The Northern Trust Company of Saudi Arabia

(A Saudi Closed Joint Stock Company)

Financial Statements

For the year ended 31 December 2023

Together with the Independent Auditor's Report

Contents **Page**

KPMG Professional Services
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Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the shareholders of Northern Trust Company of Saudi Arabia

Opinion

We have audited the financial statements of **Northern Trust Company of Saudi Arabia** (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss, statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2023.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

To the Shareholder of Northern Trust Company of Saudi Arabia (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Northern Trust Company of Saudi Arabia** (the "Company").

KPMG Professional Services

Saleh Mohammed S Mostafa
License No: 524

Al Riyadh on: 31 March 2024
Corresponding to: 21 Ramadan 1445H

Statement of Financial Position
As at 31 December 2023

	Note	31 December 2023	31 December 2022
Assets		**SAR**	SAR
Non-current assets			
Property and equipment, net	6	**761,099**	1,409,158
Right of Use assets, net	24	**421,861**	1,145,050
Deferred tax asset	20	**629,638**	471,489
Total non-current assets		**1,812,598**	3,025,697
Current assets			
Due from related parties	8	**779,489**	141,619
Accrued income and fee receivable, net	9	**15,359,108**	20,693,538
Prepayments and other current assets	11, 20	**3,286,635**	4,004,549
Cash and cash equivalents, net	7	**127,550,128**	124,720,343
Total current assets		**146,975,360**	149,560,049
Total assets		**148,787,958**	152,585,746
Liabilities			
Non-current liabilities			
Employees' end of service benefits	12	**1,479,411**	1,041,675
Leases	24	**-**	75,147
Total non-current liabilities		**1,479,411**	1,116,822
Current liabilities			
Due to related parties	8	**254,119**	11,179,830
Accrued expenses and other liabilities	10	**3,028,214**	11,696,873
Tax provisions	20	**-**	1,641,580
Leases	24	**16,642**	715,001
Total current liabilities		**3,298,975**	25,233,284
Total Liabilities		**4,778,386**	26,350,106
Shareholder's Equity			
Share capital	13	**52,000,000**	52,000,000
Statutory reserves	14	**15,600,000**	15,600,000
Remeasurement reserve of employees' end of service benefits and deferred tax		**702,334**	644,316
Retained earnings		**75,707,238**	57,991,324
Total shareholder's equity		**144,009,572**	126,235,640
Total liabilities and shareholder's equity		**148,787,958**	152,585,746

Statement of Profit or Loss
For the Year Ended 31 December 2023

	Note	For the Year Ended 31 December 2023 SAR	For the Year Ended 31 December 2022 SAR
Revenues			
Revenue from contracts with customers	15	**42,100,254**	41,800,171
Transfer pricing revenues	8	**24,921,514**	55,620,808
Custodian fees		**(25,668,278)**	(44,356,746)
Net operating revenues		**41,353,490**	53,064,233
Expenses			
Salaries and employee related expenses	18	**(16,940,641)**	(17,305,946)
Legal and professional expenses		**(2,955,741)**	(1,636,277)
Occupancy expenses		**(378,462)**	(301,377)
Business development expenses		**(180,299)**	(389,568)
Depreciation	6,24	**(1,401,795)**	(1,418,530)
Interest expense	24	**(8,954)**	(26,698)
Other expenses		**(3,098,897)**	(3,988,117)
Total operating expenses		**(24,964,789)**	(25,066,513)
Operating profit		**16,388,701**	27,997,720
Other income	16	**5,622,368**	1,388,484
Profit before income tax		**22,011,069**	29,386,204
Income tax expense	20	**(4,295,155)**	(6,331,254)
Profit for the year		**17,715,914**	23,054,950

Statement of Comprehensive Income
For the Year Ended 31 December 2023

	Note	For the Year Ended 31 December 2023 SAR	For the Year Ended 31 December 2022 SAR
Profit for the year		**17,715,914**	23,054,950
Items that will not be reclassified to profit or loss in subsequent years			
Actuarial gains on defined benefit obligations	12	**72,522**	444,836
Related deferred tax	20	**(14,504)**	(88,967)
		58,018	355,869
Total comprehensive income for the year		**17,773,932**	23,410,819

Statement of Changes in Shareholder's Equity
For the Year Ended 31 December 2023

	Share Capital	Statutory Reserves	Remeasurement Reserve of Employees' End of Service Benefits and Deferred Tax	Retained Earnings	Total Shareholder's Equity
	SAR	SAR	SAR	SAR	SAR
Balance as at 1 January 2022	**52,000,000**	**14,623,566**	**288,447**	**100,912,808**	**167,824,821**
Total profit for the year	-	-	-	23,054,950	23,054,950
Actuarial gains on employees' end of service benefits	-	-	355,869	-	355,869
Transfer to statutory reserves	-	976,434	-	(976,434)	-
Dividend declared	-	-	-	(65,000,000)	(65,000,000)
Balance as at 31 December 2022	**52,000,000**	**15,600,000**	**644,316**	**57,991,324**	**126,235,640**
Total profit for the year	-	-	-	17,715,914	17,715,914
Actuarial gains on employees' end of service benefits	-	-	58,018	-	58,018
Transfer to statutory reserves	-	-	-	-	-
Balance as at 31 December 2023	**52,000,000**	**15,600,000**	**702,334**	**75,707,238**	**144,009,572**

