deferred tax included in the balance sheet is as follows:

	2019 £'000	2018 £'000
Depreciation in excess of capital allowances	603	653
Provision for temporary differences	358	562
Loss (Gain) on investments at FVTOCI	(1,538)	161
IFRS 9 transition adjustment	214	216
	(363)	**1,592**

The movement in the deferred tax asset during the period is as follows:

	2019 £'000	2018 £'000
Deferred tax asset at 1 January	1,592	1,673
Amount charged to the income statement	(419)	(497)
Adjustment in respect of prior periods	-	12
Changes in Corporation tax rate	161	(49)
Amount credited to other comprehensive income	(1,697)	207
IFRS 9 transition adjustment	-	246
Deferred tax asset at 31 December	**(363)**	**1,592**

Deferred tax assets are only recognized to the extent that they are more likely than not to be recovered.
The Company recognized all UK deferred tax assets and liabilities at a rate of 19% at which the deferred tax is expected to reverse.

NOTE 8 : INTANGIBLE ASSETS

	Other Intangibles £'000	**Totals £'000**
COST		
At 1 January 2019	237	237
Movement	-	-
At 31 December 2019	237	237
AMORTISATION / IMPAIRMENT		
At 1 January 2019	-	-
Movement	-	-
Amortisation for the year	-	-
At 31 December 2019	-	-
NET BOOK VALUE		
At 31 December 2019	**237**	**237**
At 31 December 2018	237	237

NOTE 9 : INVESTMENTS AT FAIR VALUE THROUGH OCI

	Treasury notes and bonds £'000
At 1 January 2019	1,290,909
Additions	3,811,571
Disposals	(3,989,135)
Coupon	593
Amortisation of premium/ discount	141
Revaluation (*)	9,348
At 31 December 2019	**1,123,429**

Investments at FVTOCI consist of investments in treasury notes and similar bonds, for which the fair values are determined using quoted prices in active markets.
(*) £1,604k of the MtM has been recycled through P&L under trades that have been designated as Fair Value hedges.

	Treasury notes and bonds £'000	Shares in unquoted investments £'000	**Totals £'000**
At 1 January 2018	765,355	2,043	767,398
IFRS9 reclassification	-	(2,043)	(2,043)
Additions	2,283,967	-	2,283,967
Disposals	(1,752,573)	-	(1,752,573)
Coupon	(153)	-	(153)
Amortisation of premium/ discount	(4,461)	-	(4,461)
Revaluation	(1,226)	-	(1,226)
At 31 December 2018	1,290,909	-	1,290,909

NOTE 10 : INVENTORIES

	2019 £'000	2018 £'000
Coffee	-	40,399
Cocoa	-	83,377
Metals	-	0
	-	**123,776**

Inventories consist of coffee, cocoa and metals stocks held as part of the brokerage activities of the commodities business line and are measured at their fair value.
The inventory business activity has been discontinued in 2019, therefore nil value reported at year-end.

NOTE 11 : FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L

	2019 £'000	2018 £'000
Derivative financial instruments	1,683,741	2,443,874
Fidelity Plan Hedge	54	-
Investment in joint venture	62,941	57,254
Equities investment	2,366	2,326
	1,749,102	**2,503,454**

Derivative financial instruments consist of interest rate, foreign exchange, credit derivatives, equity, and commodity contracts for which the fair value is estimated using a discounted cash flow model that includes assumptions supported by observable market prices or rates.

Altura Markets S.V is a 50% joint venture between the Company and Banco Bilbao Vizcaya Argentaria, S.A. that is incorporated in Spain and whose principal place of business is Madrid. The Directors have elected to hold the investment at fair value through profit and loss as the Company is exempt from preparing consolidated financial statements. The Euro denominated investment is economically hedged by a borrowing in euros included in financial liabilities at fair value (Note 13). The revaluation of the investment has been performed twice in 2019 based on the net book value.

