NORTHERN TRUST

Northern Trust Management Services Limited

Directors' Report and Financial Statements

For the Year Ended 31 December 2016

Registered number: 4794949

Company Information

Directors	Mr.J.Davie Mr.M.Lacey
Company secretary	Mr.M.Wright
Registered number	4794949
Registered office	50 Bank Street Canary Wharf London United Kingdom E14 5NT
Independent auditors	KPMG Chartered Accountants, Statutory Audit Firm 1 Harbourmaster Place International Financial Services Centre Dublin 1 Ireland

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Strategic Report
For the Year Ended 31 December 2016

Business review

Northern Trust Management Services Limited's ("the Company") principal activity is the provision of management services to fellow Northern Trust group undertakings.

Principal risks and uncertainties

The principal risks and uncertainties continue to come from the complex regulatory environment as it impacts Northern Trust Companies which Northern Trust Management Services Limited supports. The political and economic uncertainties resulting from Britain's decision to exit from the European Union are also being monitored.

Financial key performance indicators

The Company's key performance indicator is its expense base.

	2016	**2015**
	$000	**$000**
Turnover	373,099	358,938
Operating profit	49,501	45,457
Profit for the financial year	41,008	36,544
Shareholder's equity	392,537	350,357
Current assets as % of current liabilities ("quick ratio")	470%	398%
Average number of employees	1,532	1,434

The Company's turnover for the year was $373,099,000 (2015: $358,938,000) which represented a 3.9% increase from 2015. The Company's turnover is based on a transfer pricing allocation received from the Northern Trust Corporation ("The Group"). The Company's shareholders' funds at 31 December 2016 amounted to $392,537,000 (2015: $350,357,000).

Strategy

The Company's strategy is to continue to provide management services to fellow Group undertakings. It is expected that the Company will remain profitable, with the Company's revenue and expenses continuing at a correlated rate as a result of the transfer pricing methodology.

This report was approved by the board and signed on its behalf.

Mr.J.Davie
Director
Date: 31 May 2017

Directors' Report
For the Year Ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The financial statements for the year ended 31 December 2016 are set out on pages 7 to 36. The profit for the year after tax was $41,008,000 (2015: $36,544,000). The Company's shareholders' funds at 31 December 2016 amounted to $392,537,000 (2015: $350,357,000).

No dividend was declared or paid during the year by the Company (2015: Nil) and the Directors do not recommend payment of a dividend.

Directors

The Directors who served during the year were:

Mr.J.Davie
Mr.M.Lacey
Mr.A.Harrison (resigned 11 May 2016)

Political and charitable contributions

The Company made no political donations during the year (2015: Nil)

The Company made charitable donations during the year of $115,886 (2015: $152,847).

Principal risks and uncertainties

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the business and the operational risks are an inevitable consequence of being in business. The Company aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on the Company's financial performance.

Risk management is maintained through the Asset and Liability Committee ("ALCO"), the Credit Policy, Business Risk and Senior Credit and Counterparty Risk Management Committees of the Northern Trust Corporation ("The Ultimate Parent company / The Group"). Risk is assessed and managed by these committees under the Asset and Liability Management Policies approved by the Board of Directors. The Group's internal audit function is responsible for the independent review of both risk management and the control environment.

Financial resources and going concern

The Company has made a profit for 2016 and under the global transfer pricing methodology it is projected to continue to generate positive cash flows. As transfer pricing applies an arm's length mark-up to the Company's reimbursed expenses, the turnover of the Company will increase and decrease in line with expenses.

The Company participates in Northern Trust's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Directors, having assessed the responses of the directors of the Company's ultimate parent, Northern Trust Corporation, to their enquiries have no reason to believe that a material uncertainty exists that may cause significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and assurance from the Northern Trust Corporation that it will continue at all times to provide the Company with sufficient liquidity and funding to remain a going concern, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

Future Developments

The Directors expect that the Company will remain profitable, with the Company's revenue and expenses continuing at a correlated rate. It is the intention of the Board of Directors to continue to develop the core activity of the Company. The Directors are monitoring the political and economic uncertainties resulting from Britain's decision to exit from the European Union.

Directors' Report
For the Year Ended 31 December 2016

Employee involvement

The Company encourages free communication between employees and their managers to ensure that questions and concerns arising during the course of employment can be aired and where possible, resolved quickly to the satisfaction of all. Communications are frequently sent out to all staff regarding changes and employees are encouraged to come forward with any issues or concerns they may have.

Disabled employees

The Company is committed to providing equal employment opportunities to all employees and applicants and does not discriminate on the basis of disability, race, colour, religion, nationality, ethnic or national origin, sex, marital status, sexual orientation or age. All employment decisions are based on business requirements and comply with obligations under applicable law and codes of practice. This includes Human Resources decisions relating to recruitment, terms and conditions of employment, transfers, promotions and access to training.

An important factor in the Company's business success is the people who are employed and the creative energy, innovation and quality of service they deliver to the clients of the Group. The Company is committed to fostering an organisational environment in which outstanding people are attracted and retained by the Company regardless of their disability, race, colour, religion, nationality, ethnic or national origin, sex, marital status, sexual orientation or age. The Company seeks to establish an environment that values diversity of background and experience in the workforce at all levels of the organisation.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

Pursuant to an elective resolution passed by the sole shareholder of the Company, the Company has elected pursuant to section 487 of the Companies Act 2006 to dispense with the annual obligation to appoint KPMG as auditors of the Company.

This report was approved by the board and signed on its behalf.

Mr.J.Davie
Director
Date: 31 May 2017

Directors' Responsibilities Statement
For the Year Ended 31 December 2016

The Directors are responsible for preparing the Strategic Report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 of 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 judgments 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;
- 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.

