The Northern Trust Company of Saudi Arabia
(A Closed Joint Stock Company)

Financial Statements

For the year ended 31 December 2020

Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

NTAC:3NS-20

Contents

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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF
THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A Closed Joint Stock Company)

Opinion

We have audited the financial statements of **The Northern Trust Company of Saudi Arabia (the "Company"),** which comprise the statement of financial position as at December 31, 2020 and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, 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.

Responsibilities of 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 the International Financial Reporting Standards (IFRS) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"), the Companies Regulations, 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 are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (Continued)
THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A Closed Joint Stock Company)

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs 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 auditors' 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 auditors' 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.

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
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Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Abdullah M. Al Azem
Licence No. 335

18 Sha'ban 1442H (31 March 2021)
Riyadh, Saudi Arabia

Statement of Financial Position
As at 31 December 2020

	Note	31 December 2020 SAR	31 December 2019 SAR
Assets			
Non-current assets			
Property and equipment, net	6	**2,698,899**	2,472,910
Right of Use assets, net	21	**2,592,647**	3,377,917
Deferred tax asset	18	**382,156**	242,636
Total non-current assets		**5,673,702**	6,093,463
Current assets			
Cash and cash equivalents	7	**117,244,820**	83,090,407
Due from related parties	8	**66,013**	25,291,185
Accrued income and fee receivable,net	9	**30,682,147**	14,553,681
Prepayments and other assets	10	**940,026**	710,542
Total current assets		**148,933,006**	123,645,815
Total assets		**154,606,708**	129,739,278
Liabilities			
Non-current liabilities			
Employees' end of service benefits	11	**908,416**	880,431
Leases	21	**2,271,278**	2,995,551
Total non-current liabilities		**3,179,694**	3,875,982
Current liabilities			
Due to related parties	8	**1,032,632**	117,922
Accrued expenses and other liabilities		**4,465,665**	4,617,407
Taxation	18	**1,678,672**	3,391,929
Total current liabilities		**7,176,969**	8,127,258
Total Liabilities		**10,356,663**	12,003,240
Equity			
Share capital	12	**52,000,000**	52,000,000
Statutory reserves	13	**12,281,292**	9,656,891
Remeasurement reserve of employees' end of service benefits		**136,414**	(133,579)
Retained earnings		**79,832,339**	56,212,726
Total equity		**144,250,045**	117,736,038
Total liabilities and equity		**154,606,708**	129,739,278

The accompanying notes 1 to 28 form an integral part of these financial statements.

Statement of Profit or Loss
For the Year Ended 31 December 2020

	Note	For the Year Ended 31 December 2020 SAR	For the Year Ended 31 December 2019 SAR
Revenues			
Revenue from contract with customers	14	**42,694,496**	45,324,500
Transfer pricing revenues		**25,033,740**	10,750,079
Total operating revenues		**67,728,236**	56,074,579
Expenses			
Salaries and employee related expenses		**(14,052,539)**	(14,576,693)
Legal and professional expenses		**(15,647,294)**	(5,082,452)
Occupancy expenses		**(450,419)**	(211,522)
Business development expenses		**(68,944)**	(670,201)
Depreciation	6,21	**(1,642,440)**	(1,169,058)
Interest expense	21	**(58,190)**	(47,962)
Other expenses		**(4,175,615)**	(811,356)
Total operating expenses		**(36,095,441)**	(22,569,244)
Operating profit		**31,632,795**	33,505,335
Other income	15	**1,409,431**	1,495,014
Profit before income tax		**33,042,226**	35,000,349
Income tax expense	18	**(6,798,212)**	(7,451,112)
Profit for the year		**26,244,014**	27,549,237

The accompanying notes 1 to 28 form an integral part of these financial statements.

