NORTHERN
TRUST

Northern Trust Management Services Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2022

Registered number: 4794949

Company information

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

Contents

Strategic Report
For the Year Ended 31 December 2022

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic Report which includes a review of Northern Trust Management Services Limited's ("the Company") business and future developments, and a description of the principal risks and uncertainties facing the Company.

Business review and strategy

The Company's principal activity is the provision of management services to fellow Northern Trust group undertakings. The Company also acts as a holding company for its subsidiary undertaking, Northern Trust Global Investments Limited ("NTGIL") and continues to support the growth and development of the core activities undertaken by the subsidiary.

The Company's key performance indicators are:

	2022	2021
	$000	$000
Turnover	**433,085**	447,895
Administrative expenses	**(380,518)**	(393,915)
Operating profit	**52,238**	54,019
Profit for the financial year	**39,858**	90,347
Shareholder's funds	**391,035**	350,172
Current assets as a % of current liabilities (quick ratio)	**544%**	318%
Average number of employees	**1,438**	1,394

The Company's turnover for the year was $433,085,000 (2021: $447,895,000) which represented a 3.3% decrease from 2021 and is based on a transfer pricing allocation received from the Northern Trust Corporation ("the Group"). The Company's shareholder's funds at 31 December 2022 amounted to $391,035,000 (2021: $350,172,000). Profit for the year was 56% lower, due to a dividend received in 2021 of $2.35 per ordinary share amounting to $50,000,000, from Northern Trust Global Investments Limited.

The Company's strategy is to continue to provide management services to fellow Group undertakings. It is expected that the Company will continue to own 100% of the ordinary shares in Northern Trust Global Investments Limited. 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.

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 principal risks and uncertainties are as follows:

Foreign exchange

Foreign exchange risk is the risk arising from non-functional currency accounts receivable and payable balances. The risk is managed through adherence to policies, procedures and control frameworks that are subject to functional oversight by the Asset and Liability Management Committee ("ALCO") of the ultimate parent company, Northern Trust Corporation. The Northern Trust Corporation's internal audit function is responsible for the independent review of both risk management and the control environment.

Climate change

The Company has acknowledged climate change may have a negative impact on our clients, suppliers and counterparties. It could also impact negatively to the extent that it disrupts general economic activity as well as impacting our business and operations in ways that are difficult to predict. The Company is also leveraging the Northern Trust corporate initiative on Corporate Social Responsibility and climate change which has begun exploring the integration of climate-related scenario analysis into its broader risk management program. This also helps to align with certain recommendations of the Task Force on Climate Related Financial Disclosures. A key focus has been to ensure operational resiliency and recovery processes (including staff, technology and facilities) to ensure that the Company can continue supporting group entities, following a disaster or business interruption whilst fulfilling its legal requirements. The impact of climate and environmental change will continue to shape the Company's response through Metrics and Monitoring, Governance and the Company's strategy in developing sustainable solutions.

Strategic Report (continued)
For the Year Ended 31 December 2022

Conduct

The Company is conscious that the behaviours and actions of its employees have the potential to cause harm to clients or financial markets, and has implemented a programme of training for all employees to ensure understanding of its standards. It has established a risk appetite and regularly monitors performance against a suite of relevant metrics, with regular reporting to management bodies including the Board of Directors.

This report was approved by the board on 17 July 2023.

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Mr. J. Davie
Director

Directors' Report
For the Year Ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The financial statements for the year ended 31 December 2022 are set out on pages 10 to 38. The profit for the year after taxation was $39,858,000 (2021: $90,347,000). The Company's shareholder's funds at 31 December 2022 amounted to $391,035,000 (2021: $350,172,000).

The Company did not receive a dividend during the year (2021: $50,000,000). The Company did not pay a dividend during year (2021: $150,000,000).

Directors

The Directors who served during the year:

Mr. J. Davie
Mr. M. Lacey

Political contributions

The Company did not make any political donations during the year (2021: Nil).

The Company made charitable donations during the year of $347,843 (2021: $302,830).

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 (note 31).

The principal risks of the entity are foreign exchange risk, climate and conduct as outlined in the Strategic Report. For Streamlined Energy and Carbon Reporting ("SECR") refer to note 35.

Financial resources and going concern

The Company has made a profit for 2022 and due to the transfer pricing methodology is projected to continue to generate positive cash flows. Under the transfer pricing mechanism, the turnover of the Company will increase or decrease in line with qualifying expenses.

The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. Consideration has been given to the financial position of the Company's ultimate parent Northern Trust Corporation, as reported in the quarterly earnings releases.

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's revenue and expenses will continue at a correlated rate. It is the intention of the Board of Directors to continue to develop the core activity of the Company.

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.

Directors' Report (continued)
For the Year Ended 31 December 2022

Diversity, equity and inclusion

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, gender identity, marital or civil partner status, sexual orientation, age, or any other legally protected status defined in local law. All employment decisions are made in a non-discriminatory manner, based on business requirements and comply with obligations under applicable law and codes of practice. This includes human resources' decisions relating to compensation, recruitment, redundancy, terms and conditions of employment, conduct at work, disciplinary and grievance procedures, transfers, appraisals and promotions, and access to learning and development.

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, gender identity, marital or civil partner 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 auditor

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have 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 auditor is aware of that information.

Company Secretary

Mr. M Wright resigned as Company Secretary on 2 November 2022. Ms. S Boi was appointed as Company Secretary on 2 November 2022 and resigned on 1 December 2022. Mrs. N Mpunzi was appointed as Company Secretary on 2 November 2022.

Post balance sheet events

On 25 May 2023, the Company entered into a sublease agreement to partially sublease floor 5 of the property held at 50 Bank Street, Canary Wharf, London, E14 5NT, UK. The lease term per the sublease agreement commenced on 25 May 2023 and is expected to cease on 25 May 2033.