Financial assets at fair value include amounts receivable from other Société Générale S.A, group companies for £180,029k (2018: £198,762k).

NOTE 12 : TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Financial assets with brokers, exchanges and clearing houses	7,064,019	9,663,073
Securities purchased under resale agreements	22,695,703	26,906,916
Receivable from customers and banks	2,315,290	3,198,488
Settlement account on securities transactions	643,561	593,529
Trade debtors	4,321	115,748
Other debtors	64,176	73,592
VAT receivable	9,507	10,718
Prepayments	0	346
	32,796,577	**40,562,409**
Allowance for impairment losses	(23,157)	(24,273)
	32,773,420	**40,538,137**
Amounts falling due after one year:		

Intragroup loans	864,000	640,000
	864,000	640,000

Included within Other debtors are interest receivable on commitments from Dynamic Portfolio Swap Activity and Transfer Pricing amounts for the Listed Derivatives business.

Included within receivable from customers are assets that are impaired.

Included within trade debtors are aged brokerage receivables that are not impaired:

	2019 £'000	2018 £'000
7-12 months	1,068	1,426
13-18 months	291	465
19-24 months	289	211
	1,648	**2,102**

A reconciliation of the allowances for impairment losses is as follows:	**2019** £'000	2018 £'000
At 1 January	24,273	21,311
Expected Credit Loss (IFRS 9) FTA	0	1,410
Recovery Charge	(288)	263
Exchange rate movement	(828)	1,289
	23,157	**24,273**

Trade and other debtors include amounts payable to other Societe Generale S.A, group companies for £10,776,087k (Restated 2018: £15,543,327k).

This includes five intragroup loans with Société Générale of:

a. £480,000k (2018: £560,000k) loan for 6 years remaining loan to Société Générale that is repayable in equal annual instalments and bears fixed interest of 2.9% p.a. The fair value of this loan as at December 2019 amounts to £ 527,574k.
b. £80,000k for 9 years remaining loan bears fixed interest of 2.3075% p.a. from 17th December 2018. The fair value of this second loan as at December 2019 amounts to £ 92,215k.
c. £80,000k for 10 years remaining loan bears fixed interest of 1.72% p.a. from 17th December 2019. The fair value of this second loan as at December 2019 amounts to £ 86,323k.
d. £74,000k for 10 years remaining loan bears fixed interest of 2.35% p.a. from 10th October 2019. The fair value of this second loan as at December 2019 amounts to £ 81,172k.

e. £150,000k for 4 years remaining loan bears fixed interest of 1.754% p.a. from 17th January 2019. The fair value of this second loan as at December 2019 amounts £157,260k

NOTE 13 : FINANCIAL LIABILITIES AT FAIR VALUE THROUGH P&L

	2019 £'000	2018 £'000
Fidelity Plan Hedge	546	1,296
Derivative financial instruments	1,689,885	2,472,977
	1,690,431	**2,474,273**

Derivative financial instruments consist of interest rate, foreign exchange, equity and commodity contracts for which the fair value is estimated using a discounted cash flow model that includes assumptions supported by observable market prices or rates.

In 2018, the Company has applied hedge accounting on its Fidelity Plan to hedge the market risk exposure on SG share price on cash settled options. The terms of the hedge are designed to exactly match the indexation of the nominal amount of the bonus and the instalment dates and structure. The hedge will be settled in cash, and not in physical shares. The fair value of the hedge item amounts to £ 327k (loss) as at December 2019.

Financial liabilities at fair value include amounts payable to other Societe Generale S.A, group companies for £223,234k (2018: £265,515k)

Fair Value hedges

In 2019, Treasury SGIL started to hedge the interest risk of its fixed-rate debt instruments classified under Financial Assets at Fair Value Through OCI (FVTOCI – see further details on note 9) with Interest Rate Swap (IRS) paying fixed rate and receiving the variable rate (plain vanilla swaps).

