REGISTERED NUMBER: 05407520 (England and Wales)

Societe Generale International Limited (SGIL)

Annual Report and Financial Statements

for the Year Ended 31 December 2017

SOCIETE GENERALE

Societe Generale International Limited (Registered number: 05407520)

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for the Year Ended 31 December 2017

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SOCIETE
GENERALE

Societe Generale International Limited

Company Information
for the Year Ended 31 December 2017

DIRECTORS:	Christophe Bernard Lattuada Michael John Collins Olivier Paul Hartemann Barry John Pearce John Charles Fortescue Hitchins Tara Marie Palmer
COMPANY SECRETARY:	Gerard Alfred Marie De Lambilly
REGISTERED OFFICE:	10 Bishops Square London E1 6EG
REGISTERED NUMBER:	05407520 (England and Wales)
AUDITOR:	Deloitte LLP 1 Little New Street London EC4A 3TR

SOCIETE
GENERALE

STRATEGIC REPORT

The directors of Societe Generale International Limited ("the Company") present their Strategic Report for the year ended 31 December 2017.

BUSINESS MODEL

The Company offers a full range of clearing and execution services for futures and options on listed financial, over-the-counter ("OTC") clearing, and commodity markets. The Company does not take proprietary positions but in the normal course of business facilitation can hold limited residual positions to accommodate its customer activities. In addition, the Company provides coverage for a broad range of fixed income, foreign exchange ("FX"), equity and commodity products in both listed and OTC markets. The Company also provides clients with value added services including a prime brokerage offering, electronic platforms for trading and order routing, cross margining and the centralised reporting of client portfolios.

The Company's ultimate shareholder is Societe Generale ("the Group") which is incorporated in France. Copies of the Group accounts of Societe Generale S.A. are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

REVIEW OF BUSINESS

During the year under review the Company made a profit of £93.3 million (2016 profit: £79.9 million). Total shareholders' funds for the year ended 31 December 2017 were £1,129.6 million (2016: £1,096.6 million)

On 29 March 2017, the Board of SGIL approved a proposed reduction to the subordinated debt of SGIL from the existing £317m down to £145m; the decision was made to reduce the current capital surplus and in tandem generate interest cost savings within the legal entity. On 12 April 2017, the Company declared dividends of £59.5m at £0.0595 per share.
Moreover, in order for SGIL to fulfil its shareholder obligations vis-à-vis its Spanish venture (50% owned with BBVA), it was approved on 29th March 2017 to inject an amount of €41m corresponding to SGIL contribution to the overall €82m Capital increase of Altura Markets, Sociedad de Valores S.A. After these events, the Board are of the opinion that SGIL continues to have adequate capital to meet its anticipated capital requirements

Despite unfavourable market environment highlighted by low volatility and interest rates, together with the increasingly challenging regulatory environment and the inherent uncertainty around Brexit, the Company has continued to experience a positive momentum driven by newly onboarded clients and expanded product offering. The entity has increased its underlying profitability while improving operational efficiency and strengthening the IT platform. As such, the directors consider that the Company financial position at the end of the year was significantly improved and sustainably strong.

The remediation around the various regulatory reporting issues encountered following the integration within Societe Generale has been partially completed through a sustained and significant investment to increase the robustness of its operational and technical infrastructure, with the goal of reducing the operational risk of the organisation. Even if much was already delivered, the Company is pursuing its effort to sort remaining operational challenges.

SUBSEQUENT EVENTS

More than three years after the acquisition from Credit Agricole SA of the additional 50% stake in Newedge Group S.A, in a context of upcoming regulatory evolution and in particular Senior Management Regime implementation, it was decided to adjust the current organisation by realigning the management team under SGIL and transferring the dedicated staff hosted by Societe Generale London Branch (SGLB) within SGIL; as such 243 headcount mainly from IT, Operations and Finance department were transferred on 1st February 2018 from SGLB to SGIL. As costs were recharged previously from SG London Branch to SGIL, no significant impact is expected in net administrative expenses following the transfer of staff from SG London Branch to SGIL in 2018.

The central scenario discussed around impact of Brexit for SGIL involves the change in booking EU-27 client activity, with recognition of activity from these clients to be performed by an entity outside of SGIL, i.e. in Societe Generale Personne Morale (SGPM) or a dedicated EU-27 Prime Broker entity (Paris, Dublin, Frankfurt, Amsterdam, Luxembourg or Madrid). Compared to 2017, pure Brexit impact would not exceed a loss of more than 10% of SGIL revenues as per the recent simulation undertaken.However, as there are numerous possible outcomes of the current negotiations between the United Kingdom and the European Union, it is not possible at this stage to be sure on the full implications for the Company. Management will stay very close to the on-going issues, along with the shareholder of course, SGPM.

On 11 April 2018, the Company declared dividends of £18.6m at £0.0186 per share.

KEY PERFORMANCE INDICATORS

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

Criteria

	31.12.17 £'000	31.12.16 £'000
Gross profit	243,267	228,224
Profit before tax	116,908	100,151
Cost / income ratio	52%	53%

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.

STRATEGIC AIMS AND FUTURE DEVELOPMENTS

The strategic aim of the Company is to continue to strengthen its positions as a leading agency broker and clearing firm, and also being viewed as a global multi-asset, multi-instrument prime brokerage proposition that offers agile solutions via a single platform.

After 3 years of integration of the Company's activities into the Global Markets Division of Societe Generale Corporate & Investment Banking, which comes at an opportune time when regulatory, economic and broader changes within the financial services framework are shaping the way both our businesses work, the Company is wholly benefiting in 2017 from the benefits of the integration by strengthening its Financial performance and stabilising its execution platform and business capabilities. Thanks to this period of expansion and stabilisation, SGIL became the Societe Generale's global hub for Prime Brokerage and Clearing.

Ultimately, the transaction has enabled the Company and its parent Societe Generale to leverage off of their combined strengths for the benefits of both our growing business and our clients. It is the Company's aim to remain a Top 10 player in its core market activities, gain market share, particularly in multi-asset activities, and provide a robust and resilient platform for growth to enable it to compete actively on new mandates. The Company is well-positioned to provide a greater product offering for clients, an enhanced listed and OTC execution platform, and increased financing capabilities.

STRATEGIC AIMS AND FUTURE DEVELOPMENTS - continued

SGIL strategy for the coming years is therefore to be the central hub for Prime Services and Commodity agency business, supporting our worldwide clients with a seamless and global offer. The strategy is to build on SGIL strengths of cross-asset Prime Broking to be the premium Prime Broker, offering higher level of service and flexible solutions and generating profitable growth; the transformation will continue towards larger clients thanks to the continued improvement of the product offering. This should in particular enable the company to develop the UK client base for both Institutional and Hedge Funds client segments. In parallel, the Company will continue to focus primarily its investments on the strengthening of its global IT and operational set-up, enhancing the systems to increase resilience and upgrading the control framework overall.

REGULATORY ENVIRONMENT

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") and is designated as a Limited Activity Firm ("LAF") and a Significant IFPRU Firm under the FCA's Prudential Sourcebook for Investment Firms ("IFPRU").

The FCA stipulates the minimum level of regulatory capital to be maintained by the Company.

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, 10 Bishops Square, London, E1 6EG or online at http://sgildisclosure.societegenerale.com/en/crd/.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Operational Risk
The nature of its business exposes the Company to a number of operational risks. These may lead to operational errors, incidents, loss events and events which do not generate financial losses but could cause regulatory breaches or reputational damage as a direct consequence of the complexity of the markets, technologies and operating environments to which the Company is exposed.

