Societe Generale International Limited (SGIL)

31.12.2020 | Annual Report and Financial Statements

One Bank Street,
The SG Canary Wharf Office Building

SOCIETE GENERALE

Contents of the Report and Financial Statements for the Year Ended 31 December 2020

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS	Christophe Bernard Lattuada Michael John Collins John Charles Fortescue Hitchins Marcia Ina Cantor-Grable Keith McArdle Alexandre Fleury Philippe Robeyns
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 2020.

1. BUSINESS MODEL

SGIL is part of Société Générale's global coverage platform for Execution, Clearing, Settlement, and Reporting services and provides these services across a broad range of asset classes such as equities, fixed income, foreign exchange, and commodity traded products as a member of exchanges and central counterparty clearing venues covering both listed and Over the Counter (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 securitisation 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 SGIL risk management policies;
- 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 (SG SA) which is incorporated in France. Copies of the Group accounts of SG SA are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

2. BUSINESS AND STRATEGY UPDATE

During the year under review, the Company made a profit after tax of £79.6m (2019 profit: £101.2m). Total shareholders' funds for the year ended 31 December 2020 were £1,458.9m (2019: £1,472.8m). The reduction in profit was a result of a number of factors mostly relating to increased liquidity costs and loss of revenues due to Brexit client transfers.

Throughout 2020, in line with the strategy set out in 2019, SGIL has made significant progress with its objective of creating a capital efficient prime brokerage offering. This strategy involves 3 main objectives, namely (i) the simplification of the business mix within SGIL with a focus on SGIL's core activity of Listed Derivatives, OTC Cleared and Securities Prime Services and Clearing; (ii) the transformation of our platform from an operations and IT perspective to significantly reduce our cost base and (iii) improving the service offering to our clients by maintaining and / or expanding its offering on SGIL's core activities.

Transfer of non-core activities

SGIL continues with the execution of this strategy, with the transfer all non-core OTC bilateral activities of SGIL namely, FX Prime Brokerage, Dynamic Portfolio Swaps (DPS) and uncleared OTCs to SG SA in 2021.

The transfer of SGIL's market facing FX activity to SGSA was completed in Q1 2021. The next stage is the transfer of the OTC client relationships from SGIL to SG SA. As part of the transfer of the OTC bilateral activity, SGIL offered clients the possibility, on a voluntary basis, of also transferring their associated listed derivative activities. Further, the transfer of this OTC activity, leveraging SG SA's existing Swap Dealer membership will simplify the set up and reduce the regulatory complexity applicable to SGIL and allow SGIL to deregister as a Swap Dealer with the US Commodity Futures Trading Commission (CFTC) in 2021.

Transformation

As part of the continued transformation of the global Prime Services and Clearing platform, in partnership with other entities and regions, SGIL continues with its ambitious global IT transformation programme. SGIL has invested significantly in the redesign of its infrastructure, leveraging new technologies such as cloud-based solutions and developing new service offerings. This transformation will not only materially upgrade our IT infrastructure, it also allows for significant cost savings for the platform, reducing the cost base and improving overall profitability for the entity.

Client offering

In respect of new markets and market connectivity, SGIL will continue to invest in market connectivity and added value execution service to protect its execution revenues as well as expanding its access to new markets and/or segments as appropriate.

Notwithstanding the future strategic review discussed below, SGIL continues its focus on increasing its revenues from its core activities, while continuing to adapt and realign its platform in order to improve the client offering and control its costs.

Future strategic review

SGIL's Prime Services & Clearing business is complementary and is a fundamental part of the business offering of the overall Equities and Equities Derivatives businesses (EQD) within SG SA. The highly competitive and fast changing nature of this industry forces us to continually adapt and adjust in order to optimise our set-up, retain our leadership position and meet the demands and expectations of our clients.

As part of the effort of the Group to simplify its operating model and further develop its Prime Services & Clearing business, management of SGIL and SG Group are considering the centralisation of the booking of SGIL's clients into SG SA subject to the approval of SGIL Board of Directors and relevant regulators. Client facing teams along with all associated operations, IT and all support functions would remain in London but would be transferred to the London Branch of Société Générale, minimizing the disruption to clients. Once these transfers are complete, this may result in the potential winding up of the Company.

SG believes that this centralisation of the client legal entity booking model in line with the continued transformation of the platform will allow it to provide an enhanced service offering to its clients with additional opportunities to deepen existing client relationships allowing for cross-selling new and existing SG SA products to existing SGIL clients.

3. BREXIT

The central scenario implemented around the impact of Brexit for SGIL involves changes in the booking model for European Economic Arena (EEA) customer activity, with the booking of activity from these clients to be done by SG SA. In 2020, SGIL completed the transfer of EEA clients to SG SA which closed the Brexit programme. The financial impact did not exceed a loss of 20% of SGIL revenues. The financial impact of the Brexit client transfers has been considered in the Going Concern section of the Director's report

No additional impact related to Brexit is expected for 2021. From a CCP recognition perspective, UK CCP's are covered by the temporary recognition of UK CCPs as third country CCPs under EMIR valid until June 2022. Any future change in this recognition would have an impact on the service offering to clients from SG SA which will be assessed in advance of any changes.

4. SUBSEQUENT EVENTS

On the 31 March 2021, following SGIL Board of Directors approval, SGIL repaid £145m of subordinated debt.

In respect of the 2020 financial year, the Board have recommended the payment of a final dividend on the ordinary shares of £79.6m (2019: £101.2m).

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 Key Performance Indicators (KPI) in monitoring the performance of the Company.

Criteria	**2020**	2019
	£'000	£'000
Gross profit	205,254	261,395
Profit before tax	97,831	123,145
Cost / income ratio (Operating Expenses / Net Banking Income)	49%	52%
Capital ratio	37.4%	43.1%
CET1 ratio	31.5%	35.6%

The movement in the KPIs reflects the impact of Brexit and the start of implementing the strategy as described above.

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.

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

Under section 172(1) of the Companies Act 2006, the Directors are required to engage with a broad range of stakeholders when performing their duty to promote the success of the Company.

The Board of Directors of SGIL consider that they have fulfilled and performed their duties under section 172 (1), by acting in the way they believe, in good faith, would be mostly likely to promote the success and sustainability of the Company for the benefits of the members as a whole, and in doing so have regard, amongst other matters, to:

- 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; and,
- The desirability of the company maintaining a reputation for high standards of business conduct.

6.1. Stakeholder engagement

SG Group's mission statement and corporate purpose is stated as 'Building together, with our clients, a better and sustainable future through responsible and innovative financial solutions'. As such, the Company promotes respectful and sustainable relationships with its stakeholders and the wider community it operates in as described below.

Clients

One of the three key priorities of SG Group 2025 strategy is customer-centricity. The ongoing objective is to partner and assist SGIL clients in order to provide the right service at the right time, acting at all times in the best interest of the client, while securing and protecting client interests, assets and data. The Directors receive regular business updates from relevant Business Heads and senior SGIL executive management with insights on clients' issues and needs. Client focus is at the forefront of SGIL's priorities and is monitored and overseen through various internal governance committees and numerous qualitative and quantitative metrics communicated regularly by support functions and client facing teams to ensure that all client related matters are duly addressed by SGIL management. As such, the Directors ensure that the best interest of SGIL clients are factored into SGIL's strategic decisions as described in section 2.

Employees

SG Group is committed to being a responsible and attractive employer. The SGIL legal entity has the same commitment and its management have championed the following initiatives to foster this:

- Developing skills that employees need to meet the ongoing transformation of the financial services landscape such as digital transition. This has been achieved by the development of our employees' capability through training - reinforced in 2020 with further participation in the Apprenticeship Levy scheme
- Developing a responsible and positive culture based on the common values of the Group's leadership model such as the commitment to continue to focus on diversity and encouraging a "speak-up" culture where everyone's voice is heard
- Fostering employee commitment and team spirit by recognising each individual's contribution to the Company's long-term performance and ensuring physical and psychological safety and well-being in the workplace. Those values are further embedded by the involvement of employees in the Company's wide-ranging charity and social initiatives

The Directors of SGIL engage with employees through regular communication and feedback sessions; through a structured evaluation and appraisal process; and through regular employee surveys, which assist management in ensuring it is closely informed and keeping up to date on levels of morale and engagement, and to understand which policies and practices employees value and what changes they would like to see implemented within the Company. Survey results allow SGIL management to identify and understand the success of various initiatives as well as also providing clarity on areas for improvement to increase the commitment to and success of the Company.