Statement of Cash Flows
For the Year Ended 31 December 2023

	Note	For the Year Ended 31 December 2023 SAR	For the Year Ended 31 December 2022 SAR
Cash flows from operating activities			
Profit for the year		**17,715,914**	23,054,950
Adjustments to reconcile net income to net cash generated in operating activities:			
Depreciation	6,24	**1,401,795**	1,418,531
Foreign currency gain/(loss)		**1**	(2)
Provision for employees' end of service benefits	12	**523,407**	533,723
Interest expense	24	**8,954**	26,698
Income tax	20	**4,295,155**	6,331,254
		23,945,226	31,365,154
Changes in operating assets and liabilities:			
(Increase)/decrease in related party receivables		**(637,870)**	3,952,731
Decrease/(increase) in prepayments and other current assets		**1,101,073**	(2,572,887)
Decrease in accrued income and fee receivables		**5,334,430**	13,233,121
Increase/(decrease) in accrued expenses and other current liabilities		**(19,594,370)**	10,337,138
Cash generated from operating activities		**10,148,489**	56,315,257
Employees' end of service benefits paid	12	**(13,149)**	(272,795)
Income tax paid	20	**(6,492,548)**	(5,854,334)
Net cashflow from operating activities		**3,642,792**	50,188,128
Cash flows from investing activities			
Purchase of property and equipment	6	**(30,547)**	(34,741)
Net cashflow (used in) investing activities		**(30,547)**	(34,741)
Cash flows from financing activities			
Dividends declared and paid during the year		**-**	(65,000,000)
Payments for the principal portion of the lease liability	24	**(782,460)**	(782,460)
Net cashflow (used in) financing activities		**(782,460)**	(65,782,460)
Net increase/(decrease) in cash and cash equivalents		**2,829,785**	(15,629,073)
Cash and cash equivalents at beginning of the year		**124,720,343**	140,349,416
Cash and cash equivalents at end of the year		**127,550,128**	124,720,343
Non-cash transactions			
Actuarial gain on defined benefit obligation		**72,522**	444,836

1. Organisation and its activities

The Northern Trust Company of Saudi Arabia ("the Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010366439 issued in Riyadh on 22 Rabi Al Thani 1434H (corresponding to 04 March 2013), the Capital Market Authority ("CMA") license No. 12163-26 dated 25 Shawwal 1433H (corresponding to 12 September 2012) and ministerial resolution number 70/Q dated 21 Rabi Al Awai 1434H (corresponding to 02 February 2013). The Company received its full CMA operating license on 6 Dhul Al Qa'dah 1434H (corresponding to 12 September 2013).

The Company's registered office is located at the following address: The Northern Trust Company of Saudi Arabia, P.O. Box 3515, Riyadh 11481, Kingdom of Saudi Arabia. The Company is a subsidiary of The Northern Trust Scottish Limited Partnership ("the Holding Company"), registered in the United Kingdom. The ultimate holding Company is The Northern Trust Corporation ("the Group"), registered in the United States of America.

The principal activities of the Company are to offer custody and advisory services relating to financial securities and to manage investment funds and private investment portfolios on behalf of its customers.

2. Basis of preparation of financial statements

a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

b) Basis of measurement

The financial statements have been prepared on historical cost basis using the accrual basis of accounting and the going concern assumption, except for provision for employees' end service benefits which is recognised on present value in addition the the financial instruments and liabilities measured at amortised cost.

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional currency of the Company. All financial information presented in Saudi Arabian Riyal has been rounded to the nearest Riyals, except where otherwise indicated.

3. Standards and amendments issued

The accounting policies adopted are consistent with those of the previous financial year.

a) Assessment of material accounting policies

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments also provide guidance on the application of materiality to disclosure of accounting policies. Management reviewed the accounting policies and made updates to the information disclosed in Summary of Material Accounting Policies (2022: Significant Accounting Policies) in certain circumstances in line with amendments.

3. Standards and amendments issued (continued)

b) *Standards and interpretations in issue but not yet effective*

The following standards, amendments and interpretations were in issue at the date of authorisation of these financial statements, but not yet effective, and therefore were not applied in these financial statements.

The impact of the adoption of these standards is currently being assessed; however, the directors anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a significant impact on the financial statements of the Company.

• 1 January 2024	Classification of Liabilities as Current or Non-current - Amendments to IAS 1
	Lease liability in a Sale and Leaseback Amendments to IFRS 16
• 1 January 2025	Lack of Exchangeability - Amendments to IAS 21
• Available for adoption	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

c) *Changes in accounting policy*

- **Amendments to IAS 1, Disclosure of Accounting Policies**

Amendments to IAS 1 requires companies to disclose their material accounting policy information rather than their significant accounting policies.

- **Amendments to IAS 8, Definition of Accounting Estimates**

Amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

- **Amendments to IAS 12, Deferred Tax**

The amendments, which aim to reduce diversity in the reporting of deferred tax on leases and decommissioning transactions, require entities to recognize deferred tax on initial recognition of particular transactions to the extent that the transaction gives rise to equal amounts of deferred tax assets and liabilities. The amendments apply to particular transactions for which an entity recognizes both an asset and a liability, such as leases and decommissioning obligations.

- **Amendments to IAS 12, OECD Anti-Base Erosion Model Rules (Pillar II)**

The Company has determined that the Pillar II Global Minimum Tax is an income tax in the scope of IAS 12. The Company accounts for the tax as a current tax when it is incurred.

The Company has adopted International Tax Reform – Pillar II Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar II exposure. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in Saudi Arabia and no related deferred tax was recognised at that date, the retrospective application has no impact on the Company's financial statements.

4. Summary of material accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes. These policies have been applied to all the years presented, unless otherwise stated.

a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful lives of assets.

Residual values, useful lives and the method of the depreciation are reviewed annually and adjusted, if appropriate. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the period is recognized in profit or loss

Expenditure for repair and maintenance is charged to the profit or loss. Improvements that increase the value or materially extend the useful life of the related assets are capitalized. The estimated useful lives of assets for calculation of depreciation are as follows:

Leasehold improvements	15 years or lease term whichever is lower
Furniture and fixtures	3-10 years

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss.

b) Revenue recognition

Fee income is recorded on the accrual basis, over the period in which the service is provided. Fees are a function of the market value of assets serviced, the volume of transactions, and fees for other services rendered as set forth in the underlying client agreement. This revenue recognition involves the use of estimates and assumptions, including components that are calculated based on estimated asset valuations and transaction volumes. Revenue recognition from contracts with customers is further explained in note (15).

Commission Income: Commission income on term deposits is recognized on accrual basis.

c) Operating Expenses

The Company follows the accrual basis of accounting to record the operating expenses and recognise as expenses in the period in which they are incurred. Expenses that are deferred for more than one financial period are allocated to expenses over such periods using historical cost.

d) Payables and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the service provider or not.