The Company's definition of operational risk is derived from the texts of the Basel Committee as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events", and includes:

- Regulatory risk: risk of non-compliance with existing laws and regulations governing the jurisdictions in which the Company operates being overlooked and/or the impact of such changes on the daily operational environment of the Company being misjudged.
- Legal risk: risk of occurrence of liability and losses arising from inadequate contractual documentation or breach of contract, breaches of employment, regulatory and tax (or other applicable) laws, and failure to adhere to appropriate levels of corporate governance.
- Technology risk: risk of loss arising from inadequate systems, usage of technology or IT security management. Infrastructure standards subscribe to Societe Generale GBIS security standards. Regular vulnerability checks are performed by the IT Security team. There is also a specific focus on Application Security with various initiatives such as application classification and penetration testing.
- Business continuity risk: risk of loss arising from serious incidents or disasters that interrupt daily operations.

Liquidity Risk
Liquidity risk is defined as the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

Credit Risk
Credit Risk is defined as the risk which affects the current or prospective earnings and capital of the Company due to counterparty failure to meet the terms of a contract or its failure to perform as agreed.

Market Risk
Market Risk is defined as the risk to the Company's financial condition resulting from adverse market movements in the Company's (predominantly) trading book attributable to changes in market variables such as interest rates, foreign exchange rates, equity, commodity prices and structural balance sheet positions.

Model Risk
Model Risk refers to the potential for adverse consequences resulting from using a model containing errors, or from inappropriate use of the model outputs. Model risk can lead to financial loss, erroneous risk measurement or inappropriate prudential capital level computation, poor business and strategic decision making, or reputational damage.

The Company maintains a model inventory with essential model related information such as model usage and approval status.

Strategic Risk
Strategic Risk is defined as the current or prospective risk to earnings and capital due to adverse operating conditions arising from changes in the business or regulatory environment, adverse business decisions, improper selection of strategic decisions, lack of responsiveness to changes in the business environment, market-driven pressures such as decreased demand, increased competition and cost increases.

The Company is preparing for the exit of the United Kingdom from the European Union and has undertaken a study on the potential impact of the Brexit. As there are numerous possible outcomes of the negotiations between the United Kingdom and the European Union following the "leave" vote in the referendum on 23 June 2016, it is not possible at this stage to comment on the implications for the Company of such an event with any certainty. However a working group has been established to manage any changes that are required to ensure an uninterrupted service to the Company's clients, which may include changes to the products and services provided by the Company, or its processes and workflows.

Group Risk
Group Risk is defined as the risk that the financial position of the Company may be adversely affected by its relationships (financial or non-financial) with other Group entities or by risks which may affect the financial position of the whole Group, for example reputational contagion.

At all times the Company will appropriately manage its relationships, both financial and non-financial with other Group entities. To achieve this, provision of services between the Company and Group entities are governed by Service Level Agreements (SLAs). These specify the responsibilities of each party, the set of measures which will be monitored and reported, the frequency of the reporting and the escalation / resolution protocols if the commitments set in the SLAs are not met.

Further discussion of liquidity risk, credit risk, and market risk can be found at Note 21 to the Financial Statements (page 41).

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 Risk Management Framework ("RMF").

The risk management ("Risk") objective is to ensure that the necessary framework, practices and culture are in place across the Company so that all employees own and manage risks effectively. Risk is an independent function within the Company. It articulates the risk appetite approved at the Board and measures, monitor and reports on the Company's risk relative to that appetite. The Company Risk function also ensures consistency with and leverages, the Societe Generale Risk organisation.

OVERVIEW OF RISK MANAGEMENT - continued

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.

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

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

The Company Senior Management is responsible for the day to day management of the Company.

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

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

The Board and the Executive committee structures are aligned to ensure effective oversight:
- At the Board level, the Board of Directors and the technical committees the Board of Directors has established, including the BRC;
- At the Executive level, the Executive Committee and its sub-committees including the Risk & Control Committee (RCC).

Three Lines of Defence Organisation
The Company employs a 'three lines of defence' governance model to ensure that appropriate responsibility is allocated to enable appropriate management, reporting and escalation of risk.

- The first line of defence is defined as 'primary risk management'. This includes the Business Lines and Support Functions having the responsibility for identifying, managing and reporting their risks.
- The second line of defence is composed of the Control Functions. This provides challenge and risk control for the Company. The CRO and Chief Compliance Officer are pivotal in the second line of defence. The Control Functions provide support to the business and review and report key risks to the relevant executive committees.
- The third line of defence provides assurance to the Company that all risks are being appropriately managed, monitored and reported. The Group's Internal Audit function provides independent review and reports directly to senior management and the Board Audit Committee ("BAC").

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

RISK ASSESSMENT AND MEASUREMENT

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

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

- Operational Risk:
  - Operational incidents are recorded and trends are analysed. An investigation including the analysis of root causes and action plans is performed for significant events;
  - Results of permanent supervision controls including completion rate and anomalies;
  - Spot checks (controls performed by Operational Risk Department ensuring that permanent supervision is properly performed) results;
  - Anti-fraud controls including the monitoring of staff leave of absence and analysis of potentially risky types of deal entries and
  - Business continuity including completion of Business Impact Analysis and Business Continuity Plan.

- Credit Risk:
  - Valuation of credit exposures through various credit risk measurements such as Credit Value at Risk, Delivery Risk and Deposit Risk;
  - Credit portfolio stress testing; and
  - Credit Concentration Risk ratios computed for exposures per individual counterparty, per industry and per region.

  Client Credit Risk quantification is also provided through:
  - Basel III Risk Weighted Assets; and
  - Internal Risk Rating Methodology.

  The Company monitors credit concentration risk by using the Herfindahl-Hirschman Index (HHI) approach.

- Market Risk: Market Risk exposures are measured through:
  - Stress Test, Stress Value at Risk, Value at Risk, Delta Nominal;
  - Maximum tenor; and
  - Positions / open interest.

  Market Risk Limits are assigned to a given desk for a specific list of products.

- Liquidity Risk: The Company has identified areas of the Balance Sheet that are subject to liquidity stresses. The effect of a defined liquidity stress on each of these components has then been modelled in two different scenarios:
  - The Volatility Stress Scenario, an extreme yet plausible scenario simulating a strong increase of activity generated by extreme volatility where the Company loses some of its funding sources and faces massive intraday margin calls.
  - The Liquidity crisis scenario consisting of an accumulation of stresses corresponding to a sharp business reduction.

RISK ASSESSMENT AND MEASUREMENT - continued

Both scenarios are run against idiosyncratic, market-wide and combined stress tests which simulate the occurrence of simultaneously linked liquidity stress events.

The Company also defined a reverse liquidity stress test to understand the effects of a severe liquidity event, which the Company is not able to survive.

The responsibility of the BRC is to review and assess the appropriateness of the risk assessment and measurement methodologies.

The Company recognises the importance of a robust stress testing framework as a key risk management tool for understanding the firm's resilience to both internal and external shocks. It enables the Company to monitor adherence to its risk appetite under stressed circumstances and to calibrate its level of capital.

RISK MONITORING AND REPORTING

The Monitoring and Reporting Framework has been designed with a view to:

- Monitoring adherence to the risk appetite of the firm;
- Providing a comprehensive view of the Company risk profile;
- Enabling escalation of breaches/overruns;
- Enforcing the resolution of issues and the maintenance of risk mitigation processes.

The reports are circulated to the entity Management through the Risk Control Committee and the governance bodies through the Board Risk Committee.

The Monitoring and Reporting Framework is made up of a wide range of controls, including but not necessarily limited to:

- Review of stress test results against the associated limits / thresholds;
- Review of BAU loss exposures against the associated limits;
- Tracking of exceptions to the qualitative business acceptance criteria;
- Tracking of risk indicators against the applicable limits and thresholds; and
- Review of errors and incidents.