As mentioned in SGIL Risk Management Framework (RMF), one of the risk that potentially impacts the processes and activities of the business is the structural interest risk which is defined as the potential alteration of the Company’s net interest income and/or net asset value caused by variations in interest rates.

The hedge accounting enables SGIL to protect itself against changes in the fair value of fixed-rate bonds (hedged item) due to changes in interest rates (hedged risk).
- If rates rise (as the bank anticipates), the fair value of the bond decreases while that of the swap increases;
- If rates fall, the fair value of the bond increases while that of the swap decreases.

No other risks will be hedged (e.g. credit-driven price changes).

Hedging Instruments Interest rate swaps contracts	Average Contracted fixed interest rate	Notional Principal Amount	Change in fair value for recognising hedge ineffectiveness	Fair value of the hedging instrument (liabilities)
	2019 %	2019 £	2019 £	2019 £
	1.09	£181,142k	£(1,620)k	£(1,620)k

Hedged item	Nominal amount of the hedge item (assets)	Accumulated amount of fair value hedge adjustments on the hedge item included in the carrying amount of the hedged item: debit /(credit)	Line item in the statement of financial position (SOFP) in which the hedged item is included	Change in value used for calculating hedge ineffectiveness
	2019 £	2019 £		2019 £
Fixed rate Bonds	£181,142k	£181,780k	Financial assets at Fair value through OCI	£1,604k

The following table details the hedge ineffectiveness arising from the hedging relationship and the line in profit or loss in which the hedge ineffectiveness is included:

Amount of hedge ineffectiveness recognised in profit or loss (P/L)	Line item in P/L in which hedge ineffectiveness is included
2019 £	
£(16)k	Net gains and losses

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of hedging the interest rate risk.

NOTE 14 : TRADE CREDITORS AND OTHER PAYABLES

	2019 £'000	2018 £'000
Securities sold under agreements to repurchase	18,999,332	22,090,299
Payables to customers and banks	21,306,346	20,693,882
Settlement accounts on securities transactions	322,782	301,197
Trade creditors	107,162	144,224
Other creditors	70,549	124,657
Current tax payable	12,636	19,728
Other tax payable	135	913
Accrued interest on subordinated debt	2,542	1,346
Deferred income	0	521
	40,821,485	**43,376,767**

Included in other creditors are mainly Interest payable on commitments from Dynamic Portfolio swaps activity. Trade creditors and other payables include amounts payable to other Societe Generale S.A, group companies for £36,810,930k (Restated 2018: £28,850,850k).

This includes £4,920,837k (2018: £5,953,000k) drawn down against a £8,985,000k (2018: £9,526,000k) facility with Societe Generale, in tranches that are repayable from overnight to 3 months that bear a weighted average outstanding interest rate of 0.82% (2018: 1.08%), the terms of which are determined by Societe Generale S.A. group treasury.

NOTE 15 : SUBORDINATED DEBT

	2019 £'000	2018 £'000
Subordinated debt	295,000	145,000

The subordinated debt of £145m maturing in 2024 bears interest of US$ Libor +2.7% per annum. An additional subordinated loan of £150 million was granted on 16th of January 2019, maturing in 2029 and bears interest of US$ Libor + 3.22% per annum.
The carrying value of the subordinated debt approximates its fair value at 31 December 2019.

NOTE 16 : PROVISIONS AND CONTINGENT LIABILITIES

	Deferred Bonus £'000	Other Provisions £'000	Totals £'000
At 1 January 2019	458	5,139	5,597
Charge for period	286	12,548	12,834
Utilisation	(387)	(9,023)	(9,410)
Reversals	0	(4,773)	(4,773)
Revaluation	0	(116)	(116)
At 31 December 2019	**357**	**3,775**	**4,132**

Included in Other provisions are a provision for a fine of US$2.5m levied by the CFTC in 2019 for trade reporting errors provision.