4. Summary of material accounting policies (continued)

e) Employees' end of service benefits

The Company operates employees' end of service benefits in accordance with the Saudi Arabian regulations. The benefits are accrued using the projected unit credit method as required by IAS 19. Employees’ end service liability is estimated using the average service life of employees, retirement age and historical average salary increments.

The liability is discounted using the appropriate discount rate. The current service and financial cost is charged to profit or loss and actuarial gains/ losses are recognised in the statement of other comprehensive income. The obligation is discharged when employee service terminates.

f) Financial instruments

- **Classification and measurement - financial assets**

Classification and measurement of financial assets are based on the underlying business model and estimated cash flows.

Any derivatives embedded in the contracts are not separated and is considered as a whole for classification. The financial assets are principally categorized as under;

– Measured at amortized cost

– Fair value through other comprehensive income (FVTOCI)

– Fair value through profit or loss (FVTPL)

Financial assets that are initially recognized at fair value are subsequently measured at amortized cost based on expected credit loss (ECL) described below:

– 12-month expected credit losses- expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date.

– Lifetime expected credit losses- expected credit losses that result from all possible default events over the life of the financial instrument.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

- **Trust fee receivables**

Trust fee receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment. A provision for impairment is made where there is objective evidence, including customers with financial difficulties or in default on payments, that amounts will not be recovered in accordance with original terms of the agreement. An allowance for impairment is recognised when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective commission rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income.

4. Summary of material accounting policies (continued)

f) Financial instruments (continued)

- **Financial liabilities**

Financial liabilities include accrued expenses and other liabilities and are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs.

Financial liabilities are subsequently carried at their amortised cost, with commission cost being recognised on an effective yield basis in the consolidated statement of profit or loss and other comprehensive income over the term of the instrument.

- **Trade payables**

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

g) Leases

The Company recognises a "right-of-use" ("ROU") asset and a lease liability at lease commencement date for all leases [except for those with a lease term of 12 months or less for which the short-term lease exemption is applied]. 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.

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.

The Company presents ROU assets in "non-current assets" on the Statement of Financial Position and lease liabilities in "non-current liabilities" on the Statement of Financial Position.

h) Offsetting

Financial assets and liabilities are offset and are reported net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

i) Foreign currency transactions

Foreign currencies transactions are translated and recorded in Saudi Riyals using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year-end exchange rates are recognised in profit or loss.

j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

4. Summary of material accounting policies (continued)

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short- term liquid investments with original maturities of three month or less, if any, which are available to the Company without any restrictions.

l) Taxation

The income tax expense is the tax payable on the current period's taxable income based on the regulations of the Zakat, Tax and Custom Authority ("ZATCA").

Deferred income tax is provided in full, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts used for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Current and deferred tax is recognised in profit or loss, expect to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations.

The Company has determined that the Pillar II Global Minimum Tax is an income tax in the scope of IAS 12. The Company accounts for the tax as a current tax when it is incurred.

The Company has adopted International Tax Reform – Pillar II Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar II exposure. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in Saudi Arabia and no related deferred tax was recognised at that date, the retrospective application has no impact on the Company’s financial statements.

m) Dividends

Interim dividends are recorded as liability in the period in which the Board of Directors approves them. Final Dividends are recorded in the period in which they are approved by the shareholders.

4. Summary of material accounting policies (continued)

n) Share based payments

The fair values of stock and stock unit awards, including performance stock unit awards and director awards, are based on the closing price of the Corporation's stock on the date of grant adjusted for certain awards that do not accrue dividends while vesting.

Compensation expense for share-based award grants with terms that provide for a graded vesting schedule, whereby portions of the award vest in increments over the requisite service period, are recognised on a straight-line basis over the requisite service periods. Adjustments are made for employees that meet certain eligibility criteria at the grant date or during the requisite service period. Northern Trust does not include an estimate of future forfeitures in its recognition of share-based compensation expense. Share-based compensation expense is adjusted based on forfeitures as they occur. Dividend equivalents are accrued for most restricted stock unit awards not yet vested, and are paid upon vesting. Certain restricted stock units are not entitled to dividend equivalents during the vesting period.

o) Impairment of financial assets

- **Cash and cash equivalents**

The Company operates current accounts and hold placements with banks for a maximum period of 3 months. These bank accounts and short term placements are subject to impairment requirements under IFRS 9.

IFRS 9 replaced the "incurred loss" impairment approach and instead requires an "expected loss model" which result in an allowance based on forward-looking information, versus delaying recognition of a credit loss until a credit loss event occurs. The Company applies a general approach to impairment and assess all cash and cash equivalents to carry low credit risk at the reporting date, therefore only recognise 12 months expected credit loss allowance, which reflect expected credit losses that are based on an unbiased and probability-weighted amount, the time value of money, and reasonable and supportable forward-looking information.

Impairment loss if any, are presented as net within operating profit and are included in other operating expenses.

- **Trust and other servicing fees receivables**

IFRS 9 replaces the existing "incurred loss" impairment approach and instead requires an "expected loss model" which result in an allowance based on forward-looking information, versus delaying recognition of a credit loss until a credit loss event occurs. The Company applies simplified approach to impairment and uses a provision matrix for measuring impairment loss at the reporting date.

Impairment loss, if any, are presented as net within operating profit and are included in other operating expenses.

4. Summary of material accounting policies (continued)

p) Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the profit or loss.

5. Critical accounting estimates

a) Measurement of contract assets and fee receivables

The management makes significant assumptions on the estimation of expected credit loss (ECL) in connection with trust fee receivables which is assessed based on the terms of contract and evaluation is made where there is objective evidence, including customers with financial difficulties or in default on payments, possibilities of bankruptcy of the customer that amounts will not be recovered in accordance with original terms of the agreement. Based on such periodic assessment the Company recognises for full lifetime expected losses for all trust fee receivables with or without significant financing transaction and for lease receivables. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses in accordance with IFRS 9.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

While estimating the fair value of an asset or a liability the group takes into consideration the assumptions that market participants would use when pricing the asset or liability for their best economic interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the best use or by selling it to another market participant for the best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For the financial reporting purpose, The Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities;

5. Critical accounting estimates

c) Fair value measurement (continued)

– Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or additions);

– Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

– Level 3: Valuation techniques for which any significant input is not based on observable market data.