KPMG

KPMG
Audit
1 Harbourmaster Place
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Dublin 1
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Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN TRUST MANAGEMENT SERVICES LIMITED

We have audited the financial statements of Northern Trust Management Services Limited ("the Company") for the year ended 31 December 2016 set out on pages 7 to 36 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the accompanying notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 Reduced Disclosure Framework. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and.
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

3 We have nothing to report in respect of matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006 we are required to report to you 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of the above responsibilities.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN TRUST MANAGEMENT SERVICES LIMITED (CONTINUED)

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.

Frank G

*Frank Gannon (**Senior Statutory Auditor)***
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

31 May 2017

Profit and Loss Account
For the Year Ended 31 December 2016

	Note	2016 $000	2015 $000
Turnover	2	**373,099**	358,938
Gross profit		**373,099**	358,938
Administrative expenses	3	**(323,118)**	(314,245)
Other operating (expenses)/income	9	**(480)**	763
Operating profit		**49,501**	45,457
Interest receivable and similar income	7	**1,092**	615
Interest payable and similar expenses	8	**(150)**	(163)
Profit before tax		**50,443**	45,908
Tax on profit	11	**(9,435)**	(9,364)
Profit after taxation		**41,008**	36,544

The notes on pages 10 to 36 form part of these financial statements.

Statement of Other Comprehensive Income
For the Year Ended 31 December 2016

	Note	2016 $000	2015 $000
Profit for the financial year		**41,008**	36,544
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain / (loss) on defined benefit plan	23	**605**	(557)
Actuarial (loss) / gain on post-retirement medical scheme	24	**(85)**	18
Deferred tax relating to pension plan and medical scheme	11	**(99)**	107
		421	(432)
Total comprehensive income for the year		**41,429**	36,112

Balance Sheet
As at 31 December 2016

	Note	2016 $000	2015 $000
Fixed assets			
Intangible assets	13	**340**	588
Tangible fixed assets	14	**32,232**	27,833
Investment in subsidiaries	15	**37,180**	37,180
Deferred assets	16	**5,673**	7,297
		75,425	72,898
Current assets			
Debtors: Amounts falling due within one year	17	**39,886**	146,795
Cash at bank and in hand	18	**373,468**	242,701
		413,354	389,496
Creditors: Amounts falling due within one year	19	**(88,784)**	(98,019)
Net current assets		**324,570**	291,477
Total assets less current liabilities		**399,995**	364,375
Creditors: Amounts falling due after more than one year	20	**(4,438)**	(6,537)
Provision for liabilities and charges	21	**(8,632)**	(12,907)
Net assets excluding pension asset		**386,925**	344,931
Pension asset/(liability)	23	**5,987**	5,784
Post retirement medical scheme	24	**(375)**	(358)
Net assets		**392,537**	350,357
Capital and reserves			
Called up share capital	22	**40,000**	40,000
Share premium account	33	**8,703**	8,703
Merger reserve	32	**1,687**	1,687
Profit and loss account		**342,147**	299,967
		392,537	350,357

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 May 2017 by:

Mr.J.Davie
Director

Company Registration Number: 4794949

The notes on pages 10 to 36 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2016

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2016	40,000	8,703	1,687	299,967	350,357
Comprehensive income for the year					
Profit for the year	-	-	-	41,008	41,008
Actuarial losses on pension plan and medical scheme	-	-	-	520	520
Deferred tax related to pension plan and medical scheme	-	-	-	(99)	(99)
Other comprehensive income for the year	-	-	-	**421**	**421**
Total comprehensive income for the year	-	-	-	**41,429**	**41,429**
Deferred tax related to share based payments	-	-	-	751	751
At 31 December 2016	**40,000**	**8,703**	**1,687**	**342,147**	**392,537**

Statement of Changes in Equity
For the Year Ended 31 December 2015

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2015	40,000	8,703	1,687	263,855	314,245
Comprehensive income for the year					
Profit for the year	-	-	-	36,544	36,544
Actuarial losses on pension plan and medical scheme	-	-	-	(539)	(539)
Deferred tax related to pension plan and medical scheme	-	-	-	107	107
Other comprehensive income for the year	-	-	-	**(432)**	**(432)**
Total comprehensive income for the year	-	-	-	**36,112**	**36,112**
Deferred tax related to share based payments	-	-	-	-	-
At 31 December 2015	**40,000**	**8,703**	**1,687**	**299,967**	**350,357**

The notes on pages 10 to 36 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

Northern Trust Management Services Limited ("the Company") is a company incorporated and domiciled in the United Kingdom. The Company is a private company limited by shares.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The Directors have adopted the provisions of section 401, subsection 2(b) of the Companies Act 2006, and in accordance with the provisions of the Seventh Directive (83/349/EEC) as referred to within the Act, the Company is exempt from the requirement to prepare group financial statements, on the grounds that it is a wholly owned subsidiary. The financial statements for the year ended 31 December 2016, together with the comparative numbers, reflect the activities of the Company on an unconsolidated basis.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payments;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets; and
  - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

1.3 Turnover

Turnover primarily represents amounts receivable for services provided in the normal course of business, net of value added tax.

The amounts receivable represent a routine return and are calculated based on the global transfer pricing allocation methodology with operating expenses being reimbursed plus an arm's-length mark-up.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.4 Foreign currency translation

Functional and presentation currency

The Company's functional currency is US Dollars which is denoted by the symbol $.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing exchange rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income / (expenses)'.

1.5 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at fair value.

1.6 Going concern

On the basis of their assessment of the Company's financial position and assurance of liquidity support from the Northern Trust Corporation, the Company's Directors have a reasonable expectation that the Company will be able 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.