There were no other significant events affecting the Company since the year end.

Auditor

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 auditor of the Company.

This report was approved by the board on 17 July 2023 and signed on its behalf.

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Mr. J. Davie
Director

Directors' Responsibilities
Statement for the Year Ended 31 December 2022

The Directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with FRS 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 assets, liabilities and financial position of the Company and of its profit or loss for that year. 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 Company Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG

Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Northern Trust Management Services Limited ('the Company') for the year ended 31 December 2022 set out on pages 10 to 38, which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion:

• the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
• the financial statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework* issued by the UK's Financial Reporting Council; and
• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The company is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. On this audit we do not believe there is a fraud risk related to revenue recognition.

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

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report and unaudited note 35. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

• we have not identified material misstatements in the directors' report or the strategic report;
• in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
• in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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.

We have nothing to report in these respects.

KPMG

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

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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 fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our 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.

Gary Fitzpatrick
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place,
IFSC,
Dublin 1
Ireland.

21 July 2023

Profit and Loss Account
For the Year Ended 31 December 2022

	Note	2022 $000	2021 $000
Turnover	2	433,085	447,895
Gross profit		433,085	447,895
Administrative expenses	3	(380,518)	(393,915)
Other operating (expense) / income	5	(329)	39
Operating profit		52,238	54,019
Income from investment in subsidiary	6	-	50,000
Interest receivable and similar income	9	4,555	259
Interest payable and similar charges	10	(2,195)	(2,251)
Profit before tax		54,598	102,027
Tax on profit	12	(14,740)	(11,680)
Profit for the financial year		39,858	90,347

Statement of Other Comprehensive Income
For the Year Ended 31 December 2022

	Note	2022 $000	2021 $000
Profit for the financial year		39,858	90,347
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain / (loss) on defined benefit plan	28	1,238	(507)
Actuarial gain on post retirement medical scheme	29	102	40
Deferred tax relating to pension plan and medical scheme	13	(335)	(3)
Total other comprehensive income		1,005	(470)
Total comprehensive income for the year		40,863	89,877

The notes on pages 13 to 38 form part of these financial statements.

Balance Sheet
As At 31 December 2022

	Note	2022 $000	2021 $000
Fixed assets			
Intangible assets	14	**1,215**	953
Tangible fixed assets	15	**113,055**	133,942
Investment in subsidiary	16	**37,180**	37,180
		151,450	172,075
Current assets			
Debtors: Amounts falling due within one year	17	**90,597**	92,273
Cash and cash equivalents	18	**289,294**	282,931
		379,891	375,204
Creditors: Amounts falling due within one year	19	**(69,784)**	(117,873)
Net current assets		**310,107**	257,331
Total assets less current liabilities		**461,557**	429,406
Creditors: Amounts falling due after more than one year	20	**(77,612)**	(84,972)
Provision for liabilities and charges	22	**(780)**	(1,516)
		383,165	342,918
Net assets excluding pension asset			
Pension asset	28	**7,978**	7,492
Post retirement medical scheme	29	**(108)**	(238)
Net assets		**391,035**	350,172
Capital and reserves			
Called up share capital	24	**40,000**	40,000
Share premium account	27	**8,703**	8,703
Merger reserve	25	**1,687**	1,687
Profit and loss account		**340,645**	299,782
Shareholder's funds		**391,035**	350,172

The notes on pages 13 to 38 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 July 2023.

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Mr. J. Davie

Director

Company Registration Number: 4794949

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Called up share capital $000	Share premium account $000	Merger reserve $000	Profit and loss account $000	Total equity $000
At 1 January 2022	40,000	8,703	1,687	299,782	350,172
Comprehensive income for the year					
Profit for the year	-	-	-	39,858	39,858
Actuarial gain on pension plan and medical scheme	-	-	-	1,340	1,340
Deferred tax relating to pension plan and medical scheme	-	-	-	(335)	(335)
Other comprehensive income for the year	-	-	-	1,005	1,005
Total comprehensive income for the year	-	-	-	40,863	40,863
At 31 December 2022	40,000	8,703	1,687	340,645	391,035

Statement of Changes in Equity
For the Year Ended 31 December 2021

	Called up share capital $000	Share premium account $000	Merger reserve $000	Profit and loss account $000	Total equity $000
At 1 January 2021	40,000	8,703	1,687	359,905	410,295
Comprehensive income for the year					
Profit for the year	-	-	-	90,347	90,347
Actuarial loss on pension plan and medical scheme	-	-	-	(467)	(467)
Deferred tax relating to pension plan and medical scheme	-	-	-	(3)	(3)
Other comprehensive income for the year	-	-	-	(470)	(470)
Total comprehensive income for the year	-	-	-	89,877	89,877
Equity dividends paid (note 26)	-	-	-	(150,000)	(150,000)
At 31 December 2021	40,000	8,703	1,687	299,782	350,172

The notes on pages 13 to 38 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

Northern Trust Management Services Limited is a private company incorporated and domiciled in the United Kingdom.

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 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. Further details can be found in note 33.

The Directors have adopted the provisions of section 401, subsection 2(b) of the Companies Act 2006, and in accordance with the provisions of Commission Regulation (EC) No. 1569/2007 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 2022, 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;
- the requirements of paragraphs 110, 113(a), 114, 115, 118, 119(a), 119(b), 119(c), 120(a), 120(b), 121 to 125, 126(a), 126(b), 126(c), 126(d), 127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- the requirements of paragraph 52 of IFRS16 Leases

1.3 Changes in accounting policies

Amendments to IAS 37, Provisions Contingent Liabilities and Contingent Assets

The IASB amended IAS 37 to clarify that for the purpose of assessing whether a contract is onerous or loss making, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendment is effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022. The amendment to IAS 37 does not have an impact on the Company's balance sheet or profit and loss as the Company does not have any onerous contracts. However, going forward, this amendment will be considered when assessing whether a contract is onerous.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.3 Changes in accounting policies

Annual improvements to IFRS Standards 2018-2020

The amendment focused on fees in the '10 percent' Test for Derecognition of Financial Liabilities. In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The amendment is meant to clarify and/or remove inconsistencies within the existing guidance and there is no immediate impact to the Company.