6. Property and equipment, net

	31 December 2023 SAR	31 December 2022 SAR
Cost	**3,317,306**	3,468,356
Less: Accumulated depreciation	**(2,556,207)**	(2,059,198)
Net book value at year end	**761,099**	1,409,158

	Leasehold improvements SAR	Furniture & Fixtures SAR	Total SAR
Cost:			
Balance at the beginning of the year	2,880,741	587,615	3,468,356
Additions	-	30,547	30,547
Disposals	-	(181,597)	(181,597)
Balance at the end of year	**2,880,741**	**436,565**	**3,317,306**
Accumulated depreciation:			
Balance at the beginning of the year	1,605,270	453,928	2,059,198
Charge for the year	581,832	96,774	678,606
Disposals	-	(181,597)	(181,597)
Balance at end of the year	**2,187,102**	**369,105**	**2,556,207**

7. Cash and cash equivalents, net

The term deposit was placed with local banks and carries an interest rate of 6.00% per annum (2022: 4.95% to 5.05% per annum) with a maturity period of three months from the date of deposit. The credit rating of Saudi Awwal Bank is A- and Riyad Bank is A- (Fitch Ratings).

	31 December 2023 SAR	31 December 2022 SAR
Cash and bank - current accounts	**72,562,052**	54,737,014
Term deposits	**55,000,000**	70,000,000
	127,562,052	124,737,014
Less: ECL	**(11,924)**	(16,671)
	127,550,128	124,720,343

Movement on ECL the impairment provision for cash and equivalents

	31 December 2023 SAR	31 December 2022 SAR
Opening balance	**16,671**	23,621
Charge for the year	**(4,747)**	(6,950)
Closing balance	**11,924**	16,671

8. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The definition includes Shareholders, the Northern Trust Corporation Group ("the Group"), its affiliated companies and key management personnel. Affiliated companies are other companies whose ultimate holding Company is also The Northern Trust Corporation.

The Company contracts with related parties in the ordinary course of its business in order to provide services to clients of the Company and to procure services for the Company from unrelated vendors. The related party contracts are not separately valued and no compensation is paid. The Company accounts for revenues and expenses as calculated under the Group's global transfer pricing methodology.

Transfer pricing 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 utilization 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 Group's 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 of the Group's service line may engage multiple affiliates to perform functions of varying complexity and value.

The residual profit split methodology framework starts with the Group's 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 tum 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

8. Related party transactions and balances (continued)

business. The determination and the ultimate selection of the appropriate allocation keys begins with an evaluation of the metrics that are representative of relative contributions made by the various entities with respect to each of the product lines. Allocation keys are reassessed on a global basis periodically to ensure that these continue to be representative of the relative contributions of the various product lines.

Transactions entered between related parties during the year ended 31 December are as follows:

Related party	**Nature of transaction**	**31 December 2023 SAR**	31 December 2022 SAR
Affiliates	Net revenue under the transfer pricing policy	**24,921,514**	55,620,808
	Salaries and employees related expenses - allocation of employee costs (share based compensation)	**892,743**	822,315

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company (directly or indirectly) and comprise the Directors and Executives of the Company.

Compensation is allocated based on the apportionment of time incurred by Key Management Personnel in respect of qualifying services to the Company.

The compensation of the key management personnel for the year ended December were as follows

	31 December 2023 SAR	31 December 2022 SAR
Salaries and short term benefits	**7,939,228**	8,755,358
End of service benefits	**-**	233,857
Share-based payments	**801,517**	827,010
	8,740,745	9,816,225

The end of service benefits payable to key management personnel were as follows:

	31 December 2023 SAR	31 December 2022 SAR
End of service benefits payable	**589,252**	376,864

The independent non-executive directors are entitled to a fee on basis of their respective service agreements with the Company. The fee for December 2023 was SAR 620,000 (Dec 2022: SAR 458,750).

8. Related party transactions and balances (continued)

The related party balances outstanding at 31 December are as follows:

Due from related parties	31 December 2023 SAR	31 December 2022 SAR
The Northern Trust Company, USA	**541,836**	141,619
The Northern Trust Company, London Branch	**113,184**	-
Other affiliates	**124,469**	-
	779,489	141,619

The management has reviewed the impairment value on the outstanding balances and was immaterial on the financial statement as of December 31, 2023.

Due to related parties	31 December 2023 SAR	31 December 2022 SAR
The Northern Trust Company, London Branch	**-**	10,946,372
Other affiliates	**254,119**	233,458
	254,119	11,179,830

9. Accrued income and fee receivable, net

	31 December 2023 SAR	31 December 2022 SAR
Accrued fee income	**10,078,174**	15,070,205
Accrued commission income	**405,833**	395,063
Trust and other service fee receivables	**5,253,172**	7,055,209
	15,737,179	22,520,477
Less: Provision for impairment	**(378,071)**	(1,826,939)
	15,359,108	20,693,538

Movement in the impairment provision for trust and other service fee receivables

	31 December 2023 SAR	31 December 2022 SAR
Opening balance	**1,826,939**	617,754
(Reversal)/charge for the year	**(1,448,868)**	1,209,185
Closing balance	**378,071**	1,826,939

Ageing of trust and other service fee receivables.

9. Accrued income and fee receivable, net (continued)

	31 December 2023 SAR	31 December 2022 SAR
Neither past due nor impaired	**1,071,012**	232,770
Past due but not impaired		
Less than 180 days	**2,140,549**	1,689,534
Less than 365 days	**2,041,611**	2,966,135
More than 365 days	**-**	2,166,770
Total past due but not impaired	**4,182,160**	6,822,439
Total	**5,253,172**	7,055,209

10. Accrued expenses and other payables

	31 December 2023 SAR	31 December 2022 SAR
Accrued custodian fees	**513,724**	8,501,353
Accounts payable	**98,860**	1,177,988
Staff related expenses payable	**1,508,293**	1,643,487
Other accrued expenses	**907,337**	374,045
	3,028,214	11,696,873

11. Prepayments and other current assets

	31 December 2023 SAR	31 December 2022 SAR
Prepaid expenses	**621,794**	909,705
Other current assets	**990,136**	482,256
VAT recoverable	**1,291,546**	2,612,588
	2,903,476	4,004,549

The VAT recoverable balance relates to VAT repayments held on the Saudi tax account which will be offset against future VAT payments.