Within the Operational Risk Reporting and Monitoring Framework, the Permanent Supervision process plays a pivotal role. Permanent supervision controls are formalised level controls that have one of two functions:

- To monitor the operational controls implemented to mitigate the operational risk exposures of the firm; and
- To monitor key risks where mitigating factors are weak to ensure the risk remains within acceptable levels.

ON BEHALF OF THE BOARD:

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Christophe Lattuada - Director

Date: 16th April 2018

DIRECTORS' REPORT

The directors of the Company present their report and the audited financial statements for the year ended 31 December 2017.

PROFITS AND APPROPRIATIONS

During the year under review the Company made a profit after tax of £93.3 million (2016 profit: £79.9 million). The directors recommend the payment of a dividend of £18.6m on the ordinary shares in respect of this financial year (2016: £59.5m).

Total shareholders' funds for the year ended 31 December 2017 were £1,129.6 million (2016: £1,096.6 million).

The Company's strategic highlights, business developments and future developments are set out in the Strategic Report on pages 2 to 8.

DIRECTORS

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

John Charles Fortescue Hitchins	(appointed 10 August 2017)
Tara Marie Palmer	(appointed 29 June 2017)
Christophe Bernard Lattuada	
Michael John Collins	
Olivier Paul Hartemann	
Barry John Pearce	
Tanya Catherine Castell	(resigned 3 July 2017)
Gary Alan Wolens	(resigned 9 April 2017)

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

No directors have any direct financial interests in the Company.

REGULATORY CAPITAL

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

EMPLOYMENT POLICIES

The Company employment policies have been developed and are monitored to ensure they reflect best practice and legal and cultural requirements. The Company does not condone unfair treatment of any kind and supports equal opportunities for all employees regardless of age, disability, gender, race, religion, sexual orientation, marital status, nationality or background. The Company is committed to developing and training staff, including disabled staff.

The Company encourages and facilitates employee engagement. The Company also has an intranet which is updated daily and offers employees access to the latest news and announcements along with the opportunity to provide feedback.

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.

GOING CONCERN

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. As an integral part of the Societe Generale group, the Company benefits from the Group's support and investment to provide technology and infrastructure support to the Company in the normal course of business and ensure the Company has sufficient financial resources to meet its obligations in the foreseeable future. Accordingly, the directors believe that preparing the accounts on a going concern basis is appropriate.

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.

AUDITORS

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

ON BEHALF OF THE BOARD:

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Christophe Lattuada - Director

Date: 16th April 2018

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 the 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 Auditor's Report to the Shareholders of
Societe Generale International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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 of Societe Generale International Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Shareholders of
Societe Generale International Limited

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Syed Zahir Hassan Bokhari
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Syed Bokhari FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16th April 2018

Societe Generale International Limited (Registered number: 05407520)

Statement of Comprehensive Income
for the Year Ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Profit and loss from continuing operations:			
Turnover	2	1,275,668	1,124,188
Operating costs	2	(1,032,401)	(895,964)
Gross profit		243,267	228,224
Administrative expenses	3, 4, 5	(140,150)	(144,699)
Operating profit	5	103,117	83,525
Interest income	6	22,430	26,159
Interest expense	6	(8,639)	(9,532)
Profit before taxation		116,908	100,151
Tax on profit on ordinary activities	7	(23,567)	(20,229)
PROFIT FOR THE YEAR		**93,341**	**79,922**
Other comprehensive income:			
Items that may be subsequently reclassified to profit and loss:			
(Losses) / Gains on available-for-sale securities		(1,019)	1,225
Deferred tax on gains / (losses) on available-for-sale securities		153	(410)
Other comprehensive (loss) / income net of tax		(866)	815
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**92,475**	**80,737**
Profit attributable to:			
Equity shareholder of the Company		**93,341**	**79,922**
Total comprehensive income attributable to:			
Equity shareholder of the Company		**92,475**	**80,737**

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

Balance Sheet as at
31 December 2017

	Notes	2017 £'000	Restated 2016 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	2,392	4,224
Tangible fixed assets	9	-	59
Other receivables	13	640,000	720,000
Deferred tax assets	7	1,673	2,359
		644,065	726,642
CURRENT ASSETS			
Available-for-sale investments	10	767,398	790,642
Inventories	11	224,560	203,881
Financial assets at fair value	12	1,833,546	2,917,932
Trade and other receivables (**)	13	30,680,040	26,980,853
Cash and cash equivalents		3,185,557	3,534,948
		36,691,101	34,428,256
TOTAL ASSETS		37,335,166	35,154,898
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities at fair value	14	(1,708,484)	(2,672,250)
Trade creditors and other payables (**)	15	(34,343,732)	(31,064,682)
		(36,052,216)	(33,736,932)
NON-CURRENT LIABILITIES			
Subordinated debt	16	(145,000)	(317,000)
Provisions	17	(8,350)	(4,342)
		(153,350)	(321,342)
TOTAL LIABILITIES		(36,205,566)	(34,058,274)
NET ASSETS		1,129,600	1,096,625
EQUITY			
Share capital	18	1,000,000	1,000,000
Other reserves		(1,433)	(567)
Retained earnings		131,033	97,192
TOTAL EQUITY AND RESERVES		1,129,600	1,096,625

(**) 2016 comparative balances have been restated. See Note 1 for further information.

The financial statements were approved and authorised for issue by the Board of Directors on 16th April 2018 and were signed on its behalf by:

....

Christophe Lattuada - Director

The notes on pages 18 to 50 form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 December 2017

	Share Capital £'000	Other reserves £'000	Retained Earnings £'000	Totals £'000
At 1 January 2016	**1,000,000**	**(1,382)**	**17,270**	**1,015,888**
Issue of share capital	-	-	-	-
Profit for the year	-	-	79,922	79,922
Other comprehensive income/ (loss) for the year	-	815	-	815
At 31 December 2016	**1,000,000**	**(567)**	**97,192**	**1,096,625**
Issue of share capital	-	-	-	-
Dividend Paid	-	-	(59,500)	(59,500)
Profit for the year	-	-	93,341	93,341
Other comprehensive income/ (loss) for the year	-	(866)	-	(866)
At 31 December 2017	**1,000,000**	**(1,433)**	**131,033**	**1,129,600**

The notes on pages 18 to 50 form part of these financial statements

1. ACCOUNTING POLICIES

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

Basis of preparation
Societe Generale International Limited is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 8.

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, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

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.

Offsetting of financial assets and financial liabilities

The Company reports financial assets and liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Netting agreements provide for the offset and close-out of all outstanding transactions with the same counterparty in the event of default or similar event.

Following an internal review that was performed over the course of 2017, it was concluded that certain repurchase and reverse repurchase agreements meet the IAS 32 offsetting criteria. As a result of this review, the 2016 balance sheet has been restated (please refer to note 22).

1. **ACCOUNTING POLICIES - continued**

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, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Societe Generale S.A. The group accounts of Societe Generale S.A. are available to the public and can be obtained as set out in Note 23.

Adoption of new and revised Standards
In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7 Disclosure Initiative	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings (note 29) and certain derivatives (note 31). A reconciliation between the opening and closing balances of these items is provided in note 46. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 46, the application of these amendments has had no impact on the Group's consolidated financial statements.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
Annual Improvements to IFRSs 2014-2016 Cycle	The Group has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

1. **ACCOUNTING POLICIES - continued**

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 8, which also describes the financial position of the Company; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to operational and liquidity risk.