The deferred bonus provision is an assessment of the bonus payable to eligible employees that are deferred for up to 3 years from the date the bonus is awarded.

Contingent liabilities

From time to time the Company is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. Notwithstanding the uncertainties that are inherent in the outcome of such matters, there are no individual matters which are considered to pose a risk of material adverse financial impact on the Company's results or net assets.

NOTE 17 : SHARE CAPITAL

Authorised and issued:

	Number	Nominal value	2019 £'000	2018 £'000
Share capital	1,150,000,000	£1	1,150,000	1,000,000

The authorised share capital of the Company has been increased from £1,000 million to £1,150 million in Q1 2019.

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In respect of 2019 financial year, the Directors recommend the payment of a dividend on the ordinary shares of £101.2 million at £0.088013 per share.

NOTE 18 : CLIENT MONEY BALANCES

As at 31 December 2019 segregated Client Money balances held on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts amounted to £7,534,183k (2018: £7,897,104k). These balances do not constitute part of the balance sheet of the Company.

NOTE 19 : TRADING DERIVATIVES AND OTHER FINANCIAL COMMITMENTS

	2019 £'000	2018 £'000
Commitments granted		
Equity and index instruments	2,380,895	3,511,069
Firm instruments	*2,380,895*	*3,511,069*
Foreign exchange instruments	323,924,198	305,927,379
Firm instruments	*255,463,445*	*245,039,001*
Options	*68,460,753*	*60,888,378*
Interest rate instruments	3,635,859	40,107,424
Firm instruments	3,635,859	*7,502,946*
Options	-	*32,604,478*
Guarantee commitments granted	22,196,745	24,657,212
Securities pledged as collateral	3,916,310	6,910,454
Total commitments granted	**356,054,006**	**381,113,538**

Commitments received		
Equity and index instruments	2,379,135	3,508,072
Firm instruments	*2,379,135*	*3,508,072*
Foreign exchange instruments	323,928,710	305,991,475
Firm instruments	*255,467,957*	*245,103,097*
Options	*68,460,753*	*60,888,378*
Interest rate instruments	3,635,859	40,156,442
Firm instruments	*3,635,859*	*7,551,964*
Options	-	*32,604,478*
Guarantee commitments received	24,895,557	28,596,542
Securities received as collateral	2,732,365	4,449,674
Total commitments received	**357,571,625**	**382,702,204**

SGIL may lend, pledge, re-pledge, hypothecate or re-hypothecate, on any terms, any collateral held in the customer's account or transferred by the customer. The customer agrees that SGIL may grant a security interest over or title to margin or collateral provided by the customer to cover any obligations owed by SGIL to an intermediate broker, counterparty, exchange or clearing organisation, including obligations owed by virtue of the positions held by such entities for other customers.

NOTE 20 : FINANCIAL INSTRUMENTS

Financial assets and liabilities include, but are not limited to, cash and derivative products that primarily represent the investment, trading and customer facilitation activities.

Categorisation of financial assets

	Financial Assets at FVTPL £'000	Financial Assets at FVTOCI £'000	Financial assets at amortised cost £'000	**Totals** £'000
Financial assets	1,749,103	1,123,429	-	2,872,531
Trade and other receivables	-	-	33,651,070	33,651,070
Cash and cash equivalents	-	-	7,774,014	7,774,014
At 31 December 2019	1,749,103	1,123,429	41,425,084	44,297,615

	Financial Assets at FVTPL £'000	Financial Assets at FVTOCI £'000	Financial assets at amortised cost £'000	**Totals** £'000
Investments	59,580	-	-	59,580
Inventories	123,776	-	-	123,776
Financial assets	2,443,874	1,290,909	-	3,734,783
Trade and other receivables	-	-	41,191,346	41,191,346
Cash and cash equivalents	-	-	2,118,837	2,118,837
At 31 December 2018	2,627,230	1,290,909	43,310,183	47,228,322