Statement of Comprehensive Income
For the Year Ended 31 December 2020

	Note	For the Year Ended 31 December 2020 SAR	For the Year Ended 31 December 2019 SAR
Profit for the year		**26,244,014**	27,549,237
Items that will not be reclassified to statement of income in subsequent years			
Actuarial gains/(losses) on employees' end of service benefits	11	**337,491**	(139,075)
Related deferred tax	18	**(67,498)**	27,815
		269,993	(111,260)
Total comprehensive income for the year		**26,514,007**	27,437,977

The accompanying notes 1 to 28 form an integral part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2020

	Share Capital SAR	Statutory Reserves SAR	Retained Earnings SAR	Remeasurement Reserve of Employees End of Service Benefits SAR	Total SAR
Balance as at 1 January 2019	**52,000,000**	**6,901,967**	**31,418,413**	**(22,319)**	**90,298,061**
Total profit for the year	-	-	27,549,237	-	27,549,237
Actuarial gains/(losses) on employees' end of service benefits	-	-	-	(111,260)	(111,260)
Transfer to statutory reserves	-	2,754,924	(2,754,924)	-	-
Balance as at 31 December 2019	**52,000,000**	**9,656,891**	**56,212,726**	**(133,579)**	**117,736,038**
Total profit for the year	-	-	26,244,014	-	26,244,014
Actuarial gains/(losses) on employees' end of service benefits	-	-	-	269,993	269,993
Transfer from statutory reserves	-	2,624,401	(2,624,401)	-	-
Balance as at 31 December 2020	**52,000,000**	**12,281,292**	**79,832,339**	**136,414**	**144,250,045**

The accompanying notes 1 to 28 form an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended 31 December 2020

	Note	For the Year Ended 31 December 2020 SAR	For the Year Ended 31 December 2019 SAR
Cash flows from operating activities			
Profit for the year		**26,244,014**	27,549,237
Adjustments to reconcile net income to net cash generated in operating activities:			
Depreciation	6,21	**1,642,440**	1,169,058
Other non monetary items		**18,357**	-
Provision for employees' end of service benefits	11	**468,107**	301,587
Interest expense		**58,190**	47,962
Income tax expense		**6,798,212**	7,451,112
		35,229,320	36,518,956
Changes in operating assets and liabilities:			
Decrease/(increase) in related party balances, net		**25,225,172**	(18,108,881)
(Increase)/decrease in prepayments and other assets		**(229,484)**	196,629
Increase in accrued income and fee receivables		**(16,128,466)**	(7,566,355)
Increase in accrued expenses and other liabilities		**762,968**	1,798,930
Employees' end of service benefits paid	11	**(120,992)**	(240,427)
Income tax paid	18	**(8,718,487)**	(6,166,730)
Net cash from operating activities		**36,020,031**	6,432,122
Cash flows from investing activities			
Purchase of property and equipment	6	**(1,083,158)**	(2,093,643)
Net cash used in investing activities		**(1,083,158)**	(2,093,643)
Cash flows from financing activities			
Payments for the principal portion of the lease liability		**(782,460)**	(1,386,395)
Net cash used in financing activities		**(782,460)**	(1,386,395)
Net increase in cash and cash equivalents		**34,154,413**	2,952,084
Cash and cash equivalents at beginning of the year		**83,090,407**	80,138,323
Cash and cash equivalents at end of the year		**117,244,820**	83,090,407
Non-cash transactions			
Actuarial gain/(loss) on defined benefit obligation net of deferred tax		**269,993**	(111,260)

The accompanying notes 1 to 28 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2020

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 accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Certified Public Accountants ("SOCPA").

The Company prepared its financial statements for all periods including the year ended 31 December 2020 in accordance with the International Financial Reporting Standards (IFRS) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Certified Public 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 end employees' end service benefits which is recognised on present value.

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) *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 2021	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
• 1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018 – 2020 Property, Plant and Equipment Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)
• 1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
• Available for adoption	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IAS 28)

4. Summary of significant 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
Office equipment	3-5 years
Office furniture	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 from contracts with customers is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer. Such revenue is recognised over time as the services are 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.

Once the Company determines that a performance obligation is satisfied over time, it measures its progress toward completion to determine the timing of revenue recognition. Revenue from each identified performance obligation is recognised over time using the output method. The output method recognises revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date, relative to the remaining goods or services promised under the contract.

Commission income: Commission income on term deposits is recognised on an accrual basis."

c) *Operating Expenses*

The Company follows accrual basis of accounting to record the operating expenses and recognised 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*

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the service provider or not

e) *Employees' end of service benefits*

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. Employee' 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.

Notes to the Financial Statements
For the Year Ended 31 December 2020

4. Summary of significant accounting policies (continued)

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.

- **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 (as a lessee)

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.

Notes to the Financial Statements
For the Year Ended 31 December 2020

4. Summary of significant accounting policies (continued)

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.

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 General Authority of Zakat and Income Tax ("GAZT").