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

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

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

Turnover
Turnover comprises interest income, commission and fee income, income on financial instruments and inventory measured at fair value through profit and loss, and gains and losses on foreign exchange. Income and expenses that arise from back-to-back transactions are presented gross within turnover. Turnover is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

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

Commission and fee income which mainly comprises execution and clearing commissions is recognised as earned.

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

1. **ACCOUNTING POLICIES - continued**

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument, and are classified into the following specified categories depending upon their nature and purpose, determined at the time of initial recognition:

a) Loans, receivables, borrowings and payables, measured at amortised cost; or
b) Financial assets and liabilities at fair value through profit and loss ("FVTPL"); or
c) Available-for-sale ("AFS") financial assets; or
d) Held-to-maturity investments (a category not used).

a) Loans, receivables, borrowings and payables, measured at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables', which includes securities and deposits with brokers, exchanges and clearing houses; reverse repo and cash collateral from stock borrowing operations; interbank receivables such as debit current accounts, amounts due from banks and customers, as well as margins and guarantee funds paid on brokerage activities.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is calculated by estimating future cash flows considering all contractual terms of the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities classified as 'borrowings and payables' are initially measured at fair value, net of transaction costs. These include repo and cash collateral from stock lending operations; interbank payables such as credit current accounts, amounts due to banks and customers, as well as margins and guarantee funds received on brokerage activities and subordinated debt. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

b) Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities are classified as at FVTPL when the financial asset or liability is either held for trading purposes or it is designated as at FVTPL. A financial asset or liability is classified as held for trading if:
- it has been acquired principally for the purpose of selling or repurchasing in the near term; or
- on initial recognition it is a 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 that is not designated and effective as a hedging instrument.

A financial asset or liability 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.

Financial assets and liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. For securities held at fair value, the net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset, or any interest paid on the financial liability, and is included in 'net gains and losses on financial instruments' in the income statement. Fair value is determined in the manner described in Note 1 (page 17).

1. **ACCOUNTING POLICIES - continued**

c) Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as: (a) loans and receivables, or (b) financial assets at FVTPL.

Purchases and sales of AFS financial assets are recognised in the balance sheet on the trade date and subsequently re-measured at fair value at the balance sheet date; income accrued or paid is recognised in profit and loss, whereas any gains or losses, excluding income, are reported on a separate line in shareholders' equity. The Company only records these gains or losses in the profit and loss account in the event of derecognition or other-than-temporary impairment. Impairment losses on equity instruments cannot be reversed through profit or loss.

Fair value is determined in the manner described in Note 1 (page 17). The fair value of AFS monetary assets denominated in a foreign currency is determined in accordance with the Foreign Currencies accounting policy (page 19) and any foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

A financial asset is considered impaired when fees and commissions or loan payments (principal and interest) are in arrears three months or over and in addition each case of arrears is assessed individually. If, however, each receivable cannot be examined individually, owing for example to the large number of receivables, receivables are combined into homogeneous portfolios of financial assets based on comparable credit risk characteristics such as time periods. The impairment loss on a homogeneous group of assets is determined on the basis of historical data on default rates and loss rates observed per homogeneous portfolio.

At the balance sheet date, impairment losses are recognised in the following manner:
- on fees and commissions, impairment is calculated individually, based on the associated risk.
- in respect of loans and financing, impairment on the principal is calculated individually, based on the associated risk, whereas a 100% impairment loss is recognised on the interest.

If there is objective evidence of impairment of a financial asset measured at amortised cost, the Company recognises impairment charge equal to the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Impairment losses and reversals, losses on uncollectible loans and advances, and amounts recovered on loans and advances previously written off are included in the administrative expenses line item in the profit and loss accounts.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

1. **ACCOUNTING POLICIES - continued**

Derecognition of financial assets
A financial asset (or group of financial assets) is partially or fully derecognised:

- When the contractual rights to the cash flows from the asset expire; and
- When substantially all the risks and rewards of owning the asset have been transferred.

In cases in which the Company has transferred the cash flows from a financial asset, but has neither transferred nor retained substantially all the risks and rewards of ownership and has not, in practice, retained control over the asset, the Company derecognises the financial asset, and all the rights and obligations created or retained at the time of transfer are accounted for separately as assets or liabilities.

If the contractual rights to the cash flows of a financial asset are transferred, but only part of the risks and rewards as well as control over the asset are retained, the Company continues to recognise the financial asset to the extent to which it has a continuing involvement in the asset.

Derecognition of financial liabilities
A financial liability is fully or partially derecognised when, and only when, the liability is discharged, cancelled or expires.

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

Derivative instruments are initially recognised at fair value on trade date and are subsequently remeasured to their fair value at each balance sheet date with the resulting gain or loss recognised in profit or loss.

Derivatives are classified by default as instruments 'held for trading' as described in the accounting standards. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Market transactions include instruments traded on organised markets and similar exchanges and other instruments traded over-the-counter on less liquid markets. The resulting gains or losses, regardless of whether they are realised or unrealised, are directly recognised in profit and loss under 'net gains and losses on financial instruments at fair value through profit and loss' in Note 2, and in the balance sheet under financial assets (or liabilities) at fair value through profit and loss.

The Company has considered the impact of counterparty credit risk in the valuation of their assets and when measuring the fair value of liabilities, including derivatives, securities owned, securities sold, not yet purchased and derivative transactions are carried at fair value and are classified and disclosed using the fair value categories used to measure financial assets and liabilities in Note 1 (page 17).

Changes in unrealised gains and losses relating to assets or liabilities held at the balance sheet date are reported in turnover. The Company maintains a matched book, which means positions with one counterparty are generally offset with opposite transactions with other dealers or counterparties. These transactions and the associated underlying financial instruments are often classified in different levels in the fair value hierarchy.

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.

1. **ACCOUNTING POLICIES - continued**

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

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

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.

Intangible assets with indefinite useful lives that are acquired separately, such as goodwill, are carried at cost less accumulated impairment losses.

Internally generated intangible assets
An internally-generated intangible asset, such as capitalised internal-use software costs, is recognised only if all of the following conditions are met:
- the technical feasibility of completing the intangible assets so that it will be available for use;
- the intention to complete the intangible asset and the ability to use it;
- how the intangible asset will generate probable future economic benefits; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the profit and loss in the period in which it is incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. For capitalised internal-use software costs, this includes the external direct costs of materials and services consumed in developing or obtaining the software, payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The expected useful lives of intangible assets subject to amortisation are reviewed annually.

Tangible fixed assets
Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight-line basis at the following terms:
- Furniture and equipment: 5 to 10 years
- Computer equipment: 3 to 5 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed annually.

1. **ACCOUNTING POLICIES - continued**

Impairment of intangible and tangible fixed assets
At each balance sheet date, the Company reviews the carrying amounts of its tangible and 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 the statement of total recognised gains and losses.

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, Societe Generale 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.

1. **ACCOUNTING POLICIES - continued**

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 19 to the financial statements and are not included in the Company's balance sheet as the Company is not beneficially entitled thereto.

Critical accounting estimates and assumptions
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 judgements in applying the Company's accounting policies
There are no critical judgements, apart from those involving estimations (which are dealt with separately below), 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.

The Transfer Pricing are the prices at which the Company receives services provided by other entities of Societe Generale Group. SGIL is recharged on a monthly basis for services performed by Global Business Services (GBS) support functions in 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.
The amounts are based on actual amounts from January to September, then based on accrual figures for the last quarter of year which may end up with adjustments in the course of the following year (see note 5).