1.4 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.

1.5 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' and 'other operating expenses' respectively.

1.6 Measurement convention

The financial statements are prepared on the historical cost basis except for pension assets, provisions and lease liabilities which are stated at present value.

1.7 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 methodology with operating expenses being reimbursed plus an arm's length mark-up.

1.8 Leases

The Company recognises a "right-of-use" ("ROU") asset and a lease liability at lease commencement date for all leases. The lease liability is measured at the present value of the lease payments that are not paid at lease commencement and discounted using the Company's incremental borrowing rate. The ROU asset is initially measured at an amount equal to the lease liability, adjusted for any initial direct costs incurred and any lease payments made or incentives received before the commencement date.

Unless immaterial, the Company will present the interest expense on the lease liability and depreciation charge for the ROU asset separately in the statement of profit or loss. The ROU asset is depreciated using the straight-line method from the commencement date.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.9 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.

1.10 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 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 IFRS 13 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. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, 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 the profit or loss account under 'interest expense and similar charges'.

1.11 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 2022

1. Accounting policies (continued)

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

The estimated useful lives range as follows:

Long-term leasehold property	15 years
Fixtures and fittings	10 years
Office equipment	5 years

Other fixed assets are not depreciated as they are deemed to have an indefinite useful life. 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 income' in the Profit and Loss Account.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.17 Investment in subsidiary

Investments in subsidiaries are measured in accordance with IAS 27 'Separate Financial Statements' 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 assets investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realizable value and value in use.

1.18 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 which 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.

1.19 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.

1.20 Financial instruments

Classification

On initial recognition, a financial asset is classified and measured at amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through the profit or loss ("FVTPL"). It is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held in a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

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

Financial liabilities are measured at amortised cost except for financial liabilities at fair value through profit or loss.

Business model assessment

The Company utilises the framework of the Northern Trust Corporation group ("the Group"). This assessment is done at the portfolio level in the same manner that performance is reported. Information considered in this assessment includes stated policies and objectives for the portfolio and Group strategy; how performance is evaluated and reported; risks that impact the business model and how those risks are managed; and the frequency, volume, timing and reasons for sales in prior periods. Instruments are not reclassified unless a business model for managing the assets has changed.

The Northern Trust Corporation's Asset and Liability Management Policy ("ALMP") governs the management of different portfolios of financial assets. Per the ALMP, investments are made primarily for the purpose of maintaining high quality securities, managing interest rate risk, providing a temporary investment of excess funds, or providing interest income. The ALMP states that the assets considered as held to collect contractual cash flows can only consist of those investments purchased with the intent and ability to hold to maturity in order to meet one or more of the previously listed portfolio objectives. All financial instruments fall within this business model.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.20 Financial instruments (continued)

Solely payments of principal and interest ("SPPI") assessment

Principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money, credit risk, other basic lending risks and costs, and a reasonable profit margin. The evaluation of whether cash flows are solely payments of principal and interest is based on the contractual terms of the instrument. The Company considers whether contractual terms could change the timing or amount of cash flows so they are not solely payments of principal and interest. These features may include leverage features, prepayment or extension features, non-recourse arrangements, and periodic resets of interest rates.

The Company considered interest rates, call options, redemption prices, seniority rankings, etc. in this evaluation before concluding instruments pass the SPPI test.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

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 borrower 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 rate method after receipt of any proceeds.

Other debtors

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.

Other creditors

Other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

1.21 Impairment excluding deferred tax assets

Financial assets (including other debtors)

The Company recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL.

- Cash and cash equivalents

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured using 12-month ECLs:

- Other financial instruments that have not experienced a significant increase in credit risk since initial recognition.

12 month ECLs refer to the portion of ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECLs result from all possible default events over the expected life of a financial instrument.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.21 Impairment excluding deferred tax assets (continued)

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The Company has granted to the borrower a concession that it would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event and the combined effect of several events may have caused financial assets to become credit-impaired.

Determining significant increases in credit risk

In determining whether an instrument has experienced a significant increase in credit risk, the Company considers reasonable and supportable information available without undue cost or effect. This includes historical experience and forward-looking information.

The Company has adopted the Northern Trust Corporate Credit Policy and Standards for monitoring and managing credit risk. Credit risk arising in the context of the Company's operations is not considered significant.

Measuring ECLs

Borrower ratings are a primary input into determining probability of default. Probability of default is based off Moody's historical loss rates segmented by borrower rating, industry segment, and exposure at default. Probability of default is adjusted for the maturity of an instrument if it has low credit risk and a maturity of less than a year. Each financial instrument's ECL is calculated individually (assets are not grouped).

The key inputs into the measurement of the ECLs are the probability of default, loss given default and exposure at default. Probability of defaults are calculated based on statistical models (which incorporate forward-looking information, discussed below). If a counterparty's borrower ratings changes, the probability of default and subsequent calculation of the ECL will also change. Loss given default is the size of the likely loss in the case of default. Loss given default is estimated based on historical data from external sources and internal subject matter expertise. Loss given default varies by the type of exposure, asset class, and geography of a financial instrument. Exposure at default represents the current exposure amount in the case of a default (for financial assets, this is the carrying value of the asset). For off-balance sheet liability exposures, this is the estimated future amounts that may be drawn under the contract.

Subject to using a maximum 12-month probability of default for financial assets where credit risk has not significantly increased, the Company calculates ECLs considering the risk of default over the maximum contractual period it is exposed to credit risk.