1.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful life for computer software is 7 years.
Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.8 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	-	15 years
Fixtures and fittings	-	10 years
Office equipment	-	5 years
Computer hardware	-	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating (expenses) / income' in the Profit and Loss Account.

1.9 Operating leases

Payments and income (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss Account on a straight line basis over the term of the lease. Lease incentives received or granted are recognised in the Profit and Loss Account as an integral part of the total lease expense or lease income over the term of the lease.

1.10 *Investment in subsidiary*

Investments in subsidiaries are measured at cost less any accumulated impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and value in use.

1.11 Debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

1.12 Cash and cash equivalents

Cash at bank and in hand comprise cash balances and call deposits.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.15 Share based payments

Where the Company grants rights to its parent's equity instruments to its employees, the Company accounts for these share-based payments as cash-settled. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the Profit and Loss Account.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset or liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually, the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in US dollars and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan is recognised in profit or loss, except where included in the cost of an asset, comprises:

- the increase in net pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as an 'administrative expense'.

1.17 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.18 Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.19 Interest receivable and payable

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest receivable' and 'Interest payable' in the Profit and Loss Account using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments earned or paid on a financial asset or liability through its expected life or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate includes all estimated cash flows considering the contractual terms of the financial instrument, but excludes the risk of future credit losses.

1.20 Loans and advances

Loans and advances to banks include loans and advances originated by the Company which are not intended to be sold in the short term and have not been classified as held for trading or designated at fair value. Loans and advances are recognised when cash is advanced to borrowers and are derecognised when either borrowers repay their obligations, or the loans are written off. They are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest method.

1.21 Impairment of loans and advances

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans have occurred. Impairment allowances are calculated on individual loans. Impairment losses are recorded as charges to the profit and loss statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of the impairment allowance accounts. Losses which may arise from future events are not recognised.

1.22 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured and represents a probable outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.23 Dilapidations

The estimated present value of the obligation payable at the end of the lease is recognised at lease inception. This amount is booked as an increase to the cost basis of the related assets at the date of asset acquisition. The increased cost basis of the asset is depreciated annually based on the estimated life of the asset. The obligation is increased annually to reflect the passage of time and inflation and the estimate is reassessed regularly and updated for any change in the expected future obligation.

Notes to the Financial Statements
For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.24 Taxation

Corporation tax is calculated based on the taxable profits for the year.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.25 Comparatives

To the extent necessary the comparatives have been adjusted to facilitate changes in the presentation of the current year amounts.

1.26 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

2. Turnover

	2016 $000	2015 $000
Income for services provided to group entities	**373,099**	358,938

Further details on the global transfer pricing allocation are disclosed in Note 10 below.

3. Administration expenses

	2016 $000	2015 $000
Staff costs (Note 4)	**228,116**	222,984
Operating lease charges - property	**9,422**	10,379
Amortisation of intangible fixed assets (Note 13)	**327**	371
Depreciation of tangible fixed assets (Note 14)	**8,805**	8,341
Other administrative expenses	**76,448**	72,170
Total administrative expenses	**323,118**	314,245

Notes to the Financial Statements
For the Year Ended 31 December 2016

4. Staff Costs	2016 $000	2015 $000
Wages and salaries	**170,767**	167,795
Social security costs	**22,309**	22,052
Share based payments	**7,966**	4,002
Cost of defined benefit plan	**(216)**	(231)
Cost of defined contribution plan	**14,380**	14,821
Other staff costs	**12,910**	14,545
Total staff costs	**228,116**	222,984

The average number of persons employed by the Company during the year was 1,532 (2015: 1,434), all of whom support activities of fellow group undertakings.

5. Directors' remuneration

Director's emoluments are allocated based on the apportionment of time incurred by Directors in respect of qualifying services to the Company.

	2016 $000	2015 $000
Directors' emoluments paid	**41**	41
Amount of money receivable by Directors under long term incentives		
- Deferred cash compensation	**4**	5
- Long term restricted stock	**4**	5
Amount of money receivable by Directors under short term incentives	**7**	5
Company contributions paid to defined contribution plan	**2**	4
	58	60

The number of Directors who were members of the Company defined contribution pension plan during the year was 3 (2015: 3).

Deferred cash compensation expense is amortised over 3 years from the original grant date. Deferred restricted stock units are recognised over the period that the restricted stock vests. Deferred restricted stock units vested during the current year.

The Directors did not exercise share options during the year (2015: 0). The number of Directors in respect of whose services shares were received or repayable under long term incentive schemes during the year was 2 (2015: 3).

The following amounts are in respect of the highest paid Director:	2016 $000	2015 $000
Directors' emoluments paid	**19**	19
Amount of money receivable by Directors under long term incentives		
- Deferred cash compensation	**2**	2
- Long term restricted stock	**2**	2
Amount of money receivable by Directors under short term incentives	**3**	3
Company contributions paid to defined contribution plan	**1**	1
	27	27

The highest paid Director did not exercise share options during the year (2015:0).

6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2016 $000	2015 $000
Fees for these financial statements	64	67
Fees for consultancy services	-	12
Total remuneration paid to KPMG	64	79

7. Interest receivable and similar income

	2016 $000	2015 $000
Interest receivable and similar income from group undertakings	1,092	615
	1,092	615

8. Interest payable and similar expenses

	2016 $000	2015 $000
Accretion of dilapidation liability (Note 21)	(150)	(163)
	(150)	(163)

9. Other operating (expenses)/income

	2016 $000	2015 $000
Foreign exchange difference - (loss)/gain	(314)	763
Fixed asset disposal - (loss)/gain	(166)	-
	(480)	763

Notes to the Financial Statements
For the Year Ended 31 December 2016

10. Transfer pricing

Transfer pricing generally refers to the determination of compensation for transactions conducted between commonly controlled taxpayers. The determination of an appropriate level of compensation is relevant for all transactions between affiliates for the provision of services, the utilisation of intellectual property and / or intercompany financing. This determination is made using an "arm's-length" standard that tests what would have occurred in comparable circumstances between comparable, unrelated taxpayers.