Categorisation of financial liabilities

	Financial Liabilities at FVTPL £'000	Financial liabilities at amortised cost £'000	**Totals** £'000
Subordinated debt	-	295,000	295,000
Financial liabilities	1,690,431	-	1,690,431
Trade and other payables	-	40,808,714	40,808,714
At 31 December 2019	1,690,431	41,103,714	42,794,145

	Financial Liabilities at FVTPL £'000	Financial liabilities at amortised cost £'000	Totals £'000
Subordinated debt	-	145,000	145,000
Financial liabilities	2,474,273	-	2,474,273
Trade and other payables	-	43,355,605	43,355,605
At 31 December 2018	2,474,273	43,500,605	45,974,878

Financial Risk Management

The Company faces a number of risks as part of its normal day to day business. The principal risks and uncertainties faced by the Company are detailed in section 9 of the Strategic Report.

Liquidity Risk

Liquidity risk is defined as the SGIL's inability to meet its financial obligations at a reasonable cost. SGIL assesses this risk over various time horizons via stress tests including intraday liquidity risk.
The **Funding risk** is defined as risk that SGIL will not be able to finance the development of its businesses at a scale consistent with its commercial goals and at a competitive cost compared to its competitors.

The Risk department monitors the Metrics on daily basis and reports to the Board any breaches on a monthly basis. SGIL will always hold liquid assets to ensure compliance with Overall Liquidity Adequacy Rule (OLAR). SGIL considers this appropriate due to its belief that holding liquidity resources sufficient to survive in excess of 35 days would provide enough time to either outlast a stress event and / or take mitigating actions to address its impacts.

Maturity analysis of financial liabilities

	Less than 1 year £'000	1-5 years £'000	Greater than 5 years £'000	**Totals** £000
Subordinated debt	-	145,000	150,000	295,000
Financial liabilities	1,690,431	-	-	1,690,431
Trade and other payables	41,165,503	-	-	41,165,503
At 31 December 2019	42,855,934	145,000	150,000	43,150,934

	Less than 1 year £'000	1-5 years £'000	Greater than 5 years £'000	Totals £'000
Subordinated debt	-	-	145,000	145,000
Financial liabilities	2,474,273	-	-	2,474,273
Trade and other payables	43,355,605	-	-	43,355,605
At 31 December 2018	45,829,878	-	145,000	45,974,878

The amounts above represent the undiscounted contractual maturities of financial liabilities.

Credit Risk

The Credit Risk (including concentration risk) is defined as the risk of losses arising from the inability of SGIL's customers, issuers or other counterparties to meet their financial commitments.

The largest risk exposures, for customers trading listed futures and options subject to Initial Margin Requirements ("IMR"), are regularly reviewed. These balances comprise 54% (2018: 46%) of the total credit and counterparty risk-weighted asset exposure. A further 19% (2018: 13%) consists of excess cash held overnight at banks, central clearing counterparties, and Intermediary Brokers (predominantly with other Societe Generale Group entities) for daily settlement."

The counterparty credit rating of customers subject to IMR as at 31 December 2019 is as follows:

Moody's/S&P or Fitch rating equivalent:	**2019** %	**2018** %
Investment Grade	**65%**	**73%**
Aa3/AA– and above	5%	10%
A1 to A3/A+ to A–	35%	41%
Baa1 to Baa3/BBB+ to BBB–	25%	22%
Non - Investment Grade	**35%**	**27%**
Ba1 to Ba3/BB+ to BB–	25%	19%
B1 to B3/B+ to B–	10%	8%
	100%	100%

Exposures are largely spread across counterparty types, but concentrated on Investment grade counterparties. The increase in Non Investment grade counterparties is due to a change in the nature of the Company's portfolio. The proportion of Hedge funds has increased from 21% in 2018 to 28% of all the counterparties in 2019. These counterparties are always classified as Non Investment grade and treated as such in the credit monitoring process through the collateral policy.