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 GAZT regulations.

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.

n) Share based payments

The Company grants rights of its parent's equity instrument to its employees, these share-based payments are accounted as cash-settled. The fair value in 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 and settlement date with any changes to fair value being recognised in the profit and loss account. Fair value is measured by the 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 behavioral conditions.

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.

4. Summary of significant accounting policies (continued)

- **Cash and cash equivalents (continued)**

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.

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 trade 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) Useful lives, residual values and depreciation method of equipment and fixture

The Group's management determines the estimated useful lives of equipment and fixture for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives, residual values and depreciation method of equipment and fixture annually and future depreciation charge would be adjusted where the management believes the useful lives, residual values and depreciation method differ from previous estimates.

c) Fair value measurements

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 Group 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.

5. **Critical accounting estimates (continued)**

c) ***Fair value measurements (continued)***

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

- 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 2020 **SAR**	31 December 2019 SAR
Cost	**3,671,078**	3,558,650
Less: accumulated depreciation	**(972,179)**	(1,085,740)
Net book value	**2,698,899**	2,472,910

	2020		
	Leasehold improvements SAR	**Other Operational assets SAR**	**Total SAR**
Cost:			
Balance at the beginning of the year	2,124,863	1,433,787	3,558,650
Additions	1,078,453	4,706	1,083,159
Retirements	(371,199)	(599,532)	(970,731)
Balance at the end of year	**2,832,117**	**838,961**	**3,671,078**
Accumulated depreciation:			
Balance at the beginning of the year	371,200	714,540	1,085,740
Charge for the year	442,184	414,986	857,170
Retirements	(371,199)	(599,532)	(970,731)
Balance at end of the year	**442,185**	**529,994**	**972,179**

7. **Cash and cash equivalents**

The term deposit was placed with local banks and carries a interest rate ranging from 0.45% to 1.75% per annum (2019: 2.1% to 2.2%per annum) with a maturity period of three months or less from the date of deposit.

	31 December 2020 **SAR**	31 December 2019 SAR
Cash and bank - current account	**32,303,225**	8,100,330
Term deposits	**85,000,000**	75,000,000
	117,303,225	83,100,330
Less: Provision for impairment	**(58,405)**	(9,923)
	117,244,820	83,090,407

Movement in the impairment provision for cash and equivalents

	31 December 2020 **SAR**	31 December 2019 SAR
Opening balance	**9,923**	8,824
Provision for the year	**48,482**	1,099
Closing balance	**58,405**	9,923

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.

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 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.

As there has been a change in the Board of the Company and the common director with Public Pension Agency (PPA) has resigned the PPA are no longer a related party.

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

Related party	Nature of transaction	31 December 2020 SAR	31 December 2019 SAR
Affiliates	Fee income	-	22,994,743
	Net revenue under the transfer pricing policy	25,033,740	10,750,079
	Salaries and employees related expenses - allocation of employee costs (share based compensation)	332,619	325,987
Shareholders	Dividend	-	-

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.

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

	31 December 2020 SAR	31 December 2019 SAR
Salaries and short term benefits	5,389,187	4,008,861
Other long term benefits	-	-
End service benefits	887,825	179,548
Share-based payments	290,863	124,776
	6,567,875	4,313,185

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

	31 December 2020 SAR	31 December 2019 SAR
End of service benefits payable	261,663	181,140

Notes to the Financial Statements
For the Year Ended 31 December 2020

8. Related party transactions and balances (continued)

The independent non-executive directors are entitled to a fee on basis of their respective service agreements with the Company. The fee for December 2020 was SAR500,000 (Dec 2019: SAR 402,371)

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

Due from related parties	31 December 2020 SAR	31 December 2019 SAR
The Northern Trust Company, USA	-	3,001,457
The Northern Trust Company, London Branch	66,013	162,652
Public pension agency	-	22,121,173
Other affiliates	-	5,903
	66,013	25,291,185

Due to related parties	31 December 2020 SAR	31 December 2019 SAR
The Northern Trust Company, USA	878,285	-
The Northern Trust Company, London Branch	-	-
Other affiliates	154,347	(117,922)
	1,032,632	(117,922)

9. Accrued income and fee receivable, net

	31 December 2020 SAR	31 December 2019 SAR
Accrued fee income	11,226,585	7,508,898
Accrued commission income	56,431	258,611
Trust and other service fee receivables	19,975,233	6,968,255
	31,258,249	14,735,764
Less: Provision for impairment	(576,102)	(182,083)
	30,682,147	14,553,681