The Company determines an asset is credit impaired when factors described above lead to a lowering of the counterparty's borrower ratings to 9 (default levels). These assets are considered credit-impaired and are measured at lifetime ECLs.

The International Credit Reserve Committee ("ICRC"), made up of Credit Risk and Finance, uses data provided quarterly from the Office of the Chief Economist ("OCE") to incorporate forward-looking information in the ECL calculation. The OCE provides a 12- month most likely scenario that incorporates GDP growth, unemployment rates, and housing prices across global regions into the ECL. Also provided is a downturn scenario for the same data points and a profitability assessment for each scenario over the next 12 months. The ICRC adjusts the ECL calculation to incorporate this forward-looking information. There were no changes to estimation techniques or significant assumptions made during the reporting period.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.21 Impairment excluding deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.22 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.

1.23 Termination benefits / provision

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.

1.24 Interest receivable and payable

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest receivable and similar income' and 'Interest payable and similar charges' 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.

1.25 Dividends

Equity dividends received are recognised when the right to receive payment is established, which is when the dividends are received or when the dividends are appropriately authorised. Dividends received are classified within 'Income from investment in subsidiary.'

Equity dividends paid are recognised in equity in the period in which they are paid or, if earlier, when approved by the shareholder of the Company.

1.26 Comparatives

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

Notes to the Financial Statements
For the Year Ended 31 December 2022

2. Turnover

	2022 $000	2021 $000
Income for services provided to group entities	433,085	447,895

Further details on transfer pricing are disclosed in note 11 below.

3. Administrative expenses

	2022 $000	2021 $000
Staff costs (note 4)	266,609	278,072
Depreciation of tangible fixed assets (note 15)	15,818	18,122
Amortisation of intangible fixed assets (note 14)	149	212
Right of use asset impairment charge (note 15)	4,635	-
Other administrative expenses	93,307	97,509
	380,518	393,915

4. Staff costs

	2022 $000	2021 $000
Wages and salaries	200,025	210,371
Social security costs	29,013	29,127
Share based payments	14,752	12,296
Cost of defined benefit plan (note 28)	(122)	(105)
Cost of defined contribution plan	16,212	16,698
Other staff costs	6,729	9,685
Total staff costs	266,609	278,072

The average number of persons employed by the Company during the year was 1,438 (2021: 1,394), all of whom support activities of fellow group undertakings.

5. Other operating (expense) / income

	2022 $000	2021 $000
Foreign exchange difference (loss) / gain	(329)	39

Notes to the Financial Statements
For the Year Ended 31 December 2022

6. Income from investment in subsidiary

	2022 $000	2021 $000
Dividend received	-	50,000

There were no dividends received during the year. On 16 September 2021, the Company received a dividend payment of $2.35 per ordinary share, amounting to $50,000,000 from Northern Trust Global Investments Limited.

7. Auditor's 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.

	2022 $000	2021 $000
Statutory audit	55	68
Audit related assurance services	-	-
Other assurance services	-	-
Tax advisory services	-	-
Total auditor's remuneration	55	68

8. Directors' remuneration

Directors' remuneration is allocated based on the apportionment of time incurred by Directors in respect of qualifying services to the Company.

The remuneration of the Directors was as follows:

	2022 $000	2021 $000
Directors' remuneration	50	49
Amount of money receivable by Directors under short-term incentive plan	11	8
Amount of money receivable by Directors under long-term incentive plan	15	11
Company contributions paid to defined contribution pension plan	-	1
	76	69

Short term and long term incentives awarded are delivered in the form non-cash instruments and these restricted stock units are recognised over the period that the restricted stock vests. Certain restricted stock units vested during the current year.

The number of Directors who were members of the Company's defined contribution pension plan during the year was 2 (2021: 2). None of the Directors were members of the defined benefit plan during the current or prior years.

The Directors did not exercise share options during the year (2021: Nil). The number of Directors in respect of whose services shares were received or repayable under long term incentive schemes during the year was 2 (2021: 2). No compensation was paid during the year to past or present Directors pertaining to compensation for loss of office.

Notes to the Financial Statements
For the Year Ended 31 December 2022

9. Interest receivable and similar income

	2022	2021
	$000	$000
Interest receivable and similar income	4,555	259

10. Interest payable and similar charges

	2022	2021
	$000	$000
Interest on lease liabilities (note 23)	(2,195)	(2,251)

11. 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 Corporation 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.

	2022	2021
	$000	$000
Profit and loss account		
Amounts transferred to the global transfer pricing pool	(4,446)	(553)
Re-imbursement of expenses plus mark-up	437,531	448,448
Transfer pricing allocation for the Company (note 2)	433,085	447,895

Notes to the Financial Statements
For the Year Ended 31 December 2022

12. Taxation

	2022 $000	2021 $000
Corporation tax		
Current tax on profits for the year	**12,904**	11,096
Adjustments in respect of previous periods	**835**	(412)
Total current tax charge	**13,739**	10,684
Deferred tax		
Rate change	**(65)**	(561)
Defined benefit pension plan	**(143)**	7
Post retirement medical benefits	**5**	10
Fixed assets	**689**	466
Other timing differences	**100**	744
Adjustments in respect of previous periods	**415**	330
Total deferred tax charge	**1,001**	996
Total tax charge	**14,740**	11,680

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are explained below:

	2022 $000	2021 $000
Profit on ordinary activities before tax	**54,598**	102,027
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**10,374**	19,385
Effects of:		
Permanent differences	**1,871**	843
Timing differences	**-**	27
Income not taxable (relates to dividends)	**-**	(9,500)
Share based payments	**1,311**	1,502
Adjustments to the tax charge in respect of previous periods	**1,249**	(16)
Impact of change in tax rate	**(65)**	(561)
Total tax charge for the year	**14,740**	11,680

Notes to the Financial Statements
For the Year Ended 31 December 2022

12. Taxation (continued)

Factors that may affect future tax charges

Deferred tax has been recognised at the tax rate, has been substantively enacted and is expected to apply in the period in which timing differences reverse. The tax rate applicable as at 31 December 2022 is 19%. The Government has legislated that from 1 April 2023 the corporation tax rate will increase to 25%. The effects of this substantial enactment have been included in these financial statements.