12. Employee's end of service benefits

General description

The company provides an end service benefits to all employees in accordance with the Saudi Arabia regulations.

Principal actuarial assumptions

The actuarial valuation was carried out based on projected unit credit method, using the following significant assumptions.

12. Employee's end of service benefits (continued)

Principal actuarial assumptions	31 December 2023 SAR	31 December 2022 SAR
Valuation discount rate	**5.00 %**	5.30 %
Rate of salary increases	**4.00 %**	5.00 %
Withdrawal rate	**10.00 %**	10.00 %

Reconciliation of defined benefit obligation	31 December 2023 SAR	31 December 2022 SAR
Present value of defined benefits obligation	**1,479,411**	1,041,675
Net Liability	**1,479,411**	1,041,675

Movement of defined benefit obligation	31 December 2023 SAR	31 December 2022 SAR
Opening balance	**1,041,675**	1,225,583
Charge to statement of profit or loss	**523,407**	533,723
Charge to comprehensive income	**(72,522)**	(444,836)
Payment of benefits during the year	**(13,149)**	(272,795)
	1,479,411	1,041,675

Reconciliation of present value of defined benefit obligation	31 December 2023 SAR	31 December 2022 SAR
Opening balance	**1,041,675**	1,225,583
Current service cost	**458,547**	495,859
Financial cost	**64,860**	37,864
Actuarial gain from experience adjustments	**(72,522)**	(444,836)
Benefits paid	**(13,149)**	(272,795)
	1,479,411	1,041,675

	31 December 2023 SAR	31 December 2022 SAR
Sensitivity Analysis		
0.5% decrease in discount rate	**58,813**	43,565
1.00% decrease in salary	**(108,942)**	(79,984)
5.00% decrease in withdrawal rate	**212,429**	193,921

13. Share capital

As at 31 December 2023, the authorised, issued and paid-up share capital of the Company is SAR 52 million divided into 5.2 million shares of SAR 10 each (31 December 2022: SAR 52 million divided into 5.2 million shares of SAR 10 each).

14. Statutory reserve

In accordance with the Company's By-laws, the Company is required to transfer at least 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its paid up capital as a minimum. Accordingly, this reserve is not available for distribution. The Company has not transferred any net income for the year to the statutory reserve as it has reached 30% of the paid up capital.

15. Revenue from contracts with customers

	31 December 2023 SAR	31 December 2022 SAR
Revenue from assets owners	**1,967,449**	2,695,707
Revenue from fund managers	**40,132,805**	39,104,464
	42,100,254	41,800,171

- **Trust and other servicing fees**

Trust, and other servicing fees, comprise of revenues from our core asset servicing business for providing custody, fund administration and middle office and related services primarily to Assets Owners and Fund Managers.

- **Performance obligations**

Customers are billed in arrears either monthly or quarterly, based on the fee arrangement agreed. The payment terms will vary depending on the client and services offered.

All revenues generated from contracts with customers are recognised on an accrual basis, over the period in which services are provided. The nature of the Company's performance obligations is to provide a series of distinct services in which the customer simultaneously receives and consumes the benefits of the promised services as they are performed. Fee arrangements are mainly comprised of variable amounts based on market value of client assets serviced, transaction volumes and number of accounts.

Revenues accruals are recognized using the output method to an amount that reflects the consideration the Company expects to be entitled to in exchange for providing each month or quarter of service. The revenue recognition involves the use of estimates and assumptions, including components that are calculated based on estimated asset valuations and transaction volumes.

Receivables are recognised when performance obligations are fully satisfied and invoice is issued, at this point of time the consideration is unconditional because only the passage of time is required before the payment is due.

	31 December 2023 SAR	31 December 2022 SAR
Trust and other service fee receivables	**5,253,172**	7,055,209
Accrued fee income	**10,078,174**	15,070,205
	15,331,346	22,125,414

16. Other income

	31 December 2023 SAR	31 December 2022 SAR
Interest income	**4,171,611**	1,299,847
Net reversal of impairment losses on financial instruments (note 17)	**1,450,757**	-
Other	**-**	88,637
	5,622,368	1,388,484

17. Impairment loss (reversal)/recognition

	31 December 2023 SAR	31 December 2022 SAR
Reversal of allowance for impairment recognised on cash and cash equivalents	**(4,747)**	(6,950)
(Reversal)/charge of impairment loss on trust and other service fee receivables	**(1,446,010)**	1,209,185
	(1,450,757)	1,202,235

18. Salaries and employee related expenses

	31 December 2023 SAR	31 December 2022 SAR
Wages and salaries	**8,186,673**	7,784,816
Cash based incentive/bonus	**1,513,893**	1,943,843
Share based payments	**892,743**	822,315
Other staff costs and benefits	**5,823,925**	6,221,249
End of service benefit	**523,407**	533,723
	16,940,641	17,305,946

19. Share based payments

The Company participates in the Northern Trust Corporation Stock Plan. Plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, stock awards, stock units and performance stock units. Below is the information relevant to the Company for grants outstanding at year end.

Grant dates: 23 February 2023, 23 February 2022, 2 August 2021, 17 February 2021 and 18 February 2020.

Vesting period: 4/5 years from date of grant

Vesting conditions: Employee to remain employed during the vesting period

Method of settlement: Shares

Awards granted during the year 2,107 (2022: 1,958)

Market price at award date USD 93.97 at 23 February 2023 (2022: USD 113.64 at 23 February 2022)

Total expenses for share based payment for the year was SAR 892,743 (2022: SAR 822,314).