A top priority and a key area of focus for 2020 has been and will continue to be so is the mental and physical wellbeing of SGIL employees following the work from home policy largely implemented due to the Covid-19 pandemic. Specific measures related to mental well-being have been reinforced such as the Employee Assistance Programme (EAP) as well as the roll-out of the Unmind technology application. Additionally, an unprecedented level of flexible working has been adopted to assist employees in managing work and family/personal priorities. Feedback received from SGIL employees indicates a high level of satisfaction in this area.

Suppliers

SG Group seeks to build long-term and fair relationships with its suppliers based on trust and transparency. As such, since 2007 SG Group has received a number of recognitions[*] and awards related to its sustainable and responsible sourcing. SG Group standards are applied to its subsidiaries and as such SGIL follows the same approach. For outsourced services to third parties, on-going assessments are performed via a dedicated SGIL Service Management Committee ensuring that outsourcing arrangements are within SGIL risk appetite set by the SGIL Board of Directors and in line with FCA Outsourcing rule book. For material and/or strategic outsourcing SGIL executive management present such decisions to the Board Risk Committee for review as appropriate.

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.

[*] https://www.societegenerale.com/en/responsability/sourcing-and-suppliers/our-commitments/our-approach-responsible-sourcing/key-dates

Further, in line with the Company's commitment to maintaining its reputation for high standards of business conduct for all employees and external parties, a firm wide Risk Culture program was completed in 2020. The objective of this program was to (i) improve the performance of the Company and individuals, (ii) further align SGIL behaviours to its regulatory responsibilities, (iii) better embed risk culture, and finally (iv) understand how individuals engage with it. The positive outcome of this program has been observed through proactive identification, understanding, escalation and mitigation of potential risks.

Furthermore, the Directors and senior managers maintain a high level of awareness of regulatory framework via dedicated trainings, dedicated sessions with employees with strong regulatory expertise, and thanks to their networks. It therefore allows the Directors to ensure that the Company discharges it's regulatory obligations appropriately.

SGIL is wholly owned by SG SA. One of the non-Executive Directors of the Company's Board is the Global Head of Equity Derivatives of SG Group and as such provides insights on the corporate and investment banking division business strategy and its impact where relevant on SGIL. The Group's view is further reinforced with the input of the SG UK Country Head as a Non-Executive Director of the SGIL Board of Directors.

7. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

In line with SG Group, SGIL is committed to a fair, environmental and socially inclusive transformation based on the following principles:

- Climate change – SGIL's new office at One Bank Street is one of the most environmentally-friendly buildings in the City and Canary Wharf with an outstanding BREEAM rating providing a to our employees a unique working experience. Furthermore, Environmental and Social (ES) risk management across all front-office functions has been written into the SG Code of Conduct to ensure the upmost engagements from stakeholders.
- Responsible employer – SGIL is committed to be a responsible employer with several initiatives described above.
- Ethics & governance – SGIL management is committed to observe the highest integrity standards and therefore fully adhere with the SG Group code of Conduct, Tax Code of Conduct, anti-corruption and anti-bribery code.
- Social - 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) and a BIPRU firm under the FCA's Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) 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 assigned the following supervisory classifications by the FCA:

- P1 Prudential Classification: P1 Firms are identified as prudentially critical and their disorderly failure would have a significant impact on the market in which they operate.
- C2 Conduct Classification: C2 Firms are supervised proactively on a 2-year cycle and should expect 2 deep dives during this period.

SGIL is a registered Swap Dealer regulated by the CFTC and, as such, the Company is permitted to conduct execution business for US customers in relation OTC derivatives, however 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 SG SA, a global systemically important bank (G-SIB), incorporated in France.

In December 2020 the FCA issued the first of 3 consultation papers to introduce the UK Investment Firm Prudential Regime (IFPR). The remaining 2 consultation papers and final rules will be published over the course 2021 for implementation from 1 January 2022.

The new rules will extend the framework for prudential requirements to consider the potential harm FCA investment firms pose to clients, consumers and the market. This includes the amount of capital and liquid assets the FCA investment firm should hold so that if it does have to wind down, it can do so in an orderly manner. As well has the proposed changes to capital, the proposed replacement of the current Individual Capital Adequacy Assessment Process (ICAAP) with a new Internal Capital and Risk Assessment (ICARA) process changes how investment firms should think about risk.

Until the IFPR comes into force, SGIL is required to comply with the existing EU CRR (Capital Requirements Regulation) and FCA's IFPRU handbook.

9. PRINCIPAL RISKS AND UNCERTAINTIES

The Company faces a number of key risks as part of its normal day to day business. The principal risks and uncertainties faced by the Company are defined below. For more details refer to section 9, namely Overview of Risk Management.

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, fraud, conduct 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 potentially cause regulatory breaches and/or reputational damage.

9.2. Liquidity and Funding Risk

Liquidity risk is defined as 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.

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 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 (LAF), in compliance with article 96 (1) of the EU CRR, SGIL is an investment Company that deals on its 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, the appetite for Market Risk is very limited as the exposure would only arise from client facilitation activity, clearing and treasury management.

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 19 to the Financial Statements.

9.6. Climate Change Risk

As an execution only prime broker or whilst acting in an agency capacity, SGIL's direct exposure to Climate Change relates more to its operational risks in the form of physical risks and transition risks as those which would affect its business model including the range and types of potential clients/customers who would seek to use the Company's services.

SGIL risks related to Climate Change are defined as either physical or transition-related:

- The physical risks from climate change arise from a number of factors and can be related to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in climate (such as changes in precipitation and extreme weather variability, sea level rise and rising mean temperatures).
- The transition risks can arise from the process of adjustment towards a low-carbon economy. This adjustment is influenced by a range of factors including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences or evolving evidence, frameworks and legal interpretations.

SGIL is fully integrated in SG SA guidelines regarding climate change. The Group has defined a climate strategy articulated around three axes: Managing climate-related risk (transition and physical), managing the Group's impact on climate via its own operations and those of its clients), supporting the transformation of its clients with its financing and investment products and services.

SGIL reassesses, at least, annually it's developing understanding and potential exposure in climate risk through its ICAAP during which climate risk is incorporated in its scenario planning and stress testing. Further, SGIL follows the Group approach and assesses the impact of climate change policy and client acceptance on desk mandates, including CO_2 emissions (Coal Policy).

9.7. LIBOR (London Interbank Offered Rate) transition

The interest rate benchmark London Interbank Offered Rate (LIBOR) is expected to cease after end 2021. This will require the transitioning of a number of financial instruments held by SGIL to new benchmarks.

The transition from LIBOR to Risk-Free Rates (RFR) is a mandatory market event

A program has been launched in 2019, at SG SA level, to allow for the management of the transition across all SG business and support units across all regions. The programme includes employees who are representing the SG UK entities, including SGIL. Please refer to Note 19 for more details.

9.8. COVID-19

The World Health Organization (WHO) declared the outbreak of a novel coronavirus (COVID-19) as a pandemic resulting in unprecedent restrictions on population movements around the world. Those measures led to the disruption of global economy and as a consequence the financial markets were impacted with significant market volatility and a material market dislocation in Q1 & Q2 2020.

Impact on SGIL's activity

In line with SGIL's competitors, due to significant market volatility, SGIL experienced a significant increase in volumes in Q1 & Q2 2020. This however was offset by a return to business as usual levels from a volatility and volumes perspective throughout the remainder of 2020.

In response to this crisis, SGIL Management took preventive measures to mitigate as much as possible the impact on its financial position, operational resilience and therefore the going concern of the Company. The most noticeable impact was and remains on SGIL employees.

Staff

SGIL has successfully delivered a virtual working setup allowing onshore as well as offshore staff to operate in a like-for-like working environment. This new method of working has been further embedded throughout 2020 and into 2021 with the teams adapting well. While mental health well-being and people fatigue remains a key concern, SGIL has adopted a flexible working hours and delivery approach, while ensuring staff are taking holidays. SGIL has also ensured close management contact as a team and on a one to one basis to ensure that SGIL management is aware of any specific circumstances that may impact our employees. SGIL also benefits from the various employee well-being support policies implemented across the UK platform.

Operational and IT resiliency

While SGIL experienced a significant increase in the number of transactions during Q1/Q2-2020 as a result of the market dislocation, IT infrastructure remained robust with no significant IT events impacting on the business activity.

IT resilience contingency has been strengthened with a move from reliance on a single secondary site in the UK for staff to work from, to the ability to fully work from home. In terms of Data Centre capability this is unchanged with annual DR tests taking place on all critical systems as per standard policy.