Deferred tax (credited)/charged to other comprehensive income

Deferred tax on pension benefits charges to other comprehensive income: $309,613 (2021: $3,440). Deferred tax on post retirement medical benefits to other comprehensive income: $25,545 (2021: ($230)).

13. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	$000	$000	$000	$000	$000	$000
Recognised deferred tax assets and liabilities						
Fixed assets	698	1,542	-	-	698	1,542
Other timing differences	824	1,160	-	-	824	1,160
Defined benefit pension plan	-	-	(1,995)	(1,873)	(1,995)	(1,873)
Post retirement medical benefit	27	61	-	-	27	61
	1,549	2,763	(1,995)	(1,873)	(446)	890

	1 January 2022	Recognised in income	31 December 2022
	$000	$000	$000
Movement in deferred tax during the year			
Fixed assets	1,542	(844)	698
Other timing differences	1,160	(336)	824
Defined benefit pension plan	(1,873)	(122)	(1,995)
Post retirement medical benefit	61	(34)	27
	890	(1,336)	(446)

	1 January 2021	Recognised in income	31 December 2021
	$000	$000	$000
Movement in deferred tax during prior year			
Fixed assets	1,501	41	1,542
Other timing differences	1,847	(687)	1,160
Defined benefit pension plan	(1,513)	(360)	(1,873)
Post retirement medical benefit	54	7	61
	1,889	(999)	890

Notes to the Financial Statements
For the Year Ended 31 December 2022

14. Intangible assets

	Computer software $000
Cost	
At 1 January 2022	1,507
Additions	411
Disposals	(221)
At 31 December 2022	1,697
Amortisation	
At 1 January 2022	554
Charge for the year	149
Disposals	(221)
At 31 December 2022	482
Net book value	
At 31 December 2022	1,215
At 31 December 2021	953

Intangible assets comprise of computer software which is amortised on a straight line basis over 7 years. Amortisation is recognised within "Administrative expenses" in the Profit and Loss Account.

Notes to the Financial Statements
For the Year Ended 31 December 2022

15. Tangible fixed assets

	Long-term leasehold property $000	Fixtures and fittings $000	Office equipment $000	Other fixed assets $000	Total $000
Cost or valuation					
At 1 January 2022	175,637	4,707	38,190	233	218,767
Additions	824	67	3,412	-	4,303
Disposals	(12,726)	(199)	(10,082)	-	(23,007)
Asset recategorisation	(1,346)	588	758	-	-
At 31 December 2022	162,389	5,163	32,278	233	200,063
Depreciation					
At 1 January 2022	60,793	1,135	22,897	-	84,825
Charge for the year	8,819	485	6,514	-	15,818
Disposals	(3,226)	(202)	(10,207)	-	(13,635)
At 31 December 2022	66,386	1,418	19,204	-	87,008
Net book value					
At 31 December 2022	96,003	3,745	13,074	233	113,055
At 31 December 2021	114,844	3,572	15,293	233	133,942

During 2022, the Company recognised impairment charges of $4,634,567 (2021: Nil) on the right of use assets recognised for floor 4 and floor 5 under the lease agreement held at 50 Bank Street, Canary Wharf, London, United Kingdom, following a decision to cease occupation. The impairment charge is reported in Disposals in Cost or valuation under Long-term leasehold property.

Included in the current year depreciation charge under 'Long-term leasehold property' is $6,058,055 (2021: $8,196,000) relating to depreciation for right of use assets accounted for under IFRS 16 Leases. The combined impairment and depreciation of $10,692,622 was taken to the income statement.

During the year, a number of assets required a change of asset class. Assets transferring asset class are disclosed under 'Asset recategorisation'.

16. Investment in subsidiary

	2022 $000	2021 $000
Cost	37,180	37,180

The Company owns 100% of the ordinary shares in Northern Trust Global Investments Limited, 50 Bank Street, Canary Wharf, London, E14 5NT, a company incorporated in the United Kingdom. The principal activities of the subsidiary comprise of investment management services. No commitments, guarantees or contingencies have been undertaken on behalf of the subsidiary.

An impairment assessment was performed for the year ended 31 December 2022 and there was no impairment on the investment during the year.

Notes to the Financial Statements
For the Year Ended 31 December 2022

17. Debtors: Amounts falling due within one year

	2022	2021
	$000	$000
Amounts owed by group undertakings	80,806	74,872
Other debtors	124	3,570
Prepayments and accrued income	8,118	11,068
Deferred taxation (note 13)	1,549	2,763
	90,597	92,273

The amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand.

18. Cash and cash equivalents

	2022	2021
	$000	$000
Cash at bank and in hand	3,009	3,048
Deposits with fellow group companies	286,285	279,883
	289,294	282,931

19. Creditors: Amounts falling due within one year

	2022	2021
	$000	$000
Amounts owed to group undertakings	7,290	35,919
Deferred taxation (note 13)	1,995	1,873
Social security	5,251	5,221
Other creditors	1,005	6,431
Accruals and deferred income	13,290	23,777
Cash based incentives	38,053	35,339
Lease liability (note 23)	2,900	9,313
	69,784	117,873

The amounts owed to group undertakings are unsecured, non-interest bearing and payable on demand.

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

	2022	2021
	$000	$000
Lease liability (note 23)	77,612	84,972

Creditors amounts falling due after more than one year presents the Company's obligation for lease agreements held for properties at 50 Bank Street, Canary Wharf, London, E14 5NT and at Horsecroft Road, Unit 9, Roydonbury Industrial Estate Harlow, CM19 5BZ, UK, and for an agreement entered into by the Company to lease data center property and services.