The Northern Trust Group ("the Group") global transfer pricing methodology uses a residual profit split approach that allocates profit by providing appropriate recognition of each entity's contribution, revenues and expenses, its function in the Group, and its assets and risk profile. The framework also accounts for the fact that each Group service line may engage multiple affiliates to perform functions of varying complexity and value.

The residual profit split methodology framework starts with Group global revenue which is first used to reimburse most direct costs of affiliates with a routine margin. The remaining profit is then split into product related profit pools which are in turn allocated to affiliates, such as the Company, using product specific allocation keys. The allocation keys are reflective of the economics of the Group's lines of business. The determination of the allocation keys begins with an evaluation of the metrics that represent contributions made by the various entities with respect to each product line. Allocation keys will be reassessed periodically to ensure that these continue to be representative.

	2016	2015
	$000	$000
Profit and loss account		
Amounts transferred to the global transfer pricing pool	**(1,244)**	(1,280)
Re-imbursement of expenses, plus mark-up	**374,343**	360,218
Transfer pricing allocation for the Company	**373,099**	358,938

Notes to the Financial Statements
For the Year Ended 31 December 2016

11. Taxation

	2016 $000	2015 $000
Corporation tax		
Current tax on profits for the year	**10,624**	9,904
Adjustments in respect of prior periods	**(290)**	(40)
	10,334	9,864
Foreign tax		
Tax withheld overseas	**28**	36
Total current tax	**10,362**	9,900
Deferred tax		
Pension benefits	**(134)**	74
Post retirement medical benefits	**17**	5
Fixed assets	**(476)**	(6)
Other timing differences	**(334)**	(609)
Total deferred tax	**(927)**	(536)
Total tax charge	**9,435**	9,364

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%) The differences are explained below:

	2016 $000	2015 $000
Profit on ordinary activities before tax	**50,442**	45,908
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	**10,088**	9,296
Effects of:		
Permanent differences	**454**	639
Deferred tax movements	**(981)**	(567)
Impact of rate change relating to deferred tax movements only	**136**	-
Tax withheld overseas	**28**	36
Adjustment to the tax charge in respect of previous periods	**(290)**	(40)
Total tax charge for the year	**9,435**	9,364

Notes to the Financial Statements
For the Year Ended 31 December 2016

11. ***Taxation (continued)***

Factors that may affect future tax charges

Deferred tax has been recognised at 19% which was the rate substantively enacted as at 31 December 2016. From 1 April 2017, the corporation tax rate will be 19% and from 1 April 2020 the corporation tax rate will reduce further to 17%, which was enacted during 2016. The Company's future current tax rate is therefore anticipated to reduce further.

Deferred tax credited / (charged) to other comprehensive income:

	2016 $000	2015 $000
Pension benefits	**(115)**	111
Post retirement medical benefits	**16**	(4)
Deferred tax credited / (charged) to other comprehensive income:	**(99)**	107

The Company recognised deferred tax on temporary differences in respect of share based payments. The amount recognised within the 'other timing differences' total of $334,000 was limited to the cumulative share based expense recorded in the Profit and Loss account. The excess deferred tax of $751,000 was recognised within retained earnings (please refer to the Statement of Changes in Equity for the year ended 31 December 2016). The approach taken by the Company is in accordance with FRS 101.

12. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2016 $000	2015 $000	**2016 $000**	2015 $000	**2016 $000**	2015 $000
Recognised deferred tax assets and liabilities						
Fixed assets	**509**	33	-	-	**509**	33
Other timing differences	**4,871**	3,786	-	-	**4,871**	3,786
Defined benefit pension plan	-	-	**(1,138)**	(1,157)	**(1,138)**	(1,157)
Post retirement medical benefit	**71**	72	-	-	**71**	72
	5,451	3,891	**(1,138)**	(1,157)	**4,313**	2,734

	01 Jan 2016 $000	Movement during the year $000	31 Dec 2016 $000
Movement in deferred tax during the year			
Fixed assets	**33**	**476**	**509**
Other timing differences	**3,786**	**1,085**	**4,871**
Defined benefit pension plan	**(1,157)**	**19**	**(1,138)**
Post retirement medical benefit	**72**	**(1)**	**71**
	2,734	**1,579**	**4,313**

Notes to the Financial Statements
For the Year Ended 31 December 2016

12. Deferred tax assets and liabilities (continued)

	01 Jan 2015	Movement during the year	31 Dec 2015
	$000	$000	$000
Movement in deferred tax during the prior year			
Fixed assets	27	6	33
Other timing differences	3,178	609	3,786
Defined benefit pension plan	(1,193)	36	(1,157)
Post retirement medical benefit	80	(8)	72
	2,092	643	2,734

Notes to the Financial Statements
For the Year Ended 31 December 2016

13. Intangible assets

	Computer Software $000
Cost	
At 1 January 2016	8,980
Additions - internal	79
At 31 December 2016	9,059
Amortisation	
At 1 January 2016	8,392
Charge for the year	327
At 31 December 2016	8,719
Net book value	
At 31 December 2016	340
At 31 December 2015	588

Intangible assets comprise of computer software which is amortised on a straight line basis over 7 years.