Scarce resources (Liquidity and Capital)

Despite a period of significant market stress observed in early 2020, SGIL has kept very strong liquidity and capital positions during 2020. The spike of market volatility observed in Q1-2020 led to the strengthening of key operational processes such as the management of intraday margin calls as well as enhanced intraday liquidity monitoring. Daily monitoring of capital resources allowed SGIL to efficiently managed its capital requirement accordingly.

As a result, SGIL management is confident in the going concern of the Company with limited impacts on SGIL 2020 financial performance. While we expect the Covid-19 to last well into 2021, SGIL will continue to operate efficiently in a safe environment

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 (RMF) 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:

SGIL Background
(including Inherent/Residual Risk)

- Enterprise Risk Management is integrated into SGIL's strategic plan through the process of setting strategy and business objectives.
- SGIL Strategy takes into consideration the measures, actions and direction necessary for SGIL to achieve its business objectives and ambitions

Risk Monitoring & Reporting

- **Monitoring Enterprise Risk Management performance** considers how well the enterprise risk management components are functioning over time and in light of substantial changes.
- **Communication is the continual, iterative process of providing, sharing, and obtaining information, which flows throughout the entity**.

SGIL Risk Management Framework

SGIL Governance & Organisation
(including Risk Culture)

- SGIL has established a **robust corporate governance structure** as part of an overall framework to enable the effective management of risks within the organisation.
- The governance structure has **various committees** to review risks, **various policies and procedures** to facilitate the escalation of risks and reaffirm the ownership responsibilities for its management, while providing for the overall oversight of the framework by the Board.

Risk Assessment & Management

- The ICAAP and ILAA ensure that SGIL maintain at all times its capital adequacy and maintain sufficient liquidity to meet its obligations as they fall due.
- The Risk Register ensure the risk oversight

Internal Control & Risk Appetite

- Risk Appetite is based on 4 pillars (Market Stability & Reputation, Capital, Liquidity and Profitability).
- The organisation and risk governance structures ensure that there is sufficient oversight and escalation to manage SGIL's risks and a 'Three Lines of Defence' (LoD) model ensures appropriate responsibility for management, challenge and assurance.
- Group Guidelines related to the Permanent & Internal Control ensure a robust control framework

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

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 SG SA'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 in its risk assessment and control functions;
- 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 (SMCR) which aims at reducing harm to customers and strengthen market integrity by making individuals more accountable for their conduct and competence. Throughout 2020, SGIL further embedded this regime within the Company through additional documentations of Senior Manager Functions (SMF).

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 have been established, including the Board Risk Committee; and,
- 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 external providers or Group entities, these are managed under the Outsourced Essential Services or Critical or Important Outsourced Services defined in SGIL`s Outsourced Services Policy. The provision of services between SGIL and external parties is managed through contractual agreements and internally through Client Service Level Agreements (CSLAs). The oversight of these arrangements is managed by the SGIL Service Management Committee at the executive level and the Board Risk Committee at the Board level.

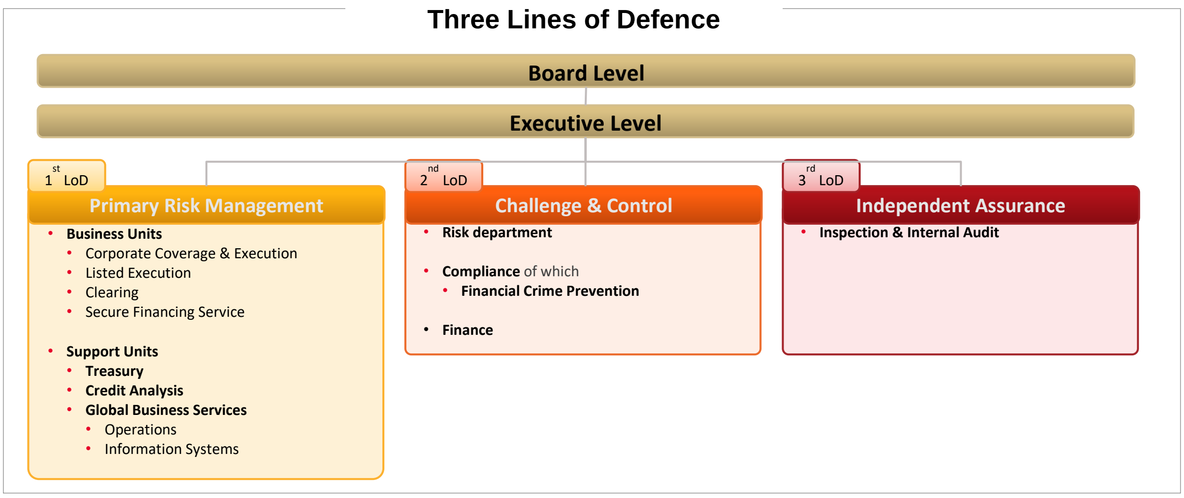
11.3. Three Lines of Defence Organisation

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 which 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 SA 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

Risk Management processes within SGIL's 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 the Risk and Control Self-Assessment (RCSA) process, limit excesses, control testing and new product assessments. The ICAAP and the Internal Liquidity Adequacy Assessment (ILAA) and their associated stress testing processes are an integral part of SGIL's risk management process to identify and assess the risks the Company faces, and to enable the business to assess the impact of certain stress events and scenarios on capital and liquidity resources.

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 managed on a permanent basis and remain within the company's defined Risk Appetite

12.2. Risk Measurement

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

<u>**Operational Risk**</u>

SGIL adopts the SG SA methodology regarding operational risks and contributes to the risk appetite framework defined at Group level. Operational Risk requirements are formalised in a set of Group principles and associated policies. SGIL also leverages other UK local normative documents (e.g. UK minimum standards and UK LoD2 procedures) to encourage the embedding of best practices and to provide LoD1 and LoD2 with more detailed guidance on policies pertinent to SGIL.
SGIL identifies, manages and monitors its operational risk using the following risk processes and methodologies:

- **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;

- **RCSA** is conducted by LoD1 with LoD2 oversight and is designed to identify and assess operational inherent risks, the mitigation measures and residual risks that SGIL is exposed to through its activities.
- **Key Risk Indicators (KRIs)** are reported by the business process and activity owners and is used to identify and monitor risk trends and incidents;
- **Scenarios Analysis** that could impact SGIL are identified and analysed to assess their overall potential impact in terms of regulatory capital requirements for operational risk. In addition, the scenarios are analysed to identify relevant risk mitigating actions and strategies to reduce their potential impact on the business or their frequency of occurrence.
- **Thematic risk reviews** are performed by the LoD2 based upon risk prioritisation and identification of emerging risks or areas of risk concern;

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). Given the short-term nature of SGIL's execution only prime brokerage and agency transactions, the Company 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 SG SA;
- Adhere to an annual financial planning process, covering its capital, liquidity, profit and loss and balance sheet statements;
- Establish a selective and prudent new activity/product approval process, ensuring alignment with the defined strategy and adequacy of the delivery capacity; and,
- These risks are assessed as part of the SGIL ICAAP.

Credit Risk

The credit risk exposure (including concentration and settlement risk) faced by SGIL is largely short-term in nature thanks to the daily margining process and standard termination periods. 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:

- the client does not pay;
- to close out the client's trades SGIL realised a loss greater than the collateral that SGIL has on deposit for the client (i.e. as at the previous day).

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

The four main sub-categories are:

- Counterparty Credit Risk: The credit risk assessment and measurement performed via the credit portfolio assessment and the Credit Approval Process. The main metrics are net and gross Credit Value at Risk, Debtor Risk, margin financing. For more details refer to Note 19.

- 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 the 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 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 risk, 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

The market risk appetite of the Company is limited as explained in section 9 of the Strategic Report. The monitoring of market risk is managed, first, by front office in the day-to-day conduct of their business and the permanent monitoring of their positions, as a first line of defence.

Market risk across all transaction portfolios is measured daily by 'Risk on Market Activities and ALM' Department, independently of the front office, and monitored against limits. This is performed by the dedicated 'Metrics Monitoring Group' team per trading activity and consolidated at SGIL level by the SGIL risk department. Limits breaches are reported daily by the SGIL risk department to front office and SGIL management. Front office must account for these breaches and take immediate action to bring them back within limit or request a temporary or permanent increase to the limit.