Notes to the Financial Statements
For the Year Ended 31 December 2022

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

On 28 February 2020, a new revised lease agreement was signed and executed on the property located at 50 Bank Street, Canary Wharf, London, UK, E14 5NT. The new revised lease agreement extended the existing lease term by 15 years, and replaced the existing lease agreement with the Landlord that was entered into on 25 November 2002. The new lease agreement commenced on 1 April 2020 and ceases on 31 March 2037 for floors 4-11, and commenced on 1 April 2020 and ceased on 31 March 2022 for floors 1 and 2 respectively.

The Company agreed with the Landlord to surrender floor 1 effective as at 15 January 2022 and to surrender floor 2 effective as at 31 March 2022 at the property held under lease agreement at 50 Bank Street, Canary Wharf, London, United Kingdom, E14 5NT.

21. Financial instruments

	2022 $000	2021 $000
Financial assets		
Financial assets measured at amortised cost (note 18)	**289,294**	282,931
Financial assets that are debt instruments measured at amortised cost	**99,963**	78,443
	389,257	361,374
Financial liabilities		
Financial liabilities measured at amortised cost	**(108,732)**	(200,973)

22. Provision for liabilities and charges

	2022 $000	2021 $000
Dilapidations		
1 January	**729**	806
Accretion	**14**	3
Provision reassessment	**117**	(73)
Foreign currency translation adjustment	**(80)**	(7)
31 December	**780**	729

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.

The dilapidation provision as at 31 December 2022 of $780,000 relates to the Company's reinstatement obligation under the lease agreement for the property held at Horsecroft Road, Unit 9, Roydonbury Industrial Estate Harlow, CM19 5BZ, UK.

Notes to the Financial Statements
For the Year Ended 31 December 2022

22. Provision for liabilities and charges (continued)

	2022	2021
	$000	$000
Termination benefits		
1 January	**730**	2,375
Provision raised	**1,266**	6,684
Provision utilised	**(1,919)**	(8,388)
Foreign currency translation adjustment	**(77)**	59
31 December	**-**	730

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.

	2022	2021
	$000	$000
Total provision for liabilities and charges	**780**	1,459

23. Leases

On 25 November 2002, the Company entered into a lease agreement for property held at 50 Bank Street, Building HQ-4, Canary Wharf, London, E14 5NT, UK. This lease agreement was due to cease on 31 March 2022, and was replaced by a new lease entered into on 28 February 2020.

On 6 February 2009, the Company entered into a lease agreement for property held at Horsecroft Road, Unit 9, Roydonbury Industrial Estate Harlow, CM19 5BZ, UK. The lease term per the lease agreement ceases on 5 February 2029.

On 1 January 2018, the Company entered into an agreement to lease data center property and services. This lease term ceased on 30 November 2021. On 1 December 2021, the Company entered a revised lease agreement for the provision of property and data center services. The lease term per the revised lease agreement ceases on 30 November 2024. The Company recognises this lease agreement as a finance lease and accounts for the lease as right of use asset under Tangible Fixed Assets.

On 28 February 2020, a new revised lease agreement was signed and executed on the property located at 50 Bank Street, Canary Wharf, London, UK, E14 5NT. The new revised lease agreement extended the existing lease term by 15 years, and replaced the existing lease agreement with the Landlord that was entered into on 25 November 2002. The new lease agreement commenced on 1 April 2020 and ceases on 31 March 2037 for floors 4-11, and commenced on 1 April 2020 and was expected to cease on 31 March 2022 for floors 1 and 2.

The Company agreed with the Landlord to surrender floor 1 effective as at 15 January 2022 and to surrender floor 2 effective as at 31 March 2022 at the property held under lease agreement at 50 Bank Street, Canary Wharf, London, United Kingdom, E14 5NT.

In December 2022, the Company recognised impairment charges on the right of use assets recognised for floor 4 and floor 5 under the lease agreement held at 50 Bank Street, Canary Wharf, London, E14 5NT, UK following a decision to cease using floor 4 and floor 5. Subsequently, it was concluded that the respective right of use assets were impaired and the Company immediately recognised impairment charges of $4,634,567.

On 25 May 2023, the Company entered into a sublease agreement to partially sublease floor 5 of the property held at 50 Bank Street, Canary Wharf, London, E14 5NT, UK. The lease term per the sublease agreement commenced on 25 May 2023 and is expected to cease on 25 May 2033.

Notes to the Financial Statements
For the Year Ended 31 December 2022

23. Leases (continued)

	2022	2021
	$000	$000
ROU assets		
Balance as at 1 January	**83,612**	89,356
Additions during the year (note 15)	**-**	2,650
Depreciation charge for the year (note 15)	**(6,058)**	(8,196)
Impairment charges	**(4,635)**	-
Disposals during the year	**(3,869)**	(198)
Carrying amount of ROU asset as at 31 December	**69,050**	83,612

During 2022, the Company recognised impairment charges of $4,634,567 on the right of use assets recognised for floor 4 and floor 5, under the lease agreement held at 50 Bank Street, Canary Wharf, London, E14 5NT, UK following a decision to cease occupancy.

	2022	2021
	$000	$000
Maturity analysis of lease liabilities (undiscounted)		
Less than 1 year	**931**	3,125
1 to 5 years	**33,322**	29,329
More than 5 years	**64,761**	81,847
Total undiscounted lease liabilities as at 31 December	**99,014**	114,301
Amounts recognised in profit and loss		
Interest on lease liabilities (note 10)	**2,195**	2,251
Depreciation charge for ROU assets (note 3 and 15)	**10,693**	8,196
Total amount recognised in profit and loss as at 31 December	**12,888**	10,447

	2022	2021
Lease liabilities included in the statement of financial position at 31 December	**$000**	$000
Balance as at 1 January	**94,285**	102,119
Lease additions	**-**	2,131
Lease disposals	**(2,490)**	-
Rental payments	**(1,094)**	(11,245)
Interest on lease liabilities	**321**	2,232
Foreign currency translation adjustment	**(10,510)**	(952)
Balance as at 31 December	**80,512**	94,285
Current (note 19)	**2,900**	9,313
Non-current (note 20)	**77,612**	84,972

The Company had cash outflows for leases of $11,682,632 in 2022 (2021: $10,482,228).