Notes to the Financial Statements
For the Year Ended 31 December 2016

14. Tangible fixed assets

	Long-term leasehold property	Fixtures and fittings	Office equipment	Other fixed assets	Total
	$000	$000	$000	$000	$000
Cost or valuation					
At 1 January 2016	52,857	7,899	28,426	233	89,415
Additions	1,252	28	11,850	3	13,133
Internal asset transfer original cost	149	33	269	-	451
Disposals	(149)	-	(45)	-	(194)
At 31 December 2016	54,109	7,960	40,500	236	102,805
Depreciation					
At 1 January 2016	36,637	6,804	18,141	-	61,582
Charge for the period	3,807	336	4,662	-	8,805
Internal asset transfer accumulated depreciation	-	29	179	-	208
Disposals	(12)	-	(10)	-	(22)
At 31 December 2016	40,432	7,169	22,972	-	70,573
Net book value					
At 31 December 2016	13,677	791	17,528	236	32,232
At 31 December 2015	16,220	1,095	10,286	233	27,833

15. Investment in subsidiaries

Name:	***Address of Incorporation:***	***Principal Activity:***
Northern Trust Global Investments Limited	50 Bank Street, Canary Wharf, London, E145NT	Investment Management Services

	2016	2015
	$000	$000
Investment in subsidiary undertaking - 21.275 million ordinary shares of $1.00 each	37,180	37,180
	37,180	37,180

Notes to the Financial Statements
For the Year Ended 31 December 2016

16. Deferred Assets

	2016 $000	2015 $000
Deferred costs	**5,673**	7,297
	5,673	7,297

The deferred costs represent the future value of leasehold dilapidation costs capitalized on the commencement of the lease obligation and amortised over the lease term. The leasehold property is located at 50 Bank Street, Canary Wharf, London, E14 5NT.

17. Debtors

	2016 $000	2015 $000
Due within one year		
Amounts owed by group undertakings	**29,143**	134,438
Other debtors	**652**	1,218
Prepayments and accrued income	**5,778**	8,405
Deferred taxation (note 12)	**4,313**	2,734
	39,886	146,795

18. Cash

	2016 $000	2015 $000
Cash at bank	**4,926**	595
Demand deposits held with group undertakings	**368,542**	242,106
	373,468	242,701

19. Creditors: Amounts falling due within one year

	2016 $000	2015 $000
Bank overdrafts	**138**	-
Amounts owed to group undertakings	**38,883**	48,943
Other creditors	**6,782**	5,427
Social security	**3,355**	3,525
Accruals and deferred income	**39,626**	40,124
	88,784	98,019

20. Creditors: Amounts falling due after more than one year

	2016 $000	2015 $000
Deferred income - one to five years	**4,180**	4,983
- greater than five years	**258**	1,554
	4,438	6,537

Deferred income under creditors:amounts falling due after more than one year represents the Company's obligation for the full term of the lease per agreement on the leasehold property at 50 Bank Street, Canary Wharf, London, E14 5NT. The amounts are being recognised over the lease term.

Notes to the Financial Statements
For the Year Ended 31 December 2016

21. Provision for liabilities and charges

	2016	2015
	$000	$000
Dilapidations		
1 January	**8,750**	9,088
Accretion (Note 8)	**150**	163
Foreign currency translation adjustment	**(1,422)**	(501)
31 December	**7,478**	8,750

The provision for dilapidations represents management's obligation to remove, dismantle and restore certain long term leasehold property. The estimated present value of the obligation at the end of the lease is recognised at lease inception. The amount is booked as an increase to the cost basis of the related assets at the date of asset acquisition. The increased cost basis of the asset is depreciated annually based on the estimated life of the asset. The obligation is increased annually to reflect the passage of time and inflation and the estimate is reassessed regularly and updated for any change in the expected future obligation.

	2016	2015
Termination benefits	$000	$000
1 January	**190**	1,659
Provision raised	**3,714**	2,033
Provision utilised	**(3,122)**	(3,449)
Foreign currency translation adjustment	**(184)**	(53)
31 December	**598**	190

Termination benefits are provided for and are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are payable more than 12 months after reporting date, then they are discounted to their present value.

	2016	2015
Onerous lease	$000	$000
1 January	**3,967**	4,428
Provision amortised	**(108)**	(250)
Provision reversed	**(3,085)**	-
Foreign currency translation adjustment	**(218)**	(211)
31 December	**556**	3,967

The provision for onerous lease provides for a portion of certain leasehold property located at 50 Bank Street, Canary Wharf, London, United Kingdom, E14 5NT. The onerous lease cost is an unavoidable cost of meeting the obligation under the leasehold contract where the costs exceed the economic benefits expected to be received from it. The future cash outflow for the lease has been discounted and takes into account the lease amounts the Company pays for the building, the miscellaneous costs associated with the lease, marketing costs in order to secure a new tenant, and expected future inflows from subletting.

In February 2016 the onerous lease provision was revised and approximately 50% of the space occupied by the subtenant was taken back by Northern Trust. The terms of the sublease were changed giving rise to a more favorable position for Northern Trust.

Provision for liabilities and charges	**8,632**	12,907

Notes to the Financial Statements
For the Year Ended 31 December 2016

	2016	2015
22. Share capital	**$000**	$000
Authorised, allotted, called up and fully paid		
40,000,000 ordinary shares of $1 each	**40,000**	40,000

The Company is not subject to any external capital requirements.

Notes to the Financial Statements
For the Year Ended 31 December 2016

23. Pension commitments

The Company operates defined benefit pension, defined contribution pension arrangements (under the same pension plan) and post-retirement medical scheme. The Company has accounted for both the defined contribution pension plan and the defined benefit pension plan in accordance with IAS 19 "Employee Benefits". There were no charges owing at the end of 2016 in respect of the defined contribution plan (2015: Nil).