Exposures with counterparties are measured at the counterparty level against a set of limits defined and monitored by the Risk Department and trading is allowed only if limits have been validated. Counterparty credit limits are reviewed annually or more often if a specific event necessitates a reassessment.

Market Risk

Although not considered one of the main risks for SGIL as mentioned in the section 9.5 of the strategic report, the **Market Risk** is the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets.

- The Company is mainly exposed to the US dollar and Euro currencies and a 1% change in Sterling against all foreign currency denominated monetary assets and liabilities at 31 December 2019 would increase the Company's profit before tax by £234k (2018: decrease in profit before tax by £20,625k)
- A 1% positive change in the LIBOR interest rate (holding all other variables constant) at 31 December 2019 would decrease the Company's profit before tax by £3,951k (*Restated 2018: increase in profit before tax of 854k).
- Both equity and commodity portfolios arise from fully hedged trading positions and therefore the Company faces minimal market risk exposures.

Capital Management

The FCA stipulates the minimum level of regulatory capital to be maintained by the Company and it is the responsibility of the Company's Board of Directors to ensure the Company maintains sufficient capitalisation.

In order to comply with the Capital Requirements Regulation ("CRR") and Capital Requirements Directive ("CRD"), which together comprise CRD IV and the FCA's IFPRU handbook which all came into force from 1 January 2014, the Company has prepared a Pillar 3 Disclosure Document. A copy of this document can be obtained from the Company Secretary, One Bank Street, London, E14 4SG or online at https://sgildisclosure.societegenerale.com/en/useful-information/crd/

Through close monitoring, Senior Management ensure that SGIL has adequate financial resources to meet its liabilities as they fall due, and that the level of capital is appropriate with respect to the risks. A Capital Contingency Plan ("CaCP") has a primary focus of maintaining absolute levels of capital to protect SGIL, its customers and its reputation and ensure adherence to minimum Regulatory limits.

	2019 £'000	2018 £'000
Tier 1 capital:		
- Share capital	1,150,000	1,000,000
- Profit and loss reserves	322,793	215,305
- Intangible assets	(237)	(237)
Tier 2 capital:		
- Subordinated debt	295,000	145,000
Total capital resources	1,767,556	1,360,068

Fair value measurement of financial assets:

The following table allocates financial assets measured at fair value to the three levels of the fair value hierarchy described in Note 1 (page 26):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Investments at FVTOCI	1,123,429	-	-	1,123,429
Inventories	-	-	-	-
Financial assets at FVTPL:				
Shares and other equity instruments	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	13,121	-	13,121
- Foreign exchange derivatives	-	1,589,919	-	1,589,919
- Equity and index derivatives	-	80,755	-	80,755
- Commodity derivatives	-	-	-	-
Investment in joint venture	-	-	62,941	62,941
Equity investment	-	-	2,366	2,366
	-	1,683,796	65,307	1,749,103
At 31 December 2019	1,123,429	1,683,796	65,307	2,872,532

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Investments at FVTOCI	1,290,909	-	-	1,290,909
Inventories	-	123,776	-	123,776
Financial assets at FVTPL:				
Shares and other equity instruments	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	307,611	-	307,611
- Foreign exchange derivatives	-	1,876,666	-	1,876,666
- Equity and index derivatives	-	183,909	-	183,909
- Commodity derivatives	-	75,688	-	75,688
Investment in joint venture	-	-	57,254	57,254
Equity investment			2,326	2,326
	-	2,443,874	59,580	2,503,454
At 31 December 2018	1,290,909	2,567,650	59,580	3,918,139

Movements in Level 3 financial assets during the year:

Fair value measurements categorised within Level 3 of the fair value hierarchy are the fair value of Altura investment based on its net book value and LME and swifts shares for which the fair value is based on the latest available transactions. The fair value of these investments is sensitive to the changes in the net book value of Altura, as well as on whether there are recent transactions in the market for LME and SWIFT shares. Therefore, any changes to these inputs will result in higher or lower fair value measurement than initially recognised.