Notes to the Financial Statements
For the Year Ended 31 December 2022

24. Share capital

	2022	2021
	$000	$000
Authorised, allotted, called up and fully paid		
40,000,000 ordinary share capital shares of $1 each	40,000	40,000

The Company is not subject to any external capital requirements. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. 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 of $1,687,000 has been taken to the Merger Reserve.

26. Equity dividends

	2022	2021
	$000	$000
Dividends paid	-	150,000

There were no dividends paid during the year. On 15 October 2021, the Company paid a final dividend of $3.75 per share amounting to $150,000,000 to The Northern Trust International Banking Corporation.

27. 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.

28. Pension commitments

The Company operates a defined benefit pension plan, defined contribution pension arrangements (under the same pension plan) and a 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 2022 in respect of the defined contribution plan (2021: 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 closed to future service accrual.

The Plan is established under trust and the Trustee is the Northern Trust Company UK Pension Plan Limited. The Plan assets are held under the trust and are managed by third party investment managers. The Plan is governed by the Trustee who is required to act in accordance with the trust deed and 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 Pension Act 2004, every scheme is subject to the "Statutory Funding Objective", which requires that the defined benefit plan 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 1 January 2020 by the Plan Actuary, a professionally qualified independent actuary, revealed that the funding deficit notes in the previous valuation has changed to a surplus and the Company has agreed that no further funding is required. Funding requirements will continue to be assessed.

Notes to the Financial Statements
For the Year Ended 31 December 2022

28. Pension commitments (continued)

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 increased member life expectancy. The post-retirement medical scheme is a closed scheme.

Reconciliation of present value of pension liabilities:

	2022	2021
	$000	$000
At the beginning of the year	(50,754)	(57,172)
Interest on obligation	(817)	(737)
Actuarial gain	15,026	5,152
Benefits paid	2,318	1,559
Foreign exchange gain	5,288	444
At the end of the year	(28,939)	(50,754)

Reconciliation of fair value of plan assets:

	2022	2021
	$000	$000
At the beginning of the year	58,245	65,135
Interest income	939	842
Actuarial loss	(13,788)	(5,660)
Benefits received	(2,318)	(1,559)
Foreign exchange loss	(6,162)	(513)
At the end of the year	36,916	58,245

Composition of plan assets:

	2022	2021
	$000	$000
Index linked gilts	3,987	6,057
Fixed interest gilts	27,983	44,324
Diversified growth fund	4,615	7,456
Cash	331	408
Total plan assets	36,916	58,245

All of the plan'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.

	2022	2021
	$000	$000
Fair value of plan assets	36,916	58,245
Present value of pension liabilities	(28,938)	(50,753)
Net pension plan asset	7,978	7,492

Notes to the Financial Statements
For the Year Ended 31 December 2022

28. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2022	2021
	$000	$000
Interest on obligation	(817)	(737)
Interest income on plan assets	939	842
Total	122	105

	2022	2021
	$000	$000
Analysis of actuarial gain / (loss) recognised in Other Comprehensive Income		
Actual gain on defined benefit plan	15,026	5,153
Return on pension plan assets loss	(13,788)	(5,660)
Gain / (loss) recognised in Other Comprehensive Income	1,238	(507)

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

	2022	2021
	%	%
Discount rate at end of year	4.80	1.80
Price inflation	3.40	3.50
Rate of salary increase	2.90	3.00
Rate of increase of pension payments	5.00	5.00
Rate of pension increases in defined benefits	2.90	3.00
Annual increase in healthcare costs	6.90	7.00

Sensitivity analysis

	Rate	Sensitivity Analysis	Defined Benefit Plan $000
Discount rate	4.80%	0.1% increase	(304)
Price inflation (RPI)	3.40%	0.1% increase	15
Pension increases in-payment for service from 1 January 2002	2.90%	0.1% increase	54
Mortality - Long term trend	1.50%	2.0% increase	353

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 Consumer Price Index ("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 be 3.00% per annum per the independent actuarial report).

Notes to the Financial Statements
For the Year Ended 31 December 2022

28. Pension commitments (continued)

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 a 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 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.

29. Post-retirement medical benefits

Reconciliation of post retirement medical benefits	2022 $000	2021 $000
At the beginning of the year	(238)	(283)
Other finance charge	7	7
Actuarial gain	(4)	(5)
Benefits paid	102	40
Foreign exchange gain	25	3
At the end of the year	(108)	(238)

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.

Analysis of post retirement medical benefits actuarial gain:	2022 $000	2021 $000
Experience gains arising on the scheme liabilities	17	43
Changes in assumptions underlying the present value of the scheme liabilities	85	(3)
Actuarial gain recognised in the Statement of Other Comprehensive Income	102	40

30. Share based payments

The Company participates in the Northern Trust Corporation 2017 Long-Term Incentive Plan (2017 Plan) which is administered by the Compensation and Benefits Committee ("the Committee") of the Board of Directors of the Group. The 2017 Plan provides for the grant of non-qualified and incentive stock options; tandem and free-standing stock appreciation rights; stock awards in the form of restricted stock, restricted stock units and other stock awards; and performance awards. Beginning with grants made on February 21, 2017 under the Northern Trust Corporation 2012 Stock Plan (2012 Plan), restricted stock unit and performance stock unit grants continue to vest in accordance with the original terms of the award if the applicable employee retires, after satisfying applicable age and service requirements. For all applicable periods, stock option grants continue to vest in accordance with the original terms of the award if the applicable employee retires, after satisfying applicable age and service requirements. Grants are outstanding under the 2017 Plan, the 2012 Plan, and the Amended and Restated Northern Trust Corporation 2002 Stock Plan (2002 Plan). The 2017 Plan was approved by stockholders in April 2017. Upon approval of the 2017 Plan, no additional shares have been or will be granted under the 2012 Plan or 2002 Plan. As of December 31, 2022, shares available for future grant under the 2017 Plan, including shares forfeited under the 2012 Plan and 2002 Plan, totaled 15,034,880.