2. GROSS PROFIT

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

	Interest income £'000	Commission and fee income £'000	Net gains and losses on financial instruments £'000	Total £'000
Turnover	237,703	979,330	58,635	1,275,668
Operating costs	(182,369)	(850,032)	-	(1,032,401)
At 31 December 2017	55,334	129,298	58,635	243,267
Turnover	168,311	903,654	52,223	1,124,188
Operating costs	(89,114)	(806,850)	-	(895,964)
At 31 December 2016	79,197	96,804	52,223	228,224

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 by business line:

	2017 £'000	2016 £'000
Prime Services	812,515	680,566
Commodities	463,153	443,622
	1,275,668	1,124,188

Following the integration of SGIL business within Societe Generale Corporate Investment Banking, SGIL is organised into two main Business Lines which are Prime Services and Commodity.

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

	2017 £'000	2016 £'000
United Kingdom	796,407	719,580
France	373,073	300,454
Rest of Europe	13,008	13,886
Americas	85,111	83,224
Asia-Pacific	8,069	7,044
	1,275,668	1,124,188

3. STAFF COSTS

	2017 £'000	2016 £'000
Wages and salaries	37,425	41,249
Social security costs	4,551	4,958
Pension and other staff costs	2,453	2,598
	44,429	48,805

As at the year end there were no unpaid pension contributions (2016: £nil).

The number of employees at the end of the year was as follows:

	2017	2016
Management	8	3
Front office	104	98
Support	173	188
	285	289

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

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

The element of this valuation relating to variation in the price of Societe Generale shares since declaration was £695k (2016: £1,094k). The total profit and loss recognised in the year related to the plan was an expense of £1,303k (2016: £1,929k).

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

4. DIRECTORS' EMOLUMENTS

	2017 £'000	2016 £'000
Directors' remuneration	1,348	2,383
Pension contributions to defined contribution schemes	92	140
	1,440	2,523

During the year the highest paid director was paid £649,153 (2016: £589,382).

5. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £'000	2016 £'000
Amortisation of intangible assets	1,768	1,916
Depreciation of fixed assets	59	238
Operating lease rental recharges	3,024	3,667
Fees payable to Company's auditor for:		
- The audit of the Company's annual accounts	847	648
- Other services	174	161

Included in administrative expenses are amounts recharged from other Societe Generale S.A. group companies for £68,554k (2016: £55,739k).

6. INTEREST INCOME AND EXPENSE

	2017 £'000	2016 £'000
Interest income from deposits with Group companies (Note 13)	22,348	26,002
Interest income from loan to joint venture (Note 13)	82	157
	22,430	26,159

	2017 £'000	2016 £'000
Interest expense on borrowings with Group companies (Note 16)	8,639	9,532

7. TAXATION

The UK corporation tax rate was reduced to 19% from 1 April 2017. The average rate applicable for financial reporting is 19.25% (2016: 20%).

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

	2017 £'000	2016 £'000
Current tax		
UK corporation tax	22,927	19,675
Adjustment in respect of prior periods	(200)	(5)
Total current tax	22,727	19,670
Deferred tax		
Origination and reversal of temporary differences in the current year	857	(313)
Adjustment in respect of prior periods	2	585
Changes in Corporation Tax rate	(19)	287
Total deferred tax	840	559
Total taxation on profit on ordinary activities	23,567	20,229

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

The charge for the year can be reconciled to profit and loss as follows:	2017 £'000	2016 £'000
Profit on ordinary activities before tax	116,908	100,151
Tax on loss on ordinary activities at standard tax rate of 19.25% (2016: 20%)	22,466	20,030
Effects of:		
- Expenses not deductible for tax purposes	1,317	128
- Non taxable income	-	(796)
- Adjustment in respect of prior years	(198)	580
- Changes in Corporation Tax rate	(19)	287
	23,567	20,229

7. **TAXATION - continued**

c) Deferred tax assets/ (liabilities):

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

	2017 £'000	2016 £'000
Depreciation in excess of capital allowances	896	1,066
Provision temporary differences	848	957
Gains on available for sale assets	(71)	(224)
Non-trade loan relationships	-	560
	1,673	2,359

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

	2017 £'000	2016 £'000
Deferred tax asset at 1 January	2,359	2,352
Amount credited to the income statement	(277)	25
Adjustment in respect of prior periods	(2)	31
Amount credited / (debited) to other comprehensive income	153	(49)
Transferred from Current Tax	(560)	-
	1,673	2,359

Deferred tax assets are only recognised 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 blended rate of 18% at which the deferred tax is expected to reverse.

Legislation was introduced in Finance Act 2015 to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017, and to 18% with effect from 1 April 2020. A further measure in the 2016 Finance Act reduced the main rate of corporation tax to 17% with effect from 1 April 2020. These reductions are taken into account when calculating the deferred tax blended rate used in the accounts.

8. INTANGIBLE ASSETS

	Software £'000	Other Intangibles £'000	Totals £'000
COST			
At 1 January 2017	8,642	8,591	17,233
Additions	-	-	-
Other	(64)	-	(64)
At 31 December 2017	8,578	8,591	17,169
AMORTISATION / IMPAIRMENT			
At 1 January 2017	(6,563)	(6,446)	(13,009)
Transfer	846	(846)	-
Amortisation for the year	(550)	(1,218)	(1,768)
At 31 December 2017	(6,267)	(8,510)	(14,777)
NET BOOK VALUE			
At 31 December 2017	2,311	81	2,392
At 31 December 2016	2,079	2,145	4,224

9. TANGIBLE FIXED ASSETS

	Computer Equipment £'000
COST	
At 1 January 2017	5,266
At 31 December 2017	5,266
DEPRECIATION	
At 1 January 2017	(5,207)
Depreciation for the year	(59)
At 31 December 2017	(5,266)
NET BOOK VALUE	
At 31 December 2017	-
At 31 December 2016	59

10. AVAILABLE FOR SALE FINANCIAL INSTRUMENTS

	Treasury notes and bonds £'000	Shares in unquoted investments £'000	Totals £'000
At 1 January 2017	787,587	3,055	790,642
Additions	2,350,010	-	2,350,010
Disposals	(2,374,457)	(279)	(2,374,736)
Coupon	2,670	-	2,670
Revaluation	(455)	(733)	(1,188)
At 31 December 2017	765,355	2,043	767,398

Available for sale financial instruments comprise:

(a). Investments in treasury notes and similar bonds, for which the fair values are determined using quoted prices in active markets;

10. **AVAILABLE FOR SALE FINANCIAL INSTRUMENTS - continued**

(b) Unquoted investments in:

- Clearing exchange shares in Swift and the London Metals Exchange, in which the investments are held at fair value.

11. **INVENTORIES**

	2017 £'000	2016 £'000
Coffee	129,682	25,037
Cocoa	39,814	156,874
Metals	55,064	21,970
	224,560	203,881

Inventories consist of coffee, cocoa and metals stocks held as part of the brokerage activities of the commodities business line, and are measured at their fair value.

12. **FINANCIAL ASSETS AT FAIR VALUE**

	2017 £'000	2016 £'000
Securities held	18,796	510,847
Derivative financial instruments	1,761,328	2,391,687
Investment in joint venture	53,422	15,398
	1,833,546	2,917,932

Securities held consists of equities for which the fair values are determined utilising prices from observable current market transactions and dealer quotes for similar instruments.

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

Altura Markets S.V is a 50% joint venture between the Company and Banco Bilbao Vizcaya Argentaria, S.A. that is incorporated in Spain and whose principal place of business is Madrid. The Directors have elected to hold the investment at fair value through profit and loss as the Company is exempt from preparing consolidated financial statements. The Euro denominated investment is economically hedged by a borrowing in euros included in financial liabilities at fair value (Note 14). In order for SGIL to fulfil its shareholder obligations in respect of its Spanish subsidiary (Joint venture 50% owned with BBVA), it was approved on 29th March 2017 to inject an amount of €41m of ordinary share capital corresponding to SGIL's contribution to the overall €82m Capital increase of Altura Markets, Sociedad de Valores S.A. The revaluation of the investment is performed on a yearly basis based on the net book value.