13. RISK MONITORING AND REPORTING

The SGIL Monitoring and Reporting Framework has been designed with a view to provide a comprehensive view of the SGIL risk profile on an ongoing basis to ensure that the Company adheres to its defined Risk Appetite Statement. 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 is made up of three key elements within the Risk Management Framework:

Risk Identification & Assessment Processes - include but are not limited to:

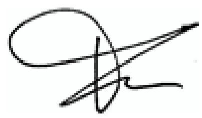
- The Risk Identification & Risk Mapping exercise performed as part of the ICAAP to assign a risk criticality rating for each of the risks in SGIL's risk taxonomy. The risk criticality rating is based on the assessments of each risk category in the ICAAP and the expert judgement of business managers and risk experts.
- An assessment of SGIL's emerging risks (business and strategy risks) is formally conducted with the input of senior management on at least an annual basis to enable SGIL to manage new and unforeseen risks whose potential harm for loss is not fully known.
- The ICAAP and ILAA and their associated stress testing processes assess the adequacy of SGIL's capital and liquidity resources against certain stress events and scenarios.
- The annual process performed by the business is also designed to identify and assess operational inherent risks, the mitigation measures and residual risks that SGIL is exposed to through its activities.

Monthly Board Report (MBR) - a comprehensive dashboard is sent to the SGIL Board of Directors on a monthly basis. The MBR includes an overview of the current situation regarding Finance, liquidity, Operational Risk, Credit Risk, Market Risk, Capital, Compliance and Client Money arrangement topics to capture the relevant information from the different SGIL committees.

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;

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.

APPROVED AND AUTHORISED BY THE BOARD:



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Philippe Robeyns - Director

Date: 27th April 2021

The Directors of the Company present their report and the audited financial statements for the year ended 31 December 2020.

1. PROFITS AND APPROPRIATIONS

During the year under review the Company made a profit after tax of £79.6m (2019 profit: £101.2m). The Board have recommended the payment of a final dividend on the ordinary shares of £79.6m (2019: £101.2m).

Total shareholders' funds for the year ended 31 December 2020 were £1,458.9m (2019: £1,472.8m).

The Company's strategic highlights, business and future developments and principal risks and uncertainties are set out in the Strategic Report (page 3 to 16). Post balance sheet events are disclosed in Note 22.

2. DIRECTORS

The Directors, who served throughout the year and to the date of this report except as noted, were as follows:

Christophe Bernard Lattuada	
Michael John Collins	
John Charles Fortescue Hitchins	
Tara Marie Palmer	(resigned 31 December 2020)
Marcia Ina Cantor-Grable	
Alexandre Fleury	(appointed on 18 March 2020)
Gill Lungley	(resigned 26 December 2020)
Keith McArdle	
Philippe Robeyns	(appointed on 31 March 2021)

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

No Directors have any direct financial interests in the Company.

3. STREAMLINED ENERGY AND CARBON REPORTING

Following the amendment to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is reporting its Greenhouse Gas Emissions (GHG emissions) and Energy usage.

The Company has followed the HM Government's Environmental Reporting Guidelines published in March 2019 in disclosing this information.

The scope includes the Gas (Scope 1) and the Electricity (Scope 2) consumed in operating the building. Fuel is excluded from the scope due to the usage being negligible. The disclosure excludes the BCP sites as it is believed that the consumption is limited.

The table below summarises the GHG emissions and Energy usage:

	2020	
	Energy (kWh)	Emissions (tCO2e)
Emissions from combustion of gas (Scope 1 – tonnes of CO_2e)	108,270	19.9
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO_2e)	225,796	52.6
Total gross CO_2e based on above	**334,066**	**72.5**

Intensity ratios: Emissions per £m revenue (defined as gross profit):

Emissions from combustions of gas (Scope 1):	0.03 tonnes/£m
Emissions from electricity for own use (Scope 2):	0.26 tonnes/£m

The Company continues to benefit from its move in 2019 to the new office at One Bank Street, which has been designed to be one of the most environmentally friendly buildings in the City and Canary Wharf, with an Outstanding BREEAM rating to prove it.

As described earlier, Covid-19 led to the implementation of a work from home policy and a drastic reduction of travels reducing therefore the CO_2 emissions in 2020.

4. 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.

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.

5. 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.

During 2020, the Board has been regularly informed on the progress of the enhancement of the policies, controls and culture around the risks of Bribery and Corruption. 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. Furthermore, the Company is enhancing its Sanctions and Embargo (S&E) governance to ensure that clients and products are authorised in line with the existing restrictions.

It is well recognized 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.

6. 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 2020, 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.

6.1. 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 SG SA. The Board ensures it understands the views of its shareholder through regular interactions between Directors and senior executives of SG 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 the SGIL Board of 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 2020. John Hitchins, SGIL’s senior independent non-executive Director, acts as the Board’s whistleblowing champion. Individuals can raise 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 especially during the Covid-19 period. The Company utilises various approaches in this regard: While physical Town Hall meetings have not been possible during the pandemic, management have communicated to all employees via video-conference meetings, regular employee e-mail communications and via the 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. Further information is given in Section 6 of the Strategic Report.

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.

The Board spent considerable time in 2020 reviewing management plans for streamlining the operating model. The Board satisfied itself that the operational risks inherent in the plans were adequately catered for and that the interests of clients were fully considered through a programme of consultation. This will continue to be an area of focus throughout 2021 as the plans are developed further.

6.2. Board Composition

As at the end of 2020, 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 of Directors. 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. As of End of March 2021, Phillipe Robeyns has been appointed as Chief Executive Officer and as an Executive Director of SGIL, replacing Christophe Lattuada who remains a Non-Executive Director of SGIL. Philippe has 35 years-experience in financial services and joined Société Générale UK in 2000. Philippe has led various functions within Societe Generale Corporate and Investment Banking including being Global Head of Equities Operations. In 2004, Philippe transferred to SG Securities Services and headed up the Clearing Services business line offering Securities Clearing and Outsourcing Services. Prior to being appointed SGIL CEO, Philippe has been Chief Operating Officer for the EMEA Region since 2010.

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

Board composition is regularly reviewed by the Nomination and Governance Committee, having regard to both the skill sets of individual Board members and the overall diversity of the Board within the context of the Company’s needs.

The effectiveness of the Board and each Board Committee is assessed annually. Periodically these reviews are conducted by an external advisor. The last such external review was carried out towards the end of 2019 and early 2020 and a programme to address its findings put in place. This programme has now been completed.

6.3. Director Responsibilities

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

The Board, Board Committees and individual Directors have a clear understanding of their accountability and responsibilities which was further strengthened with the implementation of the FCA Financial Conduct Authority's Senior Managers and Certification Regime. 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.

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. It receives regular reports from the Board Audit Committee on the work conducted by both internal and external audit.

The major risks of the Company along with their plans of actions and potential emerging risks are reviewed on a monthly basis and formally validated during the year through the RCC and the BRC, thus integrating the 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.

6.4. Opportunity and Risk

The SGIL BRC ensures an oversight of the risk and compliance functions and focuses on the risk management, risk appetite, capital and liquidity adequacy assessment. The SGIL BAC 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 planning of scarce resources.

6.5. 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.

6.6. 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 2020 include: employee surveys, the promotion of employee inclusion networks, frequent update on Covid-19 measures and roadmap. Further information on SGIL's Corporate Social Responsibility ambitions may be found at pages 267 et seq of the Société Générale Group Universal Registration Document 2020 (https://www.societegenerale.com/sites/default/files/documents/2021-03/2021%20Universal%20Registration%20Document.pdf).

6.7. Regulatory Capital

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

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's focus on employee engagement is described in section 5.2 above.

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 assessed 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, subject to the reviews described in section 2 of the Strategic Report which could result in the Company's operations being transferred to its parent company over a period of time. These reviews represent a material uncertainty that casts a significant doubt as to whether the Company will continue as a going concern in the medium term.

In assessing the Company's ability to continue as a going concern the Directors have had regard to its financial forecasts (including the loss of revenues as a result of the Brexit client transfers) and the stress testing that forms an integral part of its capital and liquidity planning through its ICAAP and ILAA process. The Directors have also reviewed the SGIL wind down plan which incorporated the possible transfer of businesses activities to its parent company and were satisfied that the Company would continue to be able to meet all its liabilities as they fall due throughout such a period of transfer.

As a fully owned subsidiary of the SG SA, the Company benefits from the Group's support to provide technology and infrastructure support as well as access to scarce resources in the normal course of business. Given this, and the existence of the wind-down plan, the Directors have concluded that the Company should be able to realize its assets and discharge its liabilities in the normal course of business.