20. Tax provisions

	31 December 2023 SAR	31 December 2022 SAR
Current tax		
Current year exposure	**4,462,345**	6,455,207
Adjustments in respect of previous periods	**5,464**	(3,753)
	4,467,809	6,451,454
Deferred tax		
Defined benefit pension obligations	**(102,052)**	(68,014)
Fixed assets	**(73,610)**	(52,186)
Leases	**11,854**	-
Provisions	**290,723**	-
Prior period adjustment	**(299,569)**	-
Total	**(172,654)**	(120,200)
Total Tax charge	**4,295,155**	6,331,254

Factors affecting tax charge for the year

The Company has made a provision for income tax of SAR 4.5 million (2022: 5.9 million) for income tax for the year ended 31 December 2023 on the following basis:

Income Tax	31 December 2023 SAR	31 December 2022 SAR
Profit on ordinary activities before tax	**22,011,069**	29,386,204
Profits on ordinary activities multiplied by the current rate of corporation tax of 20% (2022: 20%)	**4,402,214**	5,877,241
Total tax		
Effects of:		
Permanent differences	**185,675**	577,966
Timing differences	**1,371**	-
Deferred tax movements	**-**	(120,200)
Adjustment to the tax charge in respect of previous periods	**(294,105)**	(3,753)
Tax charge for the year	**4,295,155**	6,331,254
Movement in the provision		
Balance at the beginning of the year	**1,641,580**	1,044,460
Charge for the year - current year	**4,462,345**	6,455,207
Charge for the year - prior year	**5,464**	(3,753)
Payment made during the year	**(6,492,548)**	(5,854,334)
Balance at the end of the year	**(383,159)**	1,641,580

20. Tax provisions (continued)

Income tax declaration for the year ended 31 December 2023 will be submitted to the Zakat, Tax and Custom Authority in due course. The Income tax declaration for the year ended 31 December 2022 was submitted to the Zakat, Tax and Custom Authority on 13 April 2023, who issued their associated tax certificate of compliance on 7 May 2023.

OECD Pillar II - Global Minimum Tax

The Group operates in Saudi Arabia, which has not yet enacted new legislation to implement the global minimum top-up tax applicable under OECD Pillar II. The Company's Ultimate Parent Entity is located in the United States of America, which has not implemented Pillar II. However, The Company has an intermediate holding company in the UK, which has implemented Pillar II rules. Therefore, the impact of Pillar II rules on The Company must be considered.

The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. As no legislation has been enacted or substantively enacted in Saudi Arabia, there is no current tax impact for the year ended 31 December 2023.

If the top-up tax had applied for 2023, the top-up tax referable to the Group's operations in Saudi Arabia for the year ended 31 December 2023 would amount to nil.

Deferred tax assets and liabilities

Recognised net deferred tax	**Assets 2023 SAR**	Assets 2022 SAR	**Liabilities 2023 SAR**	Liabilities 2022 SAR	**Net 2023 SAR**	Net 2022 SAR
Fixed assets	**336,764**	263,154	**-**	-	**336,764**	263,154
Defined benefit pension scheme	**295,883**	208,335	**-**	-	**295,883**	208,335
Leases	**-**	-	**(81,008)**	-	**(81,008)**	-
Provisions	**77,999**	-	**-**	-	**77,999**	-
	710,646	471,489	**(81,008)**	-	**629,638**	471,489

Movement in deferred tax during the year	**01 Jan 2023 SAR**	**Recognised in Income SAR**	**Recognised in OCI SAR**	**31 Dec 2023 SAR**
Fixed assets	**263,154**	**73,610**	**-**	**336,764**
Defined benefit pension scheme	**208,335**	**102,052**	**(14,504)**	**295,883**
Leases	**-**	**(81,008)**	**-**	**(81,008)**
Provisions	**-**	**77,999**	**-**	**77,999**
	471,489	**172,653**	**(14,504)**	**629,638**

Movement in deferred tax during the year	**01 Jan 2022 SAR**	**Recognised in Income SAR**	**Recognised in OCI SAR**	**31 Dec 2022 SAR**
Fixed assets	195,140	68,014	-	263,154
Defined benefit pension scheme	245,116	52,186	(88,967)	208,335
	440,256	120,200	(88,967)	471,489

21. Financial risk management

Risk management is the responsibility of the Company's Board of Directors ("the Board"). This is conducted within the overall global risk framework of the Group. Policies and practices are validated and locally approved by the Board and the regional risk organization is structured to provide the Board with the necessary risk reporting and oversight to satisfy its responsibilities.

The Company aims to achieve an appropriate balance between risk and return and to minimize potential adverse effects on the Company's financial performance

Financial assets of the Company comprise of bank balances, amounts due from related parties and certain other assets.Financial liabilities of the Company comprise of amounts due to related parties and employees' end of service benefits.Accounting policies for financial assets and liabilities are set out in note 4.

Risk management framework

Risk management is the responsibility of the Company's Board. The Company has a Risk Management Framework in place which is supported by 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, leverage this global corporate risk structure. Policies are validated and approved locally and the local risk organisation is structured to provide the Company's Board with the necessary risk reporting and oversight to satisfy their responsibilities.

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

Credit risk

Credit risk is the risk to interest income or principal from the failure of a borrower or counterparty to perform an obligation. Credit risk mainly arises from the placement of cash with local banks and fee income that may not be received. The counterparties used for investment of surplus cash are highly credit worthy financial institutions and placements are limited to a maximum tenor of 3 months. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

a) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage I' and has its credit risk continuously monitored by the Company.

b) If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2'but is not yet deemed to be credit-impaired.

c) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'

d) Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

e) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

21. Financial risk management (continued)

The key judgments and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

Financial assets (including trade and other debtors)

The Company recognises loss allowances for Expected Credit Losses ("ECLs") on the following financial instruments that are not measured at fair value through profit or loss:

- Balances with banks (due from banks);
- Placements with banks (time deposits); and
- Trust and custody fees receivable

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 (excepting trust and custody fees receivable) 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.

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.