12. **FINANCIAL ASSETS AT FAIR VALUE - continued**

Financial assets at fair value include amounts receivable from other Societe Generale S.A, group companies for £228,590k (2016: £71,069k).

13. **TRADE AND OTHER RECEIVABLES**

	2017 £'000	Restated 2016 £'000
Amounts falling due within one year:		
Financial assets with brokers, exchanges and clearing houses	6,319,929	6,171,400
Securities purchased under resale agreements (**)	21,206,163	15,143,362
Receivable from customers and banks	2,817,737	5,550,684
Settlement account on securities transactions	253,863	-
Trade debtors	18,030	16,254
Other debtors	79,052	110,047
VAT receivable	5,955	9,579
Prepayments	622	384
	30,701,351	27,001,709
Allowance for impairment losses	(21,311)	(20,856)
	30,680,040	26,980,853
Amounts falling due after one year:		
Other debtors	640,000	720,000
	640,000	720,000

Included within receivable from customers are assets that are impaired.

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

	2017 £'000	2016 £'000
7 - 12 months	2,246	3,281
13-18 months	-	1,699
19-24 months	-	442
25-36 months	-	-
	2,246	5,422

13. TRADE AND OTHER RECEIVABLES- continued

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

	2017 £'000	2016 £'000
At 1 January	20,856	1,916
Impairment Charge	3,845	18,566
Write off of impairment	(1,686)	-
Exchange rate movement	(1,704)	374
	21,311	20,856

Trade and other debtors include amounts receivable from other Societe Generale S.A, group companies for £13,697,846k (2016 restated: £11,769,894k). This includes a £640,000k (2016: £720,000k) loan for 8 years remaining loan to Societe Generale that is repayable in equal annual instalments and bears fixed interest of 2.9% p.a. The loan to Societe Generale with original amount £800,000k with linear amortisation over 10 years from 17th December 2015.

14. FINANCIAL LIABILITIES AT FAIR VALUE

	2017 £'000	2016 £'000
Securities sold short	4,389	501,346
Derivative financial instruments	1,704,095	2,170,904
	1,708,484	2,672,250

Securities sold short consists of equities for which the fair values are determined using quoted prices in active markets.

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

Financial liabilities at fair value include amounts payable to other Societe Generale S.A, group companies for £185,992k (2016: £98,581k).

15. TRADE CREDITORS AND OTHER PAYABLES

	2017 £'000	Restated 2016 £'000
Securities sold under agreements to repurchase (**)	18,111,911	13,939,017
Payables to customers and banks	15,839,610	16,820,666
Settlement accounts on securities transactions	134,213	-
Trade creditors	181,267	205,487
Other creditors	54,561	85,934
Current tax payable	18,643	10,467
Other tax payable	800	493
Accrued interest on subordinated debt	1,166	1,197
Deferred income	1,561	1,420
	34,343,732	31,064,682

Trade creditors and other payables include amounts payable to other Societe Generale S.A, group companies for £22,763,335k (2016 restated: £14,872,176k). This includes £2,240,461k (2016: £2,784,338k) drawn down against a £5,915,410 facility with Societe Generale, in tranches that are repayable from overnight to 3 months that bear a weighted average outstanding interest rate of 0.55% (2016: 0.55%), the terms of which are determined by Societe Generale S.A. group treasury. The facility with Societe Generale has been increased from US$ 6 billion to US$ 8 billion in Jan 2017.

16. SUBORDINATED DEBT

	2017 £'000	2016 £'000
Subordinated debt	145,000	317,000

The subordinated loan of £317 million was provided by Societe Generale London Branch on 28 May 2015. It has been reduced by £172 million (one-off repayment) to £145 million in 2017. This will mature in 2024 and bears interest of US$ LIBOR +2.7% per annum.

17. PROVISIONS AND CONTINGENT LIABILITIES

	Deferred Bonus £'000	Other Provisions £'000	Totals £'000
At 1 January 2017	3,121	1,221	4,342
Charge for period	604	6,484	7,088
Utilisation	(2,351)	(718)	(3,069)
Revaluation	-	(11)	(11)
At 31 December 2017	1,374	6,976	8,350

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

The Company is in discussions with its regulators in respect of a failure to accurately report certain transactions. As these discussions are currently ongoing, it is not possible to predict their ultimate outcome and therefore any potential liability cannot be reliably estimated.

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, save as outlined above 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.

18. SHARE CAPITAL

Authorised and issued:

	Number	Nominal value	2017 £'000	2016 £'000
Share capital	1,000,000,000	£1	1,000,000	1,000,000

The authorised share capital of the Company was increased from £1,000 million to £1,500 million on 4 March 2016.

On 12 April 2017, the Company declared dividends of £59.5m at £0.0595 per share paid on 2 May 2017 to the shareholder.

19. CLIENT MONEY BALANCES

As at 31 December 2017 segregated Client Money balances held on behalf of clients with banks, exchanges, clearing houses and brokers in segregated accounts amounted to £6,732,970k (2016: £7,604,512k). These balances do not constitute part of the balance sheet of the Company.

20. OTHER FINANCIAL COMMITMENTS

	2017 £'000	2016 £'000
Commitments granted:		
Guarantee commitments granted	13,987,457	11,612,953
Foreign currencies to be delivered and Forward financial instrument	345,378,491	255,713,779
Securities pledged as collateral	5,597,721	6,102,090
Total commitments granted	364,963,669	273,428,822
Commitments received:		
Guarantee commitments received	17,920,169	25,521,546
Foreign currencies to be received and Forward financial instrument	346,444,265	255,963,111
Securities received as collateral	3,817,302	3,757,648
Total commitments received	368,181,736	285,242,305

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 clients.

21. 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	Available-for-Sale Assets £'000	Loans and Receivables £'000	Totals £'000
Investments	53,422	2,043	-	55,465
Inventories	224,560	-	-	224,560
Financial assets	1,780,124	765,355	-	2,545,479
Trade and other receivables	-	-	31,334,774	31,334,774
Cash and cash equivalents	-	-	3,185,557	3,185,557
At 31 December 2017	2,058,106	767,398	34,520,331	37,345,835

	Financial Assets at FVtPL £'000	Available for Sale Assets £'000	Loans and Receivables £'000	Totals £'000
Investments	15,398	3,055	-	18,453
Inventories	203,881	-	-	203,881
Financial assets	2,902,534	787,587	-	3,690,121
Trade and other receivables (**)	-	-	27,711,747	27,711,747
Cash and cash equivalents	-	-	3,534,948	3,534,948
At 31 December 2016 (Restated)	3,121,813	790,642	31,246,695	35,159,150

Categorisation of financial liabilities

	Financial Liabilities at FVtPL £'000	Amortised Cost £'000	Totals £'000
Subordinated debt	-	145,000	145,000
Financial liabilities	1,708,484	-	1,708,484
Trade and other payables	-	34,322,728	34,322,728
At 31 December 2017	1,708,484	34,467,728	36,176,212

21. **FINANCIAL INSTRUMENTS (continued)**

	Financial Liabilities at FVtPL £'000	Amortised Cost £'000	Totals £'000
Subordinated debt	-	317,000	317,000
Financial liabilities	2,672,250	-	2,672,250
Trade and other payables (**)	-	31,052,301	31,052,301
At 31 December 2016 (Restated)	2,672,250	31,369,301	34,041,551

Financial Risk Management

The Company is primarily exposed to operational risk and liquidity risk, but also faces credit risk, market risk, business/strategic risk, model risk and group risk.