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:

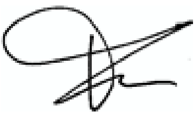
- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that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

APPROVED AND AUTHORISED BY THE BOARD:



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Philippe Robeyns – Director
Date: 27th April 2021

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.

INDEPENDENT AUDITORS REPORT ON 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 2020 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;
- the related notes 1 to 22.

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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that the Company, over the medium term and subject to the relevant approvals being obtained, could transfer its operations to its parent company over a period of time. As stated in note 1, these events or conditions, along with the other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reviewing management's going concern assessment in order to understand the basis for key assumptions and judgements made by management;
- considering management's forecasts and evaluated key assumptions and their projected impact on capital, liquidity and financial performance, with specific consideration of the COVID-19 pandemic and management's strategic objectives;

- With the involvement of Deloitte's regulatory specialists, reviewing the most recent ICAAP and ILAA submissions, considered management's capital and liquidity projections, reviewed the results of management's severe but plausible stress scenarios and considered whether the mitigating actions that could be taken by management in such a scenario were reasonable;

- an evaluation of the medium-term strategic objectives of the Company;

- reviewing correspondence with regulators to understand the Company's capital and liquidity requirements;

- evaluating the historical accuracy of forecasts prepared by management; and

- considering the adequacy of disclosures made in the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic Report and Director's Report. The directors are responsible for the other information contained within these reports. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, in-house legal counsel and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements, including the UK Companies Act, UK financial services legislation and UK tax legislation; and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty, including the Company's regulatory solvency and capital requirements.

We discussed among the audit engagement team, including relevant internal specialists such as tax, valuations, IT, and regulatory, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with applicable regulatory bodies.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions 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 is 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 or 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, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London | United Kingdom
27th April 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Profit and loss from continuing operations:			
Turnover	2	1,085,565	1,646,234
Operating costs	2	(880,311)	(1,384,839)
Gross profit		205,254	261,395
Administrative expenses	3, 4, 5	(100,545)	(115,054)
Operating profit	5	104,709	146,341
Dividend income	5	1,639	-
Interest income	6	25,877	20,578
Interest expense	6	(34,393)	(43,775)
Profit before taxation		97,831	123,145
Tax on profit on ordinary activities	7	(18,250)	(21,932)
PROFIT FOR THE YEAR		**79,581**	**101,213**
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss:			
Gains and Losses on FVTOCI investments		9,920	7,985
Cash Flow hedges losses			(14)
Deferred tax on losses on FVTOCI investments		(2,158)	(1,697)
Other comprehensive income / (loss) net of tax		7,762	6,273
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87,343**	**107,486**
Profit attributable to:			
Equity shareholder of the Company		**79,581**	**101,213**
Total comprehensive income attributable to:			
Equity shareholder of the Company		**87,343**	**107,486**

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

BALANCE SHEET AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	237	237
Other receivables	11	1,164,000	864,000
		1,164,237	**864,237**
CURRENT ASSETS			
Investments at fair value through OCI	9	833,358	1,123,429
Financial assets at fair value through P&L	10	3,082,161	1,749,102
Trade and other receivables	11	20,569,296	32,773,420
Cash and cash equivalents		8,759,915	7,774,014
		33,244,730	**43,419,965**
TOTAL ASSETS		**34,408,967**	**44,284,202**
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities at fair value through P&L	12	(3,024,495)	(1,690,431)
Trade creditors and other payables	13	(29,624,534)	(40,821,485)
Deferred tax liabilities	7	(2,935)	(363)
		(32,651,964)	**(42,512,279)**
NON-CURRENT LIABILITIES			
Subordinated debt	14	(295,000)	(295,000)
Provisions	15	(3,082)	(4,132)
		(298,082)	**(299,132)**
TOTAL LIABILITIES		**(32,950,046)**	**(42,811,411)**
NET ASSETS		**1,458,921**	**1,472,791**
EQUITY			
Share capital	16	1,150,000	1,150,000
Other reserves		15,517	7,755
Retained earnings		293,404	315,036
TOTAL EQUITY AND RESERVES		**1,458,921**	**1,472,791**

The financial statements were approved and authorised for issue by the Board of Directors on 22nd April 2021 and were signed on its behalf by:

....
Philippe Robeyns – Director

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

	Notes	Share Capital £'000	Other reserves £'000	Retained Earnings £'000	Totals £'000
At 1 January 2019		**1,000,000**	**(1,965)**	**217,270**	**1,215,305**
Issue of share capital	16	150,000	-	-	150,000
Dividend Paid		-	-	-	-
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**
Issue of share capital	16	-	-	-	-
Dividend Paid	22	-	-	(101,213)	(101,213)
Profit for the year		-	-	79,581	79,581
Other comprehensive income/ (loss) for the year		-	7,762	-	7,762
At 31 December 2020		**1,150,000**	**15,517**	**293,404**	**1,458,921**

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

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 3 to 16.

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 SG SA. The group accounts of SG SA are available to the public and can be obtained as set out in Note 21.

Revised Standards

In the current year, the Company has reviewed and assessed any impact on the amendment to IFRS 16 Leases to facilitate lessees to account for Covid-19-related rent concessions issued by the International Accounting Standards Board (IASB) that is effective since 1 June 2020. As the Company has no leases, the amendment to IFRS 16 does not have any impact on disclosures or on the amounts reported in these financial statements.

In addition, the Company has reviewed and assessed any impacts on the amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued by the IASB that is effective for years beginning after 1 January 2020. The Phase 1 disclosures that apply to the Company's fair value hedges have been detailed in Note 19.

Going concern

The Directors have assessed 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, subject to the reviews described in section 2 of the Strategic Report which could result in the Company's operations being transferred to its parent company over a period of time. These reviews represent a material uncertainty that casts a significant doubt as to whether the Company will continue as a going concern in the medium term.

In assessing the Company's ability to continue as a going concern the Directors have had regard to its financial forecasts and the stress testing (including the loss of revenues as a result of the Brexit client transfers) that forms an integral part of its capital and liquidity planning through its ICAAP and ILAA processes. The Directors have also reviewed the SGIL wind down plan which incorporated the possible transfer of businesses activities to its parent company and were satisfied that the Company would continue to be able to meet all its liabilities as they fall due throughout such a period of transfer.

As a fully owned subsidiary of the SG SA, the Company benefits from the Group's support to provide technology and infrastructure support as well as access to scarce resources in the normal course of business. Given this, and the existence of the wind-down plan, the Directors have concluded that the Company should be able to realize its assets and discharge its liabilities in the normal course of business.

Accordingly, the Directors believe that preparing the accounts on a going concern basis is appropriate.

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 19). 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 measured at Fair Value Through Profit and Loss (FVTPL), 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 are recognised on trade date when the performance obligation is satisfied.

Interest income is generated from initial margin balances held, financing, repo and reverse repo transactions, High Quality Liquid Asset (HQLA) portfolio held at FVTOCI 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 initial margin balances held, financing, repo 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.

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 Fair Value Through Other Comprehensive Income (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 (ii) 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 (iii) 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.

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.

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, because they are recognised at FVTPL. 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 expected credit loss (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 (behavioural 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.

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

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.

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.

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 the 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 SA 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 (FVH)

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 SG SA's share price to reduce market risk with cash settled options on SG SA shares (see Note 12).

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

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, SG 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 17 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 SA recharges is communicated in April by SG SA. The Directors do not believe that the true up of the 2020 estimate will result in a material financial charge.

The Transfer Pricing are the prices at which the Company receives services provided by other entities of SG SA. 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/ expense	Net gains and losses on financial instruments	**Total £'000**
	£'000	£'000	£'000	**£'000**
Turnover	333,205	721,744	30,616	1,085,565
Operating costs	(244,836)	(635,475)	-	(880,311)
At 31 December 2020	**88,369**	**86,269**	**30,616**	**205,254**
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.

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

	2020 £'000	2019 previously reported £'000	Impact of restatement £'000	**2019** restated (*) £'000
United Kingdom	491,720	660,153	-	660,153
France	6,945	44,508	-	44,508
Rest of Europe	313,515	479,934	(19,746)	479,934
Americas	87,819	162,635	-	162,635
Asia-Pacific	105,007	268,013	(105,954)	268,013
Other	80,559	30,991	125,700	30,991
Total	**1,085,565**	**1,646,234**	**-**	**1,646,234**

(*) 2019 comparatives for Rest of Europe, Asia-Pacific and Other have been restated due to a mapping correction made in the year.

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 origination.