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

	31 December 2020 SAR	31 December 2019 SAR
Opening balance	182,083	121,900
Provision for the year	394,019	60,183
Closing balance	576,102	182,083

Notes to the Financial Statements
For the Year Ended 31 December 2020

9. Accrued income and fees receivable (continued)

	31 December 2020 SAR	31 December 2019 SAR
Neither past due nor impaired	**15,897,598**	4,593,164
Past due but not impaired		
Less than 180 days	**2,361,743**	1,432,792
Less than 365 days	**1,621,623**	800,670
More than 365 days	**94,269**	141,629
Total past due but not impaired	**4,077,635**	2,375,091
Total	**19,975,233**	6,968,255

10. Prepayments and other assets

	31 December 2020 SAR	31 December 2019 SAR
Prepaid expenses	**940,026**	604,909
Other assets	**-**	105,633
	940,026	710,542

11. Employee's end of service benefits

General description

The company provides an end of service benefit 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.

Principal actuarial assumptions	31 December 2020 SAR	31 December 2019 SAR
Valuation discount rate	**2.25%**	3.05%
Rate of salary increases	**5.00%**	5.00%
Withdrawal rate	**10.00%**	10.00%

Reconciliation of defined benefit obligation	31 December 2020 SAR	31 December 2019 SAR
Present value of defined benefits obligation	**908,416**	880,431
Net Liability	**908,416**	880,431

Movement of defined benefit obligation	31 December 2020 SAR	31 December 2019 SAR
Opening balance	**880,432**	680,196
Charge to statement of profit or loss	**486,467**	301,587
Charge to statement of comprehensive income	**(337,491)**	139,075
Payment of benefits during the year	**(120,992)**	(240,427)
	908,416	880,431

Notes to the Financial Statements
For the Year Ended 31 December 2020

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

Reconciliation of present value of defined benefit obligation	31 December 2020 SAR	31 December 2019 SAR
Opening balance	**880,432**	680,196
Current service cost	**453,780**	269,040
Financial cost	**32,687**	32,547
Actuarial gain/(loss) from experience adjustments	**(337,491)**	139,075
Benefits paid	**(120,992)**	(240,427)
	908,416	880,431

	31 December 2020 SAR	31 December 2019 SAR
Sensitivity Analysis		
0.5% decrease in discount rate	**46,391**	49,228
1.00% decrease in salary	**(81,904)**	(86,712)
5.00% decrease in withdrawal rate	**276,509**	283,477

12. Share capital

As at 31 December 2020, the authorised, issued and paid-up share capital of the Company is SR 52 million divided into 5.2 million shares of SR 10 each (31 December 2019: SR 52 million divided into 5.2 million shares of SR 10 each).

13. Statutory reserve

In accordance with the Company's By-laws, the Company is required to transfer at least 10% of its net profit 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 transferred 10% of its profit for the year to statutory reserve.

14. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

	31 December 2020 SAR	31 December 2019 SAR
Trust and other servicing fee	**15,443,386**	23,941,548
Revenue from fund managers	**27,251,110**	21,382,952
	42,694,496	45,324,500

- **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.

Notes to the Financial Statements
For the Year Ended 31 December 2020

14. Revenue from contracts with customers (continued)

- **Performance obligations (continued)**

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 2020 SAR	31 December 2019 SAR
Fee receivables	**19,975,233**	6,968,255
Accrued fee income	**11,226,585**	7,508,298
	31,201,818	14,476,553

15. Other income

	31 December 2020 SAR	31 December 2019 SAR
Commission income	**831,465**	1,487,814
Other	**577,966**	7,200
	1,409,431	1,495,014

16. Impairment loss

During the year, the following losses were recognised in the profit or loss under other operating expenses, in relation to impaired financial assets.

	31 December 2020 SAR	31 December 2019 SAR
Impairment loss on cash and cash equivalents	**48,482**	1,099
Impairment loss on trust and other servicing fee receivables	**394,019**	60,183
	442,501	61,282

17. 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: 18 February 2020, 19 February 2019, 20 February 2018, 3 July 2017 and 21 February 2017.
Vesting period: 4 years from date of grant
Vesting conditions: Employee to remain employed during the vesting period
Method of settlement: Shares
Awards granted during the year 652 (2019: 237)
Market price at award date USD 100.83 (2019: USD 86.12)

Total expenses for share based payment for the year was SR 332,619 (2019: SR 325,987).