21. Financial risk management (continued)

The Company assigns an internal borrower rating to each of its counterparties which reflects the creditworthiness of the counterparty.Borrower ratings are assigned according to the Credit Policy and account for quantitative and qualitative aspects of the counterparty's financial health. A borrower rating of one is the strongest and of nine is the weakest.

Borrower ratings are assigned at the time an obligor or obligation is approved and are reviewed and updated (if necessary) no less than annually for each counterparty and sooner if material information on a counterparty becomes available. The Company determines a significant increase in credit risk has occurred if a borrower rating that previously fell inside a generally understood definition of high credit quality is updated to fall outside that range.

Debt securities with borrower ratings between one and three (inclusive) are mapped to external agencies investment grade and are determined to have low credit risk (Moody's rating of Baa3 or higher or S&P rating of BBB- or higher). Loans and general custody overdrafts with borrower ratings between one and five (inclusive) are mapped to Federal Deposit Insurance Corporation's loan classification ratings that are not adversely classified and are determined to have low credit risk.

For non-investment grade exposures that do not meet the investment grade low credit risk simplifications, indicators of a significant increase in credit risk may include an increase in a counterparty's borrower rating, whether the exposure is over 30 days past due, or if the counterparty is on the Company's watch list. Quantitative and qualitative criteria include a significant increase in the credit spread; significant adverse changes in the business, financial, or economic conditions in which the obligor operates; actual or expected forbearance or restructuring; significant change in the collateral value which is expected to increase the risk of default; or early signs of cash flow or liquidity issues.

The Company utilizes a separate assessment process under a simplified approach for credit losses related to its trust fee receivables. Under this simplified approach, the Company applies a matrix whereby reserves are calculated based on ratios specific to defined aging buckets. These ratios are developed based on an analysis of historical data and are reviewed and updated to reflect changes in data and collectability of future cash flows with separate forward looking adjustments for individual client circumstances on a case by case basis. There is a rebuttable presumption that exposures that are more than 30 days past due have experienced a significant increase in credit risk, however the Company applies a 0% reserve provision for trust fee receivables outstanding less than 150 days as they historically have never experienced a credit loss, and delays in payment are operational in nature and not due to credit deterioration of clients.

The Company considers a financial asset to be in default when one or more of the following events occur:

- The borrower is unlikely to pay any of its obligations to the Company in full;
- Any of the borrower's obligations is impaired or placed on non-accrual status;
- A credit loss event associated with any obligation occurs (e.g. charge-off, distressed restructuring involving forgivenessor postponement of principal, interest or fees);
- The obligor has filed for bankruptcy or similar protection;
- The obligor is more than 90 days past due on any exposure greater than USD$1,000 (except trust fee receivables as noted above);
- The obligor's borrower rating is downgraded to eight or nine; and
- A debt obligation or portion thereof is sold for a material discount to carrying value due to credit deterioration (5% or more of the amortised carrying value).

21. Financial risk management (continued)

Measuring expected credit losses

The key inputs into the measurement of the ECLs are the PD, loss given default ("LGD") , and exposure at default ("EAD"). PD and LGD vary by the type of exposure, asset class and geography of the financial instruments. PD and LGD are estimated based on historical data from external sources and internal subject matter expertise. These factors are derived by applying quarterly macroeconomic projections using models developed from historical data on macroeconomic factors and financial assets with similar factors. EAD represents the current exposure amount in the case of a default (for financial assets, this is the carrying value of the asset). Subject to using a maximum 12 month PD 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 counterparty's borrowing rating to 9 (default levels). These assets are considered credit-impaired and are measured at lifetime ECLs.

Presentation of ECL allowances

Loss allowances on financial assets measured at amortised cost are presented as a deduction from the gross carrying amount of the assets.

	31 December 2023 **SAR**	31 December 2022 SAR
Cash and cash equivalents, net	**127,550,128**	124,720,343
Due from related parties	**779,489**	141,619
Accrued income and fee receivable, net	**15,359,108**	20,693,538
Other current assets	**3,286,635**	3,094,844
	146,975,360	148,650,344

Trust fee receivables	**31 December 2023** **Lifetime ECL not credit-impaired**	**31 December 2023** **Lifetime ECL credit-impaired**	**31 December 2023** **Total**	31 December 2022 Total
Ageing	**SAR**	**SAR**	**SAR**	SAR
0-149 days	**3,211,561**	**-**	**3,211,561**	1,922,305
150-364 days	**2,041,611**	**-**	**2,041,611**	2,966,135
365+ days	**-**	**-**	**-**	2,166,769
	5,253,172	**-**	**5,253,172**	7,055,209
Impairment allowance	**-**	**-**	**-**	-
Carrying amount	**5,253,172**	**-**	**5,253,172**	7,055,209

21. Financial risk management (continued)

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. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company's liquidity risk is minimal as it does not take on customer deposits or trade as principal; liquidity risk is limited to the management of day to day operating expenses. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are readily available to meet the Company's future commitments.

The below summaries maturities profile of financial liabilities.

December 2023	**Less than one year SAR**	**More than one year SAR**	**Total SAR**
Liabilities			
Due to related parties	**(254,119)**	**-**	**(254,119)**
Accrued expenses and other liabilities	**(3,028,214)**	**-**	**(3,028,214)**
Leases	**(16,642)**	**-**	**(16,642)**
	(3,298,975)	**-**	**(3,298,975)**

December 2022	Less than one year SAR	More than one year SAR	Total SAR
Liabilities			
Due to related parties	(11,179,830)	-	(11,179,830)
Accrued expenses and other liabilities	(11,696,873)	-	(11,696,873)
Lease	(715,001)	(75,147)	(790,148)
	(23,591,704)	(75,147)	(23,666,851)

Foreign exchange risk

Foreign exchange risk is defined as the potential for movements in foreign exchange to cause changes in the value of financial instruments. The Company's transactions are principally in Saudi Riyals and United States Dollars, other transactions in foreign currencies are not material. Currency risk is managed on regular basis. Company's currency exposures are set out below:

	31 December 2023 SAR	31 December 2022 SAR
Saudi Arabia Riyal	**142,060,436**	126,925,279
United States Dollar	**1,949,136**	(689,639)
Total	**144,009,572**	126,235,640

21. Financial risk management (continued)

Commission rate risk

Commission risk is the potential for movements in commission rates to cause changes in net interest income and the market value of equity. The Company does not take client deposits so commission rate risk is limited to short term investments of surplus cash in money market deposits. The Company manages its commission rate risk by making short-term bank deposits for a maximum period of three months. The followings provide the contractual re-pricing dates of the short term bank placements.