	Financial assets at FVTPL £'000	Financial Assets at FVTOCI £'000	**Totals** £'000
At 1 January 2019	59,580	-	59,580
Additions	-	-	-
Disposals	-	-	-
Revaluations	5,727	-	5,727
At 31 December 2019	65,307	-	65,307

Fair value measurement of financial liabilities:

The following table allocates financial liabilities measured at fair value to the three levels of the fair value hierarchy described in Note 1 (page 26):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Financial liabilities at FVTPL:				
Shares and other equity instruments sold short	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	14,906	-	14,906
- Foreign exchange derivatives	-	1,594,278	-	1,594,278
- Equity and index derivatives	-	81,247	-	81,247
- Commodity derivatives	-	-	-	-
At 31 December 2019	-	1,690,431	-	1,690,431

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Financial liabilities at FVTPL:				
Shares and other equity instruments sold short	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	330,412	-	330,412
- Foreign exchange derivatives	-	1,947,561	-	1,947,561
- Equity and index derivatives	-	185,204	-	185,204
- Commodity derivatives	-	11,096	-	11,096
At 31 December 2018	-	2,474,273	-	2,474,273

Changes in value of financial instruments at fair value

Changes in fair value recognised in the profit and loss account arising from inventories (Note 11) and financial assets and liabilities held at fair value (including derivative assets and liabilities - Note 12 and 14) are included in Net gains and losses on financial instruments presented in Note 2.
Changes in fair value recognised in other reserve in respect of financial instruments classified at FVTOCI are presented in Other Comprehensive Income (page 23). Subsequent gains or losses arising on FVTOCI realised during the year and recycled in Net gains and losses on financial instruments presented in Note 2.

Offsetting financial assets and liabilities:

The following table provides an analysis of the amounts that have been offset in the balance sheet:

	Gross amounts £'000	Amounts offset £'000	Net amounts on Balance Sheet £'000	Amount not offset but subject to enforceable master netting agreement £'000
Financial assets at fair value	16,852,072	(13,979,541)	2,872,531	(948,981)
Trade and other receivables	74,776,453	(41,125,383)	33,651,070	(12,605,252)
Cash and cash equivalents	7,774,015	-	7,774,015	-
Financial Assets at 31 December 2019	99,402,539	(55,104,924)	44,297,616	(13,554,233)
Subordinated debt	295,000	-	295,000	-
Financial liabilities at fair value	15,669,971	(13,979,541)	1,690,431	(948,981)
Trade and other payables	82,290,887	(41,125,383)	41,165,504	(12,605,252)
Financial Liabilities at 31 December 2019	98,255,858	(55,104,924)	43,150,934	(13,554,233)

	Gross amounts £'000	Amounts offset £'000	Net amounts on Balance Sheet £'000	(*) Restated Amount not offset but subject to enforceable master netting agreement £'000
Investments	59,580	-	59,580	-
Inventories	123,776	-	123,776	-
Financial assets at fair value	21,049,158	(17,314,374)	3,734,784	(1,967,626)
Trade and other receivables (*)	91,402,986	(50,211,640)	41,191,346	(7,797,299)
Cash and cash equivalents	2,118,837	-	2,118,837	-
Financial Assets at 31 December 2018	114,754,337	(67,526,014)	47,228,323	(19,135,489)

Subordinated debt	145,000	-	145,000	-
Financial liabilities at fair value	19,788,647	(17,314,374)	2,474,273	(1,967,626)
Trade and other payables (*)	93,567,245	(50,211,640)	43,355,605	(7,797,299)
Financial Liabilities at 31 December 2018	113,500,892	(67,526,014)	45,974,878	(19,135,489)

(*) Restated 2018 figure for the amount not offset but subject to enforceable master netting agreement within Trade and other receivables/Trade and other payables