18. Taxation

	31 December 2020 SAR	31 December 2019 SAR
Current tax		
Current year	**7,104,009**	7,348,872
Adjustments in respect of previous periods	**(98,779)**	127,538
	7,005,230	7,476,410
Deferred tax		
Defined benefit pension obligations	**(73,095)**	(12,232)
Fixed assets	**(133,923)**	(13,066)
Total	**6,798,212**	7,451,112

Factors affecting tax charge for the year
The Company has made a provision for income tax of SR 6.8 million (2019: 7.5 million) for income tax for the year ended 31 December 2020 on the following basis:

	31 December 2020 SAR	31 December 2019 SAR
Profit on ordinary activities before tax	**33,042,226**	35,000,349
Profits on ordinary activities multiplied by the current rate of corporation tax of 20% (2019: 20%)	**6,608,446**	7,000,070
Total tax		
Effects of:		
Permanent differences	**495,583**	348,802
Deferred tax movements	**(207,018)**	(25,298)
Adjustment to the tax charge in respect of previous periods	**(98,799)**	127,538
Tax charge for the year	**6,798,212**	7,451,112
Movement in the provision		
Balance at the beginning of the year	**3,391,929**	2,082,249
Charge for the period - current year	**7,104,009**	7,348,872
Charge for the period - prior year	**(98,779)**	127,538
Payment made during the year	**(8,718,487)**	(6,166,730)
Balance at the end of the year	**1,678,672**	3,391,929

Income tax declaration for the year ended 31 December 2020 will be submitted to the GAZT in the due course.

18. Taxation (continued)

Deferred tax assets

Recognised deferred tax assets and liabilities	Assets 2020 SAR	Assets 2019 SAR	Net 2020 SAR	Net 2019 SAR
Tangible fixed assets	**200,474**	66,549	**200,474**	66,549
Defined benefit pension scheme	**181,682**	176,087	**181,682**	176,087
	382,156	242,636	**382,156**	242,636

Movement in deferred tax during the year	01 Jan 2020 SAR	Recognised in Income SAR	Recognised in OCI SAR	31 Dec 2020 SAR
Tangible fixed assets	**66,549**	**133,925**	**-**	**200,474**
Defined benefit pension scheme	**176,086**	**73,095**	**(67,499)**	**181,682**
	242,635	**207,020**	**(67,499)**	**382,156**

Movement in deferred tax during the year	01 Jan 2019 SAR	Recognised in Income SAR	Recognised in OCI SAR	31 Dec 2019 SAR
Tangible fixed assets	53,484	13,065	-	66,549
Defined benefit pension scheme	136,038	12,232	27,817	176,087
	189,522	25,297	27,817	242,636

19. 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.

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.

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:

19. **Financial risk management (continued)**

Credit impaired financial assets (continued)

- 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 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.

There is a rebuttable presumption that exposures that are more than 30 days past due have experienced a significant increase in credit risk. For trust fee receivables, the Company does not believe that this would be an indicator of a significant increase in credit risk. For trust fee receivables, the Company has never experienced a credit loss and routinely receives payment on exposures that are 150 days or less past due. These aged items typically relate to customer questions regarding the invoice or intentional delay in payment to strategise cash flows. Therefore, trust fee receivables aged 150 days or less are not deemed to have experienced a significant increase in credit risk. The simplified approach to recognising impairment is applied. Due to the simplistic nature of trust fee receivables, the Company uses a provision matrix approach through a high level calculation with flat reserve percentages and separate forward looking adjustments for individual client circumstances.

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 forgiveness or 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).

Notes to the Financial Statements
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19. 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 the 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 2020 SAR	31 December 2019 SAR
Cash and cash equivalents	**117,244,820**	83,090,407
Due from related parties	**66,013**	25,291,185
Accrued income and fee receivables,net	**30,682,147**	14,553,681
Prepayments and other assets	**940,026**	710,542
	148,933,006	123,645,815

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 table below summarises the maturity profile of financial liabilities.