The Company previously operated a defined benefit pension arrangement for qualifying employees. A defined benefit arrangement defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration, providing a benefit as a proportion of final pensionable salary. The defined benefit arrangement was closed to new entrants in 1992. Effective 31 March 2010 it was also closed to future service accrual.

The pension plan assets are held in a separate trust and are managed by third party investment managers ("the Trustee"). The Plan is established under trust and the Trustee is the Northern Trust Company UK Pension Plan Limited. The Plan is governed by the Trustee who is required to act in accordance with the trust deed and the plan rules, within the framework of pension and trust law and act in the best interest of the Plan's beneficiaries. The appointment of trustees to the plan is determined by the plan's trust documentation and the member nominated director requirements.

The defined benefit pension arrangement is valued every three years by a professionally qualified independent actuary, appointed by the Trustee. Under the Pensions Act 2004, every scheme is subject to the "Statutory Funding Objective", which requires the Company to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefit members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Company and set out in the statement of funding principles, which is available to Plan members on request.

The latest triennial valuation of the defined benefit arrangement, undertaken as at 1 January 2014 by, Willis Towers Watson, a professionally qualified independent actuary, revealed a funding deficit and the Company has agreed funding requirements which will be met over the period to January 2016. The Plan deficit is funded internally. Funding for the Plan was agreed by the Plan Trustee and the Northern Trust Management Services Limited Board "NTMSL" with the first payment made in November 2014 for $507,000 and subsequent amounts of $483,000 paid in January 2015 and $483,000 in January 2016. Funding requirements will continue to be assessed, with the next valuation of the defined benefit arrangement being due as at 1 January 2017.

The key risks to which the Company is exposed are falls in long term investment returns used to set the discount rate, falls in equity values and increases in members' life expectancy. The post-retirement medical scheme is a closed scheme.

Reconciliation of present value of plan liabilities:	**2016**	2015
	$000	$000
At the beginning of the year	**(47,247)**	(50,624)
Interest on obligation	**(1,618)**	(1,811)
Actuarial (losses)/gains	**(8,541)**	1,219
Benefits paid	**5,593**	1,229
Foreign exchange gains	**7,990**	2,740
At the end of the year	**(43,823)**	(47,247)

The weighted average duration of the liabilities of the plan was 19 years at 31 December 2016.

Reconciliation of present value of plan assets:	**2016**	2015
	$000	$000
At the beginning of the year	**53,031**	56,592
Interest income	**1,834**	2,042
Actuarial gains / (losses)	**9,146**	(1,776)
Contributions	**383**	457
Benefits paid	**(5,593)**	(1,229)
Foreign exchange loss	**(8,991)**	(3,055)
At the end of the year	**49,810**	53,031

Notes to the Financial Statements
For the Year Ended 31 December 2016

23. Pension commitments (continued)

Composition of plan assets:

	2016 $000	2015 $000
Equity securities	**16,587**	20,151
Corporate bonds	**2,392**	7,053
Indexed linked gilts	**6,475**	-
Fixed interest gilts	**24,306**	25,774
Cash	**50**	53
Total plan assets	**49,810**	53,031

All of the scheme's assets have a quoted market price in an active market. The plan holds no financial instruments issued by the Company (other than incidentally through investment in pooled funds), nor does it hold any property or other assets used by the Company.

Fair value of plan assets	2016 $000	2015 $000
Fair value of plan assets	**49,810**	53,031
Present value of plan liabilities	**(43,823)**	(47,247)
Net pension plan asset	**5,987**	5,784

The amounts recognised in profit or loss are as follows:

	2016 $000	2015 $000
Interest on obligation	**(1,618)**	(1,811)
Interest on assets	**1,834**	2,042
Total	**216**	231

Reconciliation of fair value of plan liabilities were as follows:

	2016 $000	2015 $000
Opening defined benefit obligation	**(47,247)**	(50,624)
Interest on obligation	**(1,618)**	(1,811)
Actuarial (loss) / gain - experience	**(141)**	390
Actuarial (loss) / gain - financial assumptions	**(8,400)**	829
Foreign exchange gain	**7,990**	2,740
Benefits paid	**5,593**	1,229
Closing defined benefit obligation	**(43,823)**	(47,247)

Notes to the Financial Statements
For the Year Ended 31 December 2016

23. Pension commitments (continued)

Reconciliation of fair value of plan assets were as follows:

	2016 $000	2015 $000
Opening fair value of plan assets	**53,031**	56,592
Interest on assets	**1,834**	2,042
Actuarial gains / (losses)	**9,146**	(1,776)
Contributions by employer	**383**	457
Foreign exchange loss	**(8,991)**	(3,055)
Benefits paid	**(5,593)**	(1,229)
Closing fair value of plan assets	**49,810**	53,031

The Company expects to contribute $NIL to its defined benefit pension plan in 2017.

	2016 $000	2015 $000
Analysis of actuarial gain/(loss) recognised in other comprehensive income		
Actuarial (loss) / gain on defined benefit plan	**(8,541)**	1,219
Return on pension plan assets gains/ (losses)	**9,146**	(1,776)
	605	(557)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2016 %	2015 %
Discount rate at end of year	**2.60**	3.80
Price inflation	**3.50**	3.30
Rate of salary increase	**2.50**	2.30
Rate of increase of pension payments	**5.00**	5.00
Rate of pension increases for deferred benefits	**2.50**	2.30
Annual increase in healthcare costs	**7.00**	6.80

Notes to the Financial Statements
For the Year Ended 31 December 2016

23. Pension commitments (continued)

Sensitivity analysis

	Rate	Sensitivity Analysis	Effect on Defined Benefit Plan
			$000
Discount Rate	2.60%	0.1% increase	688
Price inflation (RPI)	3.50%	0.1% increase	109
Pension increases in-payment for service from 1 January 2002	2.50%	0.1% increase	63
Mortality - Long term trend	1.50%	2.0% increase	1,983

The sensitivities provided are based on the sensitivity of the latest full valuation results to small changes in the assumptions. The sensitivities provided are only appropriate for small changes in the assumptions, and extrapolation of the sensitivity for larger changes is less reliable.