NOTE 21 : RELATED PARTY TRANSACTIONS

Related Parties

The Company acts as clearing agent on behalf of the following Group companies:

- Altura Market, Sociedad De Valores, SA
- Komercni Banka A.S
- SG Americas Securities Llc
- SG Kleinwort Hambros Bank Limited
- SG Option Europe
- SG Securities (Singapore) Pte. Ltd.
- SG Securities Korea, Ltd
- Societe Generale - Paris
- Societe Generale Bank & Trust
- Societe Generale Capital Canada Inc
- Societe Generale Private Banking (Suisse) S.A.
- Societe Generale Securities Australia PTY LTD
- Descartes Trading
- SG Seoul
- SG Zurich

All trading transactions with related parties are subject to standard commercial terms and conditions.

Retrocession of net income, recharges of expenses, and other transfer pricing arrangements are in place with the following Societe Generale Group companies:

- SG Securities Asia International Holding Ltd (Hong-Kong)
- Societe Generale Securities Australia PTY LTD
- Societe Generale Capital Canada Inc
- Societe Generale Securities Japan Limited
- SG Securities (Singapore) Pte. Ltd.
- Societe Generale Global Solution Centre Private
- SG Securities Korea, Ltd
- SG Americas Securities, Llc
- SG Americas Securities Holdings, Llc
- Societe Generale Dubai
- SG Zurich
- SG Singapour
- Societe Generale New York
- SG London
- Societe Generale – Paris
- Societe Generale European Business Services S.A.

All related parties are 100% owned subsidiaries of Societe Generale S.A. with the exception Altura Markets S.V which is a 50% joint venture between the Company and Banco Bilbao Vizcaya Argentaria, S.A.
The following amounts were outstanding with non-100% owned related parties at the balance sheet date:

	Trade and other receivables		Trade and other payables	
	2019	2018	**2019**	2018
	£'000	£'000	£'000	£'000
Altura Markets, S.V	20,792	217,216	156	3,958,821
	20,792	217,216	156	3,958,821

During the year, the Company entered into the following trading transactions with non-100% owned related parties:

	Trade income		Trade expenses	
	2019	2018	**2019**	2018
	£'000	£'000	£'000	£'000
Altura Markets, S.V	7,195	38,484	8,846	37,526
	7,195	38,484	8,846	37,526

NOTE 22 : PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company's immediate and ultimate holding company and the controlling party of the smallest and largest group for which group accounts are prepared is Société Générale S.A., which is incorporated in France. Copies of the group accounts of Societe Generale are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

NOTE 23 : POST BALANCE-SHEET EVENTS

As part of SGIL strategic objective to transform Prime Services Agency business into a capital efficient Prime Brokerage, certain of non-core remaining activities have already started to be moved from SGIL into SGPM at the beginning of 2020 (Dynamic Portfolio Swap, FX Prime Brokerage activity and Over The Counter ('OTC') transactions), with full completion expected by end of 2020.

In respect of 2019 financial year, the directors recommend the payment of a dividend on the ordinary shares of £101.2 million.
Subsequent to the year-end, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. As at the date of this report, the COVID-19 outbreak is resulting in governments around the world, including the UK, putting restrictions in place regarding the movement of people, leading to widespread disruption and significant market volatility. This has impacted the global financial markets severely. In response, the Company has activated its Business Continuity Planning strategies to safeguard the wellbeing of its employees, the continuation of its operations and the support of its customers. The full extent of how these conditions will impact the Company are not yet known as there is uncertainty around the duration and severity. Therefore, while we expect this matter to impact SGIL`s business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. However, given that the Company has a positive net asset value and cash reserves available to help preserve its financial flexibility, Management strongly believe that the entity can continue to operate even if the situation deteriorates further.
As mentioned in the Directors report (see section 9 Going Concern), the Directors consider the measures taken will enable the Company to continue to operate effectively.