The maintenance of the Liquidity Risk, Credit Risk and Market Risk Management Framework is the responsibility of the Chief Risk Officer ("CRO") working in close cooperation with the Societe Generale Risk and Finance functions to ensure alignment of methodologies and protocols. The Operational Risk function, which reports to the CRO, provides oversight over all operational risk.

Liquidity Risk

Liquidity risk is defined as the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

The primary impacts of liquidity risk cannot be mitigated by capital. The Company manages its liquidity risk by ensuring adequate liquidity resources are available to meet obligations as they fall due. This is achieved through a high degree of matching of sources and uses, explicit funding limits, conservative investment held in the form of a Liquid Asset Buffer, and management of external lines to ensure constant headroom. The adequacy of these resources is evaluated by regular liquidity stress testing and is further assured by the Company Contingency Funding Plan (CFP). Significant liquidity stress requires a management response that implies the sale of assets in stressed market conditions.

The Company Liquidity Risk Appetite is defined as the amount of liquidity the firm requires to survive for a period of 35 days under an "extreme but plausible" stress scenario. Stress testing takes place on a daily basis and the results are monitored by the Risk Department.

Complementary operational limits, controls and reports are in place as an additional safeguard in case the stress test fails to detect a liquidity crisis situation. They cover the following elements:

- Funding Line consumption level;
- Liquid Assets Buffer level;
- Sources and uses of liquidity;
- Overnight FX position;
- Business Line funding level ; and
- Treasury (ALM) balance sheet report, including any funding gap.

21. **FINANCIAL INSTRUMENTS (continued)**

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	145,000
Financial liabilities	1,708,484	-	-	1,708,484
Trade and other payables	34,322,728	-	-	34,322,728
At 31 December 2017	36,031,212	-	145,000	36,176,212

	Less than 1 year £'000	1-5 years £'000	Greater than 5 years £'000	Totals £'000
Subordinated debt	-	-	317,000	317,000
Financial liabilities	2,672,250	-	-	2,672,250
Trade and other payables (**)	31,052,301	-	-	31,052,301
At 31 December 2016 (Restated)	33,724,551	-	317,000	34,041,551

The amounts above represent the discounted contractual maturities of financial liabilities. The subordinated debt has been reduced by £172m (one-off repayment) to £145m in 2017.

Credit Risk

Credit risk is defined as the risk which affects the current or prospective earnings and capital of the Company due to counterparty failure to meet the terms of a contract or its failure to perform as agreed.

The credit risk exposure faced by the Company is largely short-term in nature due to the daily monitoring and margining process. The main credit risk exposure arises from the following:

- Cross margining activities;
- Margin financing activities; and
- Cash held at banks, carrying brokers, clearing houses and group entities.

For cross margining and margin financing, the Company would only suffer a credit loss if: (i) the client does not pay; (ii) to close out the client's trades the Company realised a loss greater than the variation margin that had been posted (i.e. on the previous day); and (iii) any haircuts applied were less than the negative result from the realised losses.

The Company has a diverse portfolio of clients which ranges from financial services firms and regulated funds to corporate, such as energy companies and commodity trading houses. As the Company targets clients that trade futures there may occur inherent counterparty concentration, especially from a sector perspective.

The largest risk exposures, for clients trading listed futures and options subject to Initial Margin Requirements ("IMR"), are regularly reviewed. These balances comprise 46% (2016: 45%) of the total risk-weighted asset exposure. A further 11% (2016: 11%) consists of excess cash held overnight at banks, central clearing counterparties, and Intermediary Brokers (predominantly with other Societe Generale Group entities) for daily settlement.

21. **FINANCIAL INSTRUMENTS (continued)**

The counterparty credit rating of clients subject to IMR as at 31 December 2017 is as follows:

Moody's/S&P or Fitch rating equivalent:	2017 %	2016 %
Aa3/AA– and above	10.0%	11.2%
A1 to A3/A+ to A–	41.3%	41.5%
Baa1 to Baa3/BBB+ to BBB–	16.0%	21.8%
Ba1 to Ba3/BB+ to BB–	22.1%	16.6%
B1 to B3/B+ to B–	10.4%	8.8%
Caa1/CCC+ and below	0.1%	0.04%
	100.0%	100.0%

Exposures are largely spread across counterparty types, but concentrated on Investment grade counterparties. The slight increase in non Investment grade counterparties is due to a change in the nature of the Company's portfolio. The proportion of Hedge funds has increased from 25% to 30% of all the counterparties in 2017. These counterparties are always classified as non Investment grade and treated as such in the credit monitoring process through the collateral policy.

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

Market Risk

Market Risk is defined as the risk to the Company's financial condition resulting from adverse market movements in the Company's (predominantly) trading book attributable to changes in market variables such as interest rates, foreign exchange rates, equity, commodity prices and structural balance sheet positions.

The Company business model is to generate net income from fees, commission, mark up and interest. There is no appetite in the Limited Activity Firm to generate income using proprietary or speculative activities. Hedging activity, however, is required in order to neutralise the market risk for client trades such as over-the-counter contracts for difference. Also, to facilitate client orders, very short-term market risk can arise in the commodity and financial futures markets, foreign exchange, bullion, repo, security lending & borrowing and fixed income markets.

The Company has a low risk appetite for these risk factors. The Company consequently takes a conservative approach in its market risk limit setting and monitoring. The Company has not been granted a market risk delegation, as such all new market risk limit requests and amendments must be approved by Group. The Company's Board reviews and approves the overall Stress Loss limit.

Market risk exposures are measured using value-at-risk (VaR) analyses supplemented by Stress tests and sensitivity analyses. There has been no significant change to the Group's exposure to market risks or the manner in which these risks are managed and measured:

- The Company is mainly exposed to the US dollar (USD), Swiss Franc (CHF) and Euro (EUR) currencies and a 1% change in Sterling (GBP) against all foreign currency denominated monetary assets and liabilities at 31 December 2017 would increase the Company's profit before tax by £11,430k (2016: increase in profit before tax of £11,168).

- A 1% parallel change in the LIBOR interest rate (holding all other variables constant) at 31 December 2017 would increase the Company's profit before tax by £3,818k (2016: profit before tax of £3,750k).

21. **FINANCIAL INSTRUMENTS (continued)**

- Both equity and commodity portfolios arise from fully hedged trading positions and therefore the Company faces minimal market risk exposures.

Capital Management

The Company is authorised and regulated by the Financial Conduct Authority (FCA) and is designated as a Limited Activity Firm (LAF) under the FCA's Prudential Sourcebook for Investment Firms (IFPRU). 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.

Through a 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 clients and its reputation and ensure adherence to minimum Regulatory limits. SGIL was able, in 2017, to comply with the externally imposed capital requirement.