For the RPI price inflation sensitivity, it has been assumed that there would also be a corresponding impact on the CPI price inflation assumption and on the in-payment pension increase assumption for service from 1 January 2002. For the pension increases in-payment sensitivity, it has been assumed that only pension increases in-payment are affected (pension increases for deferred benefits have been assumed to increase to 2.50% per annum per the Willis Tower Watson report).

There have been no changes since the previous period in the methods and assumptions used in preparing the sensitivity analyses above.

Asset-Liability matching strategies

The defined benefit section of the Northern Trust (UK) Pension Plan is funded defined benefit plan which is closed to new members and closed for future accruals. The Plan invests part of its assets in liability matching assets such as government and corporate bonds in order to manage its exposure to interest rate and inflation risks and limit its exposure to return seeking assets, with the intention to increase this allocation gradually as the Plan matures. The Plan has not taken any actions to manage its longevity risk at this stage.

24. Post-retirement medical benefits

	2016 $000	2015 $000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(358)	(401)
Other finance charge	(12)	(14)
Actuarial (losses) / gains	(85)	18
Benefits paid	15	17
Foreign exchange gain	65	22
At the end of the year	(375)	(358)

There are no assets in the post-retirement medical plan, therefore the net deficit of the plan is also the present value of the scheme's liabilities.

Notes to the Financial Statements
For the Year Ended 31 December 2016

24. Post-retirement medical benefits (continued)

	2016	2015
	$000	$000
Analysis of post retirement medical benefits actuarial loss:		
Experience gains and losses arising on the scheme liabilities	**16**	12
Changes in assumptions underlying the present value of the scheme liabilities	**(101)**	6
Actuarial loss / gain recognised in the Statement of Other Comprehensive Income	**(85)**	18

25. Share based payments

The Company participates in the Northern Trust Corporation 2012 Stock Plan (the 2012 Plan) which is administered by the Compensation and Benefits Committee ("the Committee") of the Board of Directors of the Group. The 2012 Plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, stock awards, stock units and performance stock units. Grants are outstanding under the 2012 Plan and The Amended and Restated Northern Trust Corporation 2002 Stock Plan, a predecessor plan (2002 Plan).

Stock options consist of options to purchase common stock at prices not less than 100% of the fair market value thereof on the date the options were granted. Options have a maximum ten-year life and generally vest and become exercisable in one to four years after the date of grant. In addition, all options may become exercisable upon a 'change in control' as defined in the 2012 Plan or the 2002 Plan. All options terminate at such time as determined by the Committee and as provided in the terms and conditions of the respective option grants.

The weighted average share price at the date of exercise of share options exercised during the year was USD 56.26 (2015: USD 55.38).

The options outstanding at the yearend have an exercise price in the range of USD 43.65 to USD 71.23 and a weighted average contractual life of 3.98 years.

Notes to the Financial Statements
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26. Risk management

At the Corporate level, Northern Trust defines risk appetite as the amount and types of risk that it is willing to assume in its exposures and business activities to achieve its strategic and financial objectives. Risk appetite is a methodology to measure Northern Trust's willingness to take risk and reflects Northern Trust's tolerance of certain levels of risk exposures as measured at the enterprise and business level, as applicable. Northern Trust's Corporate Risk Appetite Statement reflects expectation that risk is consciously considered as part of day-to-day activities and strategic decisions. Northern Trust manages its business activities consistent with the risk appetite statement, in which specific guidelines are detailed for credit, operational, fiduciary, compliance, market, liquidity, and strategic risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework
Risk management is the responsibility of the Company's Board. The Board utilises the framework of its ultimate parent, the Northern Trust Corporation ("NTC" or "Northern Trust"), which has a global structure and process for risk management. Local risk management, by the Company's Board and local risk oversight committees, use this global corporate risk structure. Policies are validated and approved locally and the local risk organisation is structured to provide the Company's Board with the necessary risk reporting and oversight to satisfy their responsibilities.

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on the Company's financial performance.

Credit risk
Credit risk is the risk to interest income or principal from the failure of a borrower or counterparty to perform an obligation. Credit exposure arises principally through the service/debtor collection cycle, being the provision of fund management services, invoicing for such services, and receipt of payment.

Management of credit risk
Both the Directors and the parent regularly review the credit risk within the Company's balance sheet and agree appropriate action if either individual customer or cumulative credit risk exceed acceptable levels. Credit risk arising in the context of the Company's operations is not considered significant. Clients are subject to strict verification procedures and are subject to continuing monitoring.

Liquidity risk
Liquidity risk is the risk of not being able to raise sufficient funds or collateral to meet balance sheet and contingent liability cash flow obligations when due because of firm-specific or market-wide events.

Management of liquidity risk
Under Northern Trust's risk framework, liquidity risk is governed by the Asset and Liability Committee (ALCO) of the ultimate parent company in Chicago. This includes meeting Basel III liquidity requirements, such as maintaining a high quality liquid asset buffer, which satisfies corporate level liquidity coverage ratio requirements, and is available to provide liquidity support to Northern Trust as a whole, including its branches and subsidiaries, in times of stress.