NOTE 3 : STAFF COSTS

	2020 £'000	2019 £'000
Wages and salaries (*)	40,562	51,831
Social security costs	5,672	6,241
Pension and other staff costs	3,883	4,268
	50,117	**62,340**

(*) Included in the wages and salaries are amounts related to termination benefits

As at the year-end, there were no unpaid pension contributions (2019: £nil).

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

	2020 £'000	2019 £'000
Management	14	9
Front office	88	100
Support	269	326
	371	**435**

Share-based payments

The Company's staff participates in the following share schemes offered by SG 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 SG SA's share price to reduce market risk (see note 12).

The indexation related to this variation in the price of SG SA shares only for current year was a gain of £145k (2019: loss of £657k). The profit and loss recognised in the year related to the plan was an expense of £930k (2019: £476k).

UK Share plan

The Share Incentive plan provides the opportunity for all employees to purchase SG SA shares out of gross pay. For every four shares bought, SG SA 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

	2020 £'000	2019 £'000
Directors' remuneration	718	884
Pension contributions to defined contribution schemes	11	59
	729	**943**

Remuneration of the highest paid Director:

	2020 £'000	2019 £'000
Directors' remuneration	252	479
Pension contributions to defined contribution schemes	11	37
	263	**516**

NOTE 5 : OPERATING PROFIT

The operating profit is stated after charging:

	2020 £'000	2019 £'000
Depreciation of fixed assets	-	(183)
Additional impairment charge	(3,690)	-
Expected credit loss provision	900	288
Intragroup rental recharges	(5,908)	(4,262)
Fees payable to Company's auditor for:		
- The audit of the Company's annual accounts	(1,222)	(950)
- Other services	(225)	(211)
Dividend income received (refer to Note 20)	1,639	-

Included in administrative expenses are amounts recharged from other SG SA group companies for £10,616k (2019: £28,895k).

NOTE 6 : INTEREST INCOME AND EXPENSE

	2020 £'000	2019 £'000
Interest income from deposits with Group companies (Note 11)	25,877	20,578

	2020 £'000	2019 £'000
Interest expense on borrowings with Group companies (Note 13)	34,393	43,775

NOTE 7 : TAXATION

The UK corporation tax rate applicable for financial reporting is 19% (2019: 19%).

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

	2020 £'000	2019 £'000
Current tax		
UK corporation tax	17,615	21,969
Adjustment in respect of prior periods	144	(319)
Total current tax	**17,759**	**21,650**
Deferred tax		
Origination and reversal of temporary differences in the current year	160	419
Adjustment in respect of prior periods	333	23
Changes in Corporation tax rate	-	(161)
Total deferred tax	**493**	**282**
Total taxation on profit on ordinary activities	**18,852**	**21,932**

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

The charge for the year can be reconciled to profit and loss as follows:	2020 £'000	2019 £'000
Profit on ordinary activities before tax	97,831	123,147
Tax on profit on ordinary activities at standard tax rate of 19% (2019: 19%)	18,588	23,398

Effects of:		
- Expenses not deductible for tax purposes	120	71
- Non-taxable income	(311)	-
- Adjustment in respect of prior years and other	477	(296)
- Changes in Corporation Tax rate	-	(161)
- Financial Asset at FVTP&L	(622)	(1,081)
	18,252	**21,932**

(c) Deferred tax assets/ (liabilities):

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

	2020 £'000	**2019** £'000
Depreciation in excess of capital allowances	498	603
Provision for temporary differences	358	358
Investment in equity shares at FVTPL	(429)	0
Loss (Gain) investments at FVTOCI	(3,550)	(1,538)
IFRS 9 transitional adjustments	187	214
	(2,935)	**(363)**

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

	2020 £'000	**2019** £'000
Deferred tax asset at 1 January	(363)	1,592
Amount charged to the income statement	(160)	(419)
Adjustment in respect of prior periods	(333)	-
Amount credited to other comprehensive income	(2,080)	(1,697)
Changes in Corporation Tax rate	-	161
Deferred tax liabilities at 31 December	**(2,935)**	**(363)**

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

Legalisation has been proposed in the Finance Bill 2021, to increase the main rate of corporation tax for the Financial Year 2023 from the 19% currently in place to 25% with effect from 1 April 2023. The effect of the change would be to increase the current year deferred tax liability by £927k.

NOTE 8 : INTANGIBLE ASSETS

	Other Intangible £'000	**Total £'000**
COST		
At 1 January 2020	237	237
Movement	-	-
At 31 December 2020	**237**	**237**
AMORTISATION / IMPAIRMENT		
At 1 January 2020	-	-
	-	-
Movement	-	-
Amortisation for the year	-	-
		-
At 31 December 2020	-	-
NET BOOK VALUE		
At 31 December 2020	**237**	**237**
At 31 December 2019	237	237

NOTE 9 : INVESTMENTS AT FAIR VALUE THROUGH OCI

	2020 Treasury notes and bonds £'000	**2019** Treasury notes and bonds £'000
At 1 January	**1,123,429**	**1,290,909**
Additions	415,417	3,811,571
Disposals	(716,919)	(3,989,134)
Coupon	(89)	593
Amortisation of premium/ discount	(5,380)	142
Revaluation (*)	16,900	9,348
At 31 December	**833,358**	**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.
(*) £6,748 (2019: £1,604k) of the mark to market has been recycled through profit and loss under trades that have been designated as Fair Value hedges.

NOTE 10 : FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L

	2020 £'000	2019 £'000
Derivative financial instruments	3,009,938	1,683,741
Fidelity Plan Hedge	-	54
Investment in joint venture	69,600	62,941
Equities investment	2,623	2,366
	3,082,161	**1,749,102**

Derivative financial instruments consist of interest rate, foreign exchange, credit derivatives, equity 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 Vía de los Poblados 3, edificio 2, planta 1, Parque Empresarial Cristalia, 28033 Madrid. In accordance with the by-laws of Altura Markets S.V., all the shares of Altura have the same political and economic rights and therefore SGIL shares are ranked pari passu with those held by Banco Bilbao Vizcaya Argentaria, S.A. with the same voting rights, dividend and capital distribution rights attached to them.

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 12). The revaluation of the investment has been performed twice in 2020 based on the net book value. Consolidation of Altura Markets S.V. occurs at the SG SA level (The parent company is disclosed in Note 21).

Financial assets at fair value include amounts due from other SG SA, group companies for £626,377k (2019: £180,029k).

NOTE 11 : TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Financial assets with brokers, exchanges and clearing houses	6,759,031	7,064,019
Securities purchased under resale agreements	11,389,640	22,695,703
Receivable from customers and banks	2,354,544	2,315,290
Settlement account on securities transactions	27,979	643,561
Trade debtors	2,895	4,321
Other debtors	51,609	64,176
VAT receivable	8,601	9,507
	20,594,299	**32,796,577**
Allowance for impairment losses	(25,003)	(23,157)
	20,569,296	**32,773,420**
Amounts falling due after one year:		
Intragroup loans	1,164,000	864,000
	1,164,000	**864,000**

Included within Other debtors are interest receivable on commitments from DPS activity and Transfer Pricing amounts for the Listed Derivatives business.

Included within receivable from customers is £25m (2019: £23.2m) of assets that are impaired.

Included within trade debtors are aged brokerage receivables which are past due, but not impaired:

	2020 £'000	2019 £'000
7-12 months	772	1,068
13-18 months	565	291
19-24 months	261	289
	1,598	**1,648**

A reconciliation of the allowances for impairment losses is as follows:

	2020 £'000	2019 £'000
At 1 January	(23,157)	(24,273)
Additional impairment charge	(3,690)	-
Recovery charge	900	288
Exchange rate movement	944	828
	(25,003)	**(23,157)**

Trade and other receivables include amounts due from other SG SA group companies for £8,370,796k (2019: £10,776,087k).