The weighted average share price at the grant date of share options exercised during the year was $58.48 (2021: $58.10).

There were no options outstanding at the year-end 31 December 2022 (2021: The options outstanding at the year-end 31 December 2021 had an exercise price in the range of $43.65 to $88.06 and a weighted average contractual life of 2.74 years).

Notes to the Financial Statements
For the Year Ended 31 December 2022

31. Risk management

The Company has a conservative attitude towards financial and non-financial risk with a long-term objective of stability.

The Company's Board is responsible for monitoring compliance with Northern Trust's risk management framework in relation to risks faced by the Company. Audit Services undertakes both periodic and ad-hoc reviews of risk management controls and procedures, the results of which are reported to senior management.

This note presents information about the Company's exposure to financial and non-financial 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 risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Company aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on the Company's financial performance. Northern Trust Corporation ("NTC") has established a risk management framework to define, measure, monitor and control risk. It provides a comprehensive overview of how risk is managed across Northern Trust and the risk expectations for all partners.

Credit risk

Credit risk is the risk to interest income or principal from the failure of a borrower or counterparty to perform an obligation. For the Company, principal credit risk mainly arises from the loss of principal and interest on bank deposit balances.

Management of credit risk

Credit risk arising in the context of the Company's operations is not considered significant.

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

The Company operates within the Northern Trust liquidity management framework. Liquidity risk at Northern Trust is ultimately governed by the Asset and Liability Management Committee (ALCO) from a first line of defence perspective and the Market and Liquidity Risk Committee (MLRC) from a second line of defence perspective. At 31 December 2022 the Company's only significant liabilities were accrued expenses, liabilities arising on lease agreements and balances due to group companies. On this date, the Company had sufficient cash reserves to meet all liabilities as they fall due.

Market risk

From the Company's perspective, trading risk arises predominantly through 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.

At 31 December 2022, the Company did not have any material exposure to exchange rate fluctuations impacting on Profit before Tax.

Management of market risk

Market risk is managed at the corporate level by ALCO from a first line of defence perspective and MLRC from a second line of defence perspective. The Company does not engage in investment trading activities thus the directors are satisfied that the company is not subject to material market risk.

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.

Notes to the Financial Statements
For the Year Ended 31 December 2022

31. **Risk management (continued)**

Operational risk

Northern Trust defines operational risk as the risk of loss from inadequate or failed internal processes, human factors and systems or from external events. The objective is to manage operational risk so as to balance the avoidance of financial losses and reputational damage with overall cost effectiveness.

Management of operational risk

The Company implements NTC's operational risk framework which is subject to documented policies. Senior management within the Northern Trust Group are responsible for implementing and maintaining these policies. The Board of Directors regularly review the operational risks facing the Company and manage these accordingly.

32. **Contingent liabilities / capital commitments**

The Company had no contingent liabilities / capital commitments at 31 December 2022 and 31 December 2021.

33. **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 judgement (apart from those involving estimates) has 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 11.

34. **Post balance sheet events**

On 25 May 2023, the Company entered into a sublease agreement to partially sublease floor 5 of the property held at 50 Bank Street, Canary Wharf, London, E14 5NT, UK. The lease term per the sublease agreement commenced on 25 May 2023 and is expected to cease on 25 May 2033

There were no other significant events affecting the Company since the year end.

35. **Streamlined Energy and Carbon Reporting ("SECR") (Unaudited)**

The Company is committed to managing its own operational footprint and transitioning to a low-carbon economy. In accordance with the 2018 regulations which amend the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, the following energy and carbon sources are required to be reported within large unquoted company annual financial statements:

- Natural gas consumption
- Electricity consumption
- Transport consumption where the organisation has direct responsibility for the purchasing of fuel e.g., for company *vehicles and personal vehicles used for business purposes.*

Below is a summary of the SECR reporting requirements for the Company for the financial year ended 31 December 2022.

Notes to the Financial Statements
For the Year Ended 31 December 2022

35. Streamlined Energy and Carbon Reporting ("SECR") (Unaudited) (continued)

Emission source	2022	2021
Energy consumption (Kwh)	**3,987,611**	4,576,855
Emissions from combustion of fuels (Scope 1: CO2e tonnes)	**40.93**	71.93
Emissions from purchased electricity (Scope 2: CO2e tonnes)	**727.76**	886.89
Emissions from employee travel on company business (Scope 3: CO2e tonnes)	**17.77**	16.46
Gross CO2e tonnes based on above	**786.46**	975.27
Intensity ratio (CO2e tonnes / m2 floor area)	**0.0529**	0.0557

Quantification and reporting methodology

The methodologies used to calculate the above CO2e emissions were prepared in accordance with "The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition)" and "The Department of Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guidelines (2022)."

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO_2e per m2.

Measures taken to improve energy efficiency

The Company continues to review and implement new energy saving opportunities. During 2021 and 2022, the property at 50 Bank Street, Canary Wharf, London, United Kingdom, E14 5NT underwent a major interior refurbishment. The refurbishment included the installation of light emitting diode (LED) lighting and implementation of other energy saving measures throughout the building.

36. 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, Illinois.

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.