	2017 £'000	2016 £'000
Tier 1 capital:		
- Share capital	1,000,000	1,000,000
- Profit and loss reserves	129,600	96,625
- Intangible assets	(2,392)	(4,224)
Tier 2 capital:		
- Subordinated debt	145,000	317,000
Total capital resources	1,272,208	1,409,401

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 18):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Available for sale financial instruments	765,355	-	2,043	767,398
Inventories	-	224,560	-	224,560
Financial assets at FVTPL:				
Shares and other equity instruments	18,796	-	-	18,796
Derivative instruments:				
- Interest rate derivatives	-	325,938	-	325,938
- Foreign exchange derivatives	-	1,255,633	-	1,255,633
- Equity and index derivatives	-	75,371	-	75,371
- Commodity derivatives	-	104,386	-	104,386
Investment in joint venture	-	-	53,422	53,422
	18,796	1,761,328	53,422	1,833,546
At 31 December 2017	784,151	1,985,888	55,465	2,825,504

21. FINANCIAL INSTRUMENTS (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Available for sale financial instruments	787,587	-	3,055	790,642
Inventories	-	203,881	-	203,881
Financial assets at FVTPL:				
Shares and other equity instruments	510,847	-	-	510,847
Derivative instruments:				
- Interest rate derivatives	-	213,926	-	213,926
- Foreign exchange derivatives	-	1,850,171	-	1,850,171
- Equity and index derivatives	-	82,672	-	82,672
- Commodity derivatives	-	244,918	-	244,918
Investment in joint venture	-	-	15,398	15,398
	510,847	2,391,687	15,398	2,917,932
At 31 December 2016	1,298,434	2,595,568	18,453	3,912,455

Movements in Level 3 financial assets during the year:

	Financial assets at FVtPL £'000	Available for sale financial instruments £'000	Totals £'000
At 1 January 2017	15,398	3,055	18,453
Additions	35,457	-	35,457
Disposals	-	(279)	(279)
Fair value through P&L and other comprehensive income	2,567	(733)	1,834
At 31 December 2017	53,422	2,043	55,465

21. FINANCIAL INSTRUMENTS (continued)

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 18):

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Financial liabilities at FVTPL:				
Shares and other equity instruments sold short	4,389	-	-	4,389
Derivative instruments:				
- Interest rate derivatives	-	349,463	-	349,463
- Foreign exchange derivatives	-	1,276,544	-	1,276,544
- Equity and index derivatives	-	76,388	-	76,388
- Commodity derivatives	-	1,700	-	1,700
At 31 December 2017	4,389	1,704,095	-	1,708,484

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Totals £'000
Financial liabilities at FVTPL:				
Shares and other equity instruments sold short	501,346	-	-	501,346
Derivative instruments:				
- Interest rate derivatives	-	239,130	-	239,130
- Foreign exchange derivatives	-	1,683,795	-	1,683,795
- Equity and index derivatives	-	91,076	-	91,076
- Commodity derivatives	-	156,903	-	156,903
At 31 December 2016	501,346	2,170,904	-	2,672,250

Changes in value of financial instruments at fair value

Changes in fair value recognised in the profit and loss account arising from inventories (Note 11) and financial assets and liabilities held at fair value (including derivative assets and liabilities - Note 12 and 14) are included in Net gains and losses on financial instruments presented in Note 2.

Changes in fair value recognised in a revaluation reserve in respect of financial instruments classified as available-for-sale are presented in the Other Comprehensive Income (page 14). Subsequent gains or losses arising on available for sale financial instruments realised during the year and recycled in Net gains and losses on financial instruments presented in Note 2.

21. **FINANCIAL INSTRUMENTS (continued)**

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
Investments	55,465	-	55,465	-
Inventories	224,560	-	224,560	-
Financial assets at fair value	17,293,846	(14,748,367)	2,545,479	(1,122,006)
Trade and other receivables	64,427,961	(33,093,187)	31,334,774	-
Cash and cash equivalents	3,185,557	-	3,185,557	-
Financial Assets at 31 December 2017	85,187,389	(47,841,554)	37,345,835	(1,122,006)
Subordinated debt	145,000	-	145,000	-
Financial liabilities at fair value	16,456,851	(14,748,367)	1,708,484	(1,122,006)
Trade and other payables	67,415,915	(33,093,187)	34,322,728	-
Financial Liabilities at 31 December 2017	84,017,766	(47,841,554)	36,176,212	(1,122,006)

	Gross amounts £'000	Amounts offset £'000	Net amounts on Balance Sheet £'000	Amount not offset but subject to enforceable master netting agreement £'000
Investments	18,453	-	18,453	-
Inventories	203,881	-	203,881	-
Financial assets at fair value	10,904,074	(7,213,953)	3,690,121	(2,050,473)
Trade and other receivables	45,176,917	(17,465,170)	27,711,747	-
Cash and cash equivalents	3,534,948	-	3,534,948	-
Financial Assets at 31 December 2016 (Restated)	59,838,273	(24,679,123)	35,159,150	(2,050,473)
Subordinated debt	317,000	-	317,000	-
Financial liabilities at fair value	9,886,203	(7,213,953)	2,672,250	(2,050,473)
Trade and other payables	48,517,471	(17,465,170)	31,052,301	-
Financial Liabilities at 31 December 2016 (Restated)	58,720,674	(24,679,123)	34,041,551	(2,050,473)

22. 2016 RESTATEMENT

Following an internal review that was performed over the course of 2017, it was concluded that certain repurchase and reverse repurchase agreements meet the IAS 32 offsetting criteria. As a result of this review, the 2016 balance sheet has been restated with the following impacts:

	Amount previously reported as at 31 December 2016 £'000	Restatement £'000	Amount restated as at 31 December 2016 £'000
Trade and other receivables	44,446,023	(17,465,170)	26,980,853
Total Assets	52,620,068	(17,465,170)	35,154,898

	Amount previously reported as at 31 December 2016 £'000	Restatement £'000	Amount restated as at 31 December 2016 £'000
Trade and other payables	48,529,852	(17,465,170)	31,064,682
Total Liabilities	51,523,444	(17,465,170)	34,058,274

23. RELATED PARTY TRANSACTIONS

Related Parties

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

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

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

23. **RELATED PARTY TRANSACTIONS - continued**

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

- SG Securities Asia International Holding Ltd (Hong-Kong)
- Societe Generale Securities Australia PTY LTD
- Societe Generale Capital Canada Inc
- Societe Generale Securities Japan Limited
- Altura Market, Sociedad De Valores, SA
- SG Securities (Singapore) Pte. Ltd.
- Societe Generale Global Solution Centre Private
- SG Securities Korea, Ltd
- SG Americas Securities, Llc
- SG Americas Securities Holdings, Llc
- Societe Generale Dubai
- SG Zurich
- SG Singapour
- SG Hong Kong
- Societe Generale (New York)
- SG London
- Societe Generale – Paris

All related parties are 100% owned subsidiaries of Societe Generale S.A. with the exception Altura Markets S.V which is a 50% joint venture between the Company and Banco Bilbao Vizcaya Argentaria, S.A.

The following amounts were outstanding with non-100% owned related parties at the balance sheet date:

	Trade and other receivables		Trade and other payables	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Altura Markets, S.V	54,286	86,795	1,208,670	1,045,269
	54,286	86,795	1,208,670	1,045,269

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

	Trade income		Trade expenses	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Altura Markets, S.V	12,217	11,090	4,893	1,599
	12,217	11,090	4,893	1,599

24. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The immediate parent undertaking and the Company's ultimate holding Company is Societe Generale S.A., which is incorporated in France. Copies of the group accounts of Societe Generale are available from the registered office at 29, Boulevard Haussmann, 75009 Paris, France.

25. POST BALANCE-SHEET EVENTS

More than three years after the acquisition from Credit Agricole SA of the additional 50% stake in Newedge Group S.A, in a context of upcoming regulatory evolution and in particular Senior Management Regime implementation, it was decided to adjust the current organisation by realigning the management team under SGIL and transferring staff hosted Societe Generale London Branch (SGLB) within SGIL; as such 243 headcount mainly from IT, Operation and Finance department were transferred on 1st February 2018 from SGLB to SGIL. As costs were recharged previously from SG London Branch to SGIL, no significant impact is expected in net administrative expenses following the transfer of staff from SG London Branch to SGIL in 2018.

On 11 April 2018, the Company declared dividends of £18.6m at £0.0186 per share.