This includes sixteen intragroup loans with SG SA:

Amount 2020 £000	Amount 2019 £000	Value date	Time to maturity	Interest rate % p.a.	Interest type	Fair Value of the loan at 31.12.2020 £000	Fair Value of the loan at 31.12.2019 £000
400,000	480,000	17/12/2015	5 Years	2.90%	Fixed	436,412	527,574
80,000	80,000	17/12/2018	8 Years	2.31%	Fixed	94,476	92,215
80,000	80,000	17/12/2019	9 Years	1.72%	Fixed	91,400	86,323
66,600	74,000	10/10/2019	9 Years	2.35%	Fixed	74,441	81,172
87,400	-	17/12/2020	10 Years	0.99%	Fixed	94,378	-
35,000	-	25/03/2020	10 Years	1.61%	Fixed	40,025	-
27,500	-	25/03/2020	9 Years	1.54%	Fixed	30,999	-
27,500	-	25/03/2020	8 Years	1.53%	Fixed	30,770	-
7,500	-	25/03/2020	7 Years	1.49%	Fixed	8,279	-
7,500	-	25/03/2020	6 Years	1.46%	Fixed	8,186	-
7,500	-	25/03/2020	5 Years	1.40%	Fixed	8,057	-
7,500	-	25/03/2020	4 Years	1.30%	Fixed	7,920	-
7,500	-	25/03/2020	3 Years	1.17%	Fixed	7,786	-
27,500	-	01/04/2020	3 Months	0.76%	Fixed	27,720	-
150,000	150,000	17/01/2019	3 Years	1.01%	Variable	154,332	157,260
145,000	-	12/08/2020	3 Months	0.22%	Fixed	145,133	-

NOTE 12 : FINANCIAL LIABILITIES AT FAIR VALUE THROUGH P&L

	2020 £'000	2019 £'000
Fidelity Plan Hedge	690	546
Derivative financial instruments	3,023,805	1,689,885
	3,024,495	**1,690,431**

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

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 £ 690k (loss) as at December 2020 (2019: £327k loss).

Financial liabilities at fair value include amounts due to other SG SA, group companies for £456,813k (2019: £223,234k).

Fair Value hedges

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.

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 contract							
Average Contracted fixed interest rate		Notional Principal Amount		Change in fair value for recognising hedge ineffectiveness		Fair value of the hedging instrument (liabilities)	
2020	2019	2020	2019	2020	2019	2020	2019
%	%	£	£	£	£	£	£
1.00	1.09	£315,925k	£181,142k	£(8,481)k	£(1,620)k	£307,444k	£(1,620)k

Hedged item – Fixed rate bonds								
Nominal amount of the hedge item		Accumulated amount of FVH 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		Accumulated amount of FVH adjustments in SOFP for hedged items that have ceased to be adjusted for hedging gains and losses	
2020 £	2019 £	2020 £	2019 £		2020 £	2019 £	2020 £	2019 £
£315,925k	£181,142k	£322,628k	£181,780k	Financial assets at Fair value through OCI	£6,703k	£1,604k	£128k	£16k

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:

Hedged item		
Amount of hedge ineffectiveness recognised in profit or loss (P/L)		Line item in P/L in which hedge ineffectiveness is included
2020 £	2019 £	
£1,778k	£(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 13 : TRADE CREDITORS AND OTHER PAYABLES

	2020 £'000	2019 £'000
Securities sold under agreements to repurchase	8,895,852	18,999,332
Payables to customers and banks	20,537,825	21,306,347
Settlement accounts on securities transactions	30,995	322,782
Trade creditors	102,359	107,162
Other creditors	49,504	70,549
Current tax payable	3,042	12,636
Other tax payable	(56)	135
Accrued interest on subordinated debt	2,012	2,542
Deferred income	3,001	-
	29,624,534	**40,821,485**

Included in other creditors are mainly interest payable on commitments from DPS activity.
Trade creditors and other payables include amounts payable to other SG SA, group companies for £17,662,779k (2019: £36,810,930k).

This includes £2,612,320k (2019: £4,920,837k) drawn down against a £8,441,364k (2019: £8,985,000k) facility with SG SA, in tranches that are repayable from overnight to 1 year that bear a weighted average outstanding negative interest rate of -0.25% (2019: 0.82%), the terms of which are determined by SG SA group treasury.

NOTE 14 : SUBORDINATED DEBT

	2020 £'000	2019 £'000
Subordinated debt	295,000	295,000

The subordinated debt of £145m maturing in 2024 bears interest of GBP Libor 6M+2.7% per annum. An additional subordinated loan of £150m was granted on 16th of January 2019, maturing in 2029 and bears interest of GBP Libor 3M + 3.22% per annum.
The carrying value of the subordinated debt approximates its fair value at 31 December 2020.
The accrued interest payable of £2m (2019: £2.5m) is mentioned in Note 13.

On the 31 March 2021, SGIL repaid £145m of subordinated debt.

NOTE 15 : PROVISIONS AND CONTINGENT LIABILITIES

	Deferred Bonus £'000	Other Provisions £'000	**Totals** £'000
At 1 January 2020	357	3,775	4,132
Charge for period	218	8,581	8,799
Utilisation	(258)	(6,977)	(7,235)
Reversals	(17)	(2,671)	(2,689)
Revaluation	-	74	74
At 31 December 2020	**300**	**2,782**	**3,082**

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 16 : SHARE CAPITAL

Authorised and issued:

	Number	Nominal value	**2020** £'000	**2019** £'000
Share capital	1,150,000,000	£1	1,150,000	1,150,000

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In respect of 2020 financial year, the Board have recommended the payment of a dividend on the ordinary shares of £79.6m (2019: £101.2m) at £0.0686 per share.

NOTE 17 : CLIENT MONEY BALANCES

As at 31 December 2020 segregated Client Money balances held on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts amounted to £8,017,984k (2019: £7,534,183k). These balances do not constitute part of the balance sheet of the Company.

NOTE 18 : TRADING DERIVATIVES AND OTHER FINANCIAL COMMITMENTS

	2020	**2019**
	£'000	£'000
Commitments granted		
Equity and index instruments	5,128,132	2,380,895
Firm instruments	*5,128,132*	*2,380,895*
Foreign exchange instruments	386,004,567	323,924,197
Firm instruments	*243,375,830*	*255,463,444*
Options	*142,628,737*	*68,460,753*
Interest rate instruments	3,495,013	3,635,859
Firm instruments	*3,495,013*	*3,635,859*
Options	-	-
Guarantee commitments granted	8,589,556	22,196,745
Securities pledged as collateral	4,678,550	3,916,310
Total commitments granted	**407,895,818**	**356,054,006**
Commitments received		
Equity and index instruments	5,126,711	2,379,135
Firm instruments	*5,126,711*	*2,379,135*
Foreign exchange instruments	386,009,401	323,928,710
Firm instruments	*243,380,664*	*255,467,957*
Options	*142,628,737*	*68,460,753*
Interest rate instruments	3,495,013	3,635,859
Firm instruments	*3,495,013*	*3,635,859*
Options	-	-
Guarantee commitments received	13,550,344	24,895,556
Securities received as collateral	3,778,990	2,732,365
Total commitments received	**411,960,459**	**357,571,625**

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 19 : 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	3,082,161	833,358	-	3,915,519
Trade and other receivables	-	-	21,749,698	21,749,698
Cash and cash equivalents	-	-	8,759,915	8,759,915
At 31 December 2020	**3,082,161**	**833,358**	**30,509,613**	**34,425,132**

	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	-	2,872,532
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**	**44,297,616**

Categorisation of financial liabilities

	Financial Liabilities at FVTPL £'000	Financial Liabilities Amortised Cost £'000	**Totals** £'000
Subordinated debt	-	295,000	295,000
Financial liabilities	3,024,495	-	3,024,495
Trade and other payables	-	29,618,547	29,618,547
At 31 December 2020	**3,024,495**	**29,913,547**	**32,938,042**

	Financial Liabilities at FVTPL £'000	Financial Liabilities 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 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 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, as they fall due.
Funding risk is defined as the 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). Given the short-term nature of SGIL's execution only prime brokerage and agency transactions, the Company 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.

In addition to the compliance with the internal stress requirement, SGIL comply with the Individual Liquidity Guidance communicated by the FCA on the daily basis.

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	2,906,063	118,136	296	3,024,495
Trade and other payables	29,616,421	-	-	29,616,421
At 31 December 2020	**32,522,484**	**263,136**	**150,296**	**32,935,916**

	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**

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

Credit Risk

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 43% (2019: 54%) of the total credit and counterparty risk-weighted asset exposure. A further 21% (2019: 19%) consists of excess cash held overnight at banks, central clearing counterparties, and Intermediary Brokers (predominantly with other SG SA Group entities) for daily settlement.

The Company uses the IMR as it is a standard market metric used for listed derivatives counterparties. The counterparty credit rating of customers subject to IMR as at 31 December 2020 is as follows:

	2020	2019 previously reported	Impact of restatement	**2019** restated (*)
Moody's/S&P or Fitch rating equivalent:	%	%	%	%
Investment Grade	**79%**	**65%**	**10%**	**75%**
Aa3/AA– and above	0%	5%	-5%	0%
A1 to A3/A+ to A–	43%	35%	17%	52%
Baa1 to Baa3/BBB+ to BBB–	36%	25%	-2%	23%
Non - Investment Grade	**21%**	**35%**	**-10%**	**25%**
Ba1 to Ba3/BB+ to BB–	16%	25%	-7%	18%
B1 to B3/B+ to B–	5%	10%	-3%	7%
	100%	**100%**	**0%**	**100%**

Exposures are largely spread across counterparty types but concentrated on Investment grade counterparties. The Non-Investment grade counterparties mainly comes from the Hedge Funds. The proportion of Hedge Funds is 7% of all the counterparties in 2020 (2019: 28%). 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.