The Company operates within this liquidity management framework. At 31 December 2016 the Company's only significant liabilities were accrued expenses and balances due to group companies, which were due within one year. The Company has sufficient cash reserves as at the Balance Sheet date available to discharge all liabilities as they fall due.

Market risk - Trading
Market Risk - Trading is the potential for movements in the market variables such as foreign exchange and interest rates to cause changes in the value of trading positions.

The Company does not engage in investment trading activities thus the directors are satisfied that the company is not subject to material trading market risk.

Notes to the Financial Statements
For the Year Ended 31 December 2016

26. Risk management (continued)

Interest rate risk in the banking book
Interest rate risk in the banking book is the potential for movements in interest rates to cause changes in net interest income and the market value of equity.
The Company's exposure to interest rate risk is not deemed to be significant, in view of the fact that the Company's only interest bearing asset is cash held at bank which is invested short term. The Company holds no interest bearing liabilities.

Currency risk
Currency risk is the risk of financial volatility arising from currency movements, to which the Company is exposed through failure to convert current or historic profits to functional currency. The Company's primary currency exposure relates to expenses in Sterling. The Company's exposure to foreign currencies is reviewed on a monthly basis, and foreign exchange spot trades transacted to close exposures when currency levels become significant.

At 31 December 2016 the Company did not have any material exposure to exchange rate fluctuations impacting on Profit before Tax.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It represents the potential that inadequate information systems, operating problems, inappropriate product design and delivery difficulties, or catastrophes will result in unexpected losses. The main components are generally referred to as business continuity, product/process, technology, and transaction risks.

Management of operational risk
The Company's operational risk framework is subject to documented procedural policies, with senior management within the Group being responsible for the implementation and maintenance of these policies. The Directors regularly review the risks which are faced by the Company. The risk management processes and procedures are subject to periodic review by the Group's Internal Audit function.

Strategic risk
Strategic risk is the loss from the adverse effects of business decisions, improper implementation of business decisions, or the risk that internal or external forces impede the long-term plans of the business for growth, profitability and stability. Strategic risk within Northern Trust is managed and overseen at the Northern Trust Corporation level and at the Company level.

Capital Management
The Company is subject to consolidated supervision by the UK Financial Conduct Authority (FCA) by virtue of its ownership of the regulated asset manager Northern Trust Global Investment Limited. The FCA requires the combination of Northern Trust Global Investments Limited and Northern Trust Management Services Limited to maintain adequate financial resources and appropriate systems and controls for the effective management of prudential risks. Northern Trust Management Services Limited's financial resources consist of Tier 1 capital in the form of ordinary share capital and retained earnings.

The Company's policy is to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future business development.. The Company has complied with all externally imposed capital requirements throughout 2016. There have been no material changes to the Company's management of capital during the period.

27. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases for its office at 50 Bank Street, Canary Wharf, London, E14 5NT and its disaster recovery site, as follows:

	2016 $000	2015 $000
Less than 1 year	**8,674**	10,682
Between 1 and 5 years	**34,698**	42,727
More than 5 years	**4,215**	15,877

Notes to the Financial Statements
For the Year Ended 31 December 2016

28. Post balance sheet events

No events occurred post balance sheet that requires disclosure in the financial statements.

29. Contingent Liabilities/Capital Commitments

The Company had no contingent liabilities/capital commitments at 31 December 2016 or 31 December 2015.

30. Holding Company

The Company is a subsidiary undertaking of The Northern Trust International Banking Corporation, incorporated in the United States of America.

The smallest and largest group in which the results of the Company are consolidated is that headed by the Northern Trust Corporation, incorporated in the United States of America. The consolidated accounts of the Northern Trust Corporation are available to the public and may be obtained from Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illnois.

The ultimate holding company in which the results of the Company are consolidated is that headed by Northern Trust Corporation, incorporated in the United States of America. The consolidated accounts of this group are available to the public and may be obtained from Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois.

31. Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised:

Transfer pricing
The determination of transfer pricing is made using an "arm's-length" standard that tests what would have occurred in comparable circumstances between comparable, unrelated taxpayers. Judgement is required with regards to the appropriate methodology and verification of reasonableness. Further details are contained in note 10.

32. Merger Reserve

The Company acquired Northern Trust Global Investments Limited on 29 December 2006 from Northern Trust International Banking Corporation. The purchase consideration of $24,680,000 was satisfied by the issue of 14,290,000 ordinary shares of $1 each, with a share premium of $10,390,000. The net assets of Northern Trust Global Investments Limited were valued at $22,993,000 at the date of acquisition. The difference between the purchase consideration and the net assets of Northern Trust Global Investments Limited of $1,687,000 has been taken to the Merger Reserve.

33. Share Premium

The difference between the purchase consideration and the net assets of Northern Trust Global Investments Limited of $1,687,000 has been taken to the Merger Reserve. The difference of $8,703,000 between the share premium paid of $10,390,000 and the merger reserve of $1,687,000 was taken to the share premium account.

34. 2015 Balance sheet representation

The following re-presentations have been made to the 2015 comparatives to facilitate changes in the presentation of the current year amounts:

- the deferred tax liability of $1,157,000 on the fair value of pension plan assets and the present value of pension plan liabilities, was represented from *"net pension asset / (liability)"* to deferred tax within *"Debtors: amounts falling due within one year"*

- deferred tax asset $72,000 on the post-retirement medical scheme was represented from "*Post retirement medical scheme" to deferred tax within "Debtors: amounts falling due within one year"*

- demand deposits of $242,106,000 held with group undertakings are represented from *"Loans and advances to Group bank - repayable within three months" to "Cash at bank and in hand".*

The presentation and classification of these items is amended in the current year and so the comparative amounts are also represented and reclassified.