	31 December 2023 SAR	31 December 2022 SAR
Less than 1 month	**-**	-
Less than 3 months	**55,000,000**	70,000,000
	55,000,000	70,000,000

22. Dividends

	31 December 2023 SAR	31 December 2022 SAR
Dividends declared and paid	**-**	65,000,000

On 14 June 2022, the Directors approved the payment of a dividend of SAR 65,000,000 (SAR 12.5 per share) to its parent Company, Northern Trust Corporation.

23. Capital management

The primary capital adequacy objective of the Company is to maintain capital at a level that allows the Company to meet the requirements or expectations of c1ients, creditors and regulators while providing adequate returns to the parent holding companies. A strong capital position helps the Company withstand unforeseen adverse developments and pursue profitable business opportunities. The utilisation of capital resources, whether via business growth or capital distributions, is evaluated in relation to the Company's capital adequacy objectives, as well as its strategic objectives and risk profile.

The capital adequacy position of the Company is calculated in accordance with the prudential rules and regulations ('Rules')issued by the CMA. The prudential rules and regulations require company to calculate the regulatory capital adequacy position using the Capital Adequacy Model ('CAM') on a monthly basis. The Company monitors the adequacy of its capital using ratios established by the CMA. The Capital adequacy ratio measures capital adequacy by comparing the Company's capital base against the sum of minimum capital requirements for credit, market and operational risk.

The Capital adequacy position of Company as at 31 December was as follows:

Capital base	31 December 2023 SAR	31 December 2022 SAR
Tier 1 Capital	**142,677,000**	125,120,000
Tier 2 Capital	**-**	-
Total Capital Base	**142,677,000**	125,120,000

23. Capital management (continued)

	31 December 2023 SAR	31 December 2022 SAR
Market risk	**-**	-
Credit risk	**1,392,480**	11,713,000
Operational risk	**7,241,000**	7,914,000
Total minimum capital requirement	**8,633,480**	19,627,000

Capital adequacy ratio	31 December 2023 SAR	31 December 2022 SAR
Surplus in capital	**134,043,520**	105,493,000
Total capital ratio (times)	**16.53**	6.37

Capital Base of the Company comprises of Tier 1 capital that consists of paid-up share capital, statutory reserves and retained earnings. The Company does not have any Tier 2 Capital.

The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

24. Right of use assets, net and lease liabilities

The Company leases floor space at the office building at Floor 20, Kingdom Centre Tower, King Fahad Road, Riyadh, Saudi Arabia. The Company entered into the lease agreement on 9 May 2019. This lease is due to expire in July 2024 but the intention is to extend the lease.

On 6th November 2023, the Company entered into a sublease agreement with Northern Trust Mena RHQ ("NT MENA RHQ") whereby NT MENA RHQ will sublease floor space at Floor 20, Kingdom Centre Tower, King Fahad Road, Riyadh, Saudi Arabia for an annual rent of SAR 1.

Balance as at ROU assets, net	31 December 2023 SAR	31 December 2022 SAR
Balance as at 1 January	**1,145,050**	1,869,117
Additions during the year	**-**	15,072
Depreciation charge for the year	**(723,189)**	(739,139)
Carrying amount of ROU asset as at 31 December	**421,861**	1,145,050

Balance as at Maturity analysis of lease liabilities	31 December 2023 SAR	31 December 2022 SAR
Less than 1 year	**16,827**	782,460
1 to 5 years	**-**	16,827
More than 5 years	**-**	-
Total undiscounted lease liabilities at 31 December	**16,827**	799,287

24. Right of use assets, net and lease liabilities (continued)

Balance as at of lease liabilities	31 December 2023 SAR	31 December 2022 SAR
Balance as at 1 January	**790,148**	1,546,762
Addition	**-**	-
Finance charge on lease liability	**8,954**	25,846
Payment of lease liability	**(782,460)**	(782,460)
Balance at 31 December	**16,642**	790,148

Balance as at Amounts recognised in profit and loss	31 December 2023 SAR	31 December 2022 SAR
Interest expense	**8,954**	26,698
Depreciation charge for ROU assets	**723,189**	739,139
Total amounts recognised in profit and loss at 31 December	**732,143**	765,837

25. Operational risk management

Operational risk includes compliance and fiduciary risks which are governed and managed separately under Northern Trust's risk management framework.

Operational risk is defined 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 as to balance the avoidance of financial losses and reputational damage with overall cost effectiveness.

26. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates.

The fair values of all on-balance sheet financial instruments are not significantly different from the carrying values included in the financial statements. The fixed term bank placements are held with one bank and re-price every quarter and current market commission rates for similar financial instruments are not significantly different from the contracted rates accordingly the fair value approximates the carrying value.

27. Segment reporting

As the Company's business activity primarily falls within a single business and geographical segment, no additional disclosure is provided under segment reporting.

28. Fiduciary accounts and assets under management

The Company has appointed a related party, The Northern Trust Company London Branch, as global custodian, that held its client's cash, as at 31 December 2023 amounting to SAR 374.3 million (31 December 2022: SAR 251.0 million). Such balances are not included in the Company's financial statements.

The Company and its client have entered into an agreement to delegate investment management to a related party, Northern Trust Global Investments Limited. The assets under management were SAR 2,403.8 million as at 31 December 2023 (31 December 2022: SAR 1,923.3 million). Such balances are not included in the Company's financial statements.

29. Post balance sheet events

There are no events subsequent to the reporting period which require adjustment or disclosure to the financial statements.

30. Approval of financial statements

The financial statements were approved by the Directors of the Company and signed on their behalf on 26 March 2024 (16 Ramadan 1445 H).