(*) Comparative figures have been restated due to an error made in 2019. The updated calculations now accurately capture amounts reported under FRS101.

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 2020 would decrease the Company's profit before tax by £1,846k (2019: increase in profit before tax of £234k).
- A 1% parallel change in the LIBOR interest rate (holding all other variables constant) at 31 December 2020 would decrease the Company's profit before tax by £4,286k (2019: decrease by £3,951k).
- Both equity and commodity portfolios arise from fully hedged trading positions and therefore the Company faces minimal market risk exposures.

IBOR transition

Phase 1 amendments are relevant to the Entity because it applies hedge accounting to its Fixed Rate bonds by entering into an interest rate swap (fixed for floating), and in the current period modifications in response to the reform have been made to some (but not all) of the Entity's derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented).

Details of the derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Entity to manage the risks relating to the reform and the accounting impact, including the impact on hedge accounting relationships, appear below.

The amendments are relevant for the following types of hedging relationships and financial instruments of the Entity, all of which extend beyond 2021, the date by which the reform is expected to be implemented by:

- Fair value hedges where IBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the IBOR risk component (in EUR EONIA)

Hedge accounting relationships will continue despite the following:

- For IBOR fair value hedges, the benchmark interest rate component may not be separately identifiable

The Entity will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness for a hedging relationship that is subject to the interest rate benchmark reform fall outside the 80-125 per cent range. No individual hedging relationship fell outside this band for the current period. For those hedging relationships that are not subject to the interest rate benchmark reform the entity continues to cease hedge accounting if retrospective effectiveness is outside the 80-125 per cent range.

The Entity uses an interest rate swap to hedge the interest rate risk it has on its Liquid Asset Buffer portfolio. These derivatives will be transitioned to an alternative benchmark rate under International Swaps and Derivatives Association (ISDA) protocol and therefore no amendments have yet been made to the derivative, however, conversations with the counterparty have taken place.

Summary of transition

Below are details of the hedging instruments and the related hedged items that have been or will be subject to transition to alternative benchmark interest rates, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

Instrument type	Maturing in	Nominal in Currency (m)	Total Nominal (£m)	Hedged Item	Transition progress for derivatives
Pay EUR fixed interest rate swaps, receive EONIA + Spread	2029	28	25.01	Fixed rate Supranational Sovereign and Agency (SSA) debt securities held in the liquidity portfolio of the same maturity and nominal of the swap	To transition derivatives via ISDA protocol
Pay EUR fixed interest rate swaps, receive EONIA +Spread	2030	50	44.66	Fixed rate SSA debt securities held in the liquidity portfolio of the same maturity and nominal of the swap	To transition derivatives via ISDA protocol

As stated in Note 1 the Entity will continue to apply the Phase 1 amendments to IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows that the Entity is exposed to ends.

The Company has decided not to early adopt Phase 2 amendments to IFRS 9, IAS 39 and IFRS 7

The Entity expects this uncertainty will continue until the Entity's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread

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.

	2020	2019
	£'000	£'000
Tier 1 capital:		
- Share capital	1,150,000	1,150,000
- Profit and loss reserves	308,922	322,793
- Intangible assets	(237)	(237)
Tier 2 capital:		
- Subordinated debt	295,000	295,000
Total capital resources	**1,753,685**	**1,767,556**

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 32):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Investments at FVTOCI	833,358	-	-	833,358
Financial assets at FVTPL:				
Shares and other equity instruments	-	-	-	-
Derivative instruments:				
- Interest rate derivatives	-	63,380	-	63,380
- Foreign exchange derivatives	-	2,686,496	-	2,686,496
- Equity and index derivatives	-	260,063	-	260,063
- Commodity derivatives	-		-	-
Investment in joint venture	-	-	69,600	69,600
Equity investment			2,623	2,623
At 31 December 2020	**833,358**	**3,009,939**	**72,223**	**3,915,520**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Totals** £'000
Investments at FVTOCI	1,123,429	-	-	1,123,429
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
At 31 December 2019	**1,123,429**	**1,683,795**	**65,307**	**2,872,531**

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 SWIFT 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 2020	65,307	-	65,307
Additions	-	-	-
Disposals	-	-	-
Revaluations	6,916	-	6,916
At 31 December 2020	**72,223**	**-**	**72,223**

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 32):

	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	-	72,068	-	72,068
- Foreign exchange derivatives	-	2,691,673	-	2,691,673
- Equity and index derivatives	-	260,753	-	260,753
- Commodity derivatives	-		-	-
At 31 December 2020	**-**	**3,024,494**	**-**	**3,024,494**

	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**

Changes in value of financial instruments at fair value

Changes in fair value recognised in the profit and loss account arising financial assets and liabilities held at fair value (including derivative assets and liabilities – Note 10 and Note 12) 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 29). 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	28,993,645	(25,078,126)	3,915,519	(1,566,604)
Trade and other receivables	40,724,092	(18,974,394)	21,749,698	(2,880,420)
Cash and cash equivalents	8,759,915	-	8,759,915	-
Financial Assets at 31 December 2020	**78,477,652**	**(44,052,520)**	**34,425,132**	**(4,447,024)**
Subordinated debt	295,000	-	295,000	-
Financial liabilities at fair value	28,102,621	(25,078,126)	3,024,495	(1,566,604)
Trade and other payables	48,590,815	(18,974,394)	29,616,421	(2,880,420)
Financial Liabilities at 31 December 2020	**76,988,436**	**(44,052,520)**	**32,935,916**	**(4,447,024)**

	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	7,774,014	-	7,774,014	-
Financial Assets at 31 December 2019	**99,402,539**	**(55,104,924)**	**44,297,615**	**(13,554,233)**
Subordinated debt	295,000	-	295,000	-
Financial liabilities at fair value	15,669,971	(13,979,541)	1,690,430	(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)**

NOTE 20 : RELATED PARTY TRANSACTIONS

Related Parties

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

- Altura Markets. Sociedad De Valores, S.A.
- SG Americas Securities Llc
- SG Kleinwort Hambros Bank Limited
- SG Securities (Singapore) Pte. Ltd.
- SG Securities Korea, Ltd
- Société Générale - Paris
- Societe Generale Securities Japan Limited
- Societe Generale Capital Canada Inc
- Societe Generale Private Banking (Suisse) S.A.
- Societe Generale Securities Australia PTY LTD
- SG Securities Asia International Holdings Limited
- SG Seoul

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 Group companies:

- Societe Generale 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 Co. Ltd
- SG Americas Securities. Llc
- SG Americas Securities Holdings. Llc
- Societe Generale Dubai
- SG Zurich
- SG Singapour
- Societe Generale New York
- SG Londres
- Société Générale – Paris
- Societe Generale European Business Services S.A.

All related parties are 100% owned subsidiaries of SG SA 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.
The amounts outstanding are unsecured and have no fixed date of repayment, settlement occurs in cash. Interest is accrued for on the outstanding amounts.

	Trade and other receivables		Trade and other payables	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Altura Markets, S.V.	5,959	20,792	233	156
Total	5,959	20,792	233	156

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

	Trade income		Trade expenses	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Altura Markets, S.V.	-	7,195	338	8,846
Total	-	7,195	338	8,846

During 2020 SGIL received dividends from Altura Markets in amount of €1,807k (equivalent of £1,639k).

NOTE 21 : 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 SG SA, which is incorporated in France. Copies of the group accounts of SG SA are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

NOTE 22 : POST BALANCE-SHEET EVENTS

As part of SGIL's 2019 business strategy, certain non-core activities are being moved from SGIL to SG SA (Dynamic Portfolio Swap, FX Prime Brokerage activity and OTC transactions). This is expected to be fully completed by 2021 with the objective to start in 2021 the deregistration of SGIL as Swap Dealer under the CFTC.

On the 31 March 2021, following SGIL Board of Directors approval, SGIL repaid £145m of subordinated debt.

In respect of the 2020 financial year, the Board have recommended the payment of a final dividend on the ordinary shares of £79.6m (2019: £101.2m).