December 2020	**Less than one year SAR**	**More than one year SAR**	**Total SAR**
Liabilities			
Due to related parties	**(1,032,632)**	**-**	**(1,032,632)**
Accrued expenses and other liabilities	**(4,465,665)**	**-**	**(4,465,665)**
Leases	**(724,269)**	**(1,547,009)**	**(2,271,278)**
Employees'end of service benefits	**-**	**(908,416)**	**(908,416)**
	(6,222,566)	**(2,455,425)**	**(8,677,991)**

December 2019	Less than one year SAR	More than one year SAR	Total SAR
Liabilities			
Due to related parties	(117,922)	-	(117,922)
Accrued expenses and other liabilities	(4,617,406)	-	(4,617,406)
Lease	(724,269)	(2,271,282)	(2,995,551)
Employees'end of service benefits	-	(880,432)	(880,432)
	(5,459,597)	(3,151,714)	(8,611,311)

Notes to the Financial Statements
For the Year Ended 31 December 2020

19. Financial risk management (continued)

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 2020 SAR	31 December 2019 SAR
Saudi Arabia Riyal	**144,792,418**	118,469,326
United States Dollar	**(542,373)**	(189,755)
Total	**144,250,045**	118,279,571

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 2020 SAR	31 December 2019 SAR
Less than 1 month	**50,000,000**	50,000,000
Less than 3 months	**35,000,000**	25,000,000
	85,000,000	75,000,000

20. 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 2020 SAR '000	31 December 2019 SAR '000
Tier 1 Capital	**143,731**	117,493
Tier 2 Capital	**-**	-
Total Capital Base	**143,731**	117,493

Notes to the Financial Statements
For the Year Ended 31 December 2020

20. Capital management (continued)

	31 December 2020 SAR '000	31 December 2019 SAR '000
Market risk	**3**	609
Credit risk	**10,507**	7,660
Operational risk	**8,884**	6,621
Total minimum capital requirement	**19,394**	14,890

Capital adequacy ratio

	31 December 2020 SAR '000	31 December 2019 SAR '000
Surplus in capital	**124,337**	102,603
Total capital ratio (times)	**7.41**	7.89

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.

21. Leases

On the commencement date, the Company assesses whether a contract is or contains a lease. If a lease exists, the Company as the lessee will recognise a "right-of-use" ("ROU") asset and a lease liability. The ROU asset is measured at cost which is equal to the amount of the initial measurement of the lease liability plus any lease payments made or incentives received before the commencement date plus any initial direct costs incurred and an estimate of the cost of restoring the asset to the condition required by the lease terms if the obligation for these costs arises on commencement or as a consequence of using the asset.

At commencement date the lease liability is measured at the present value of the lease payments that are not paid at that date. The discount rate used is the Company's incremental borrowing rate. The Company will recognise in the statement of profit or loss the interest expense on the lease liability and the depreciation charge for the ROU asset. The ROU asset is depreciated using the straight-line method from the commencement date. The Company presents ROU assets in "Property and equipment" within "Assets" and lease liabilities in "Lease liability" on the Statement of Financial Position.

The Company leases floor space at the office building at Floor 11, Al Nakheel Tower, King Fahad Road, Riyadh, Saudi Arabia and Floor 20, Kingdom Centre Tower, King Fahad Road, Riyadh, Saudi Arabia under a sublease. The Company entered into the lease agreements on 17 February 2015 and 9 May 2019 respectively. The lease entered into in February 2015 was a five year lease and it therefore reached its conclusion in February 2020.

ROU assets	**31 December 2020 SAR**
Balance as at 1 January	3,377,917
Additions during the year	-
Depreciation charge for the year	(785,270)
Carrying amount of ROU asset as at 31 December	**2,592,647**

Notes to the Financial Statements
For the Year Ended 31 December 2020

21. Leases (continued)

Maturity analysis of lease liabilities	**31 December 2020 SAR**
Less than 1 year	782,460
1 to 5 years	1,564,920
More than 5 years	-
Total undiscounted lease liabilities at 31 December	**2,347,380**

Amounts recognised in profit and loss	**31 December 2020 SAR**
Interest on lease liabilities	58,190
Finance income from subleasing ROU assets	-
Depreciation charge for ROU assets	785,270
Total amounts recognised in profit and loss at 31 December	**843,460**

22. 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.

23. 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.

24. 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.

25. Fiduciary accounts

Company had appointed a related party, The Northern Trust Company London Branch, as global custodian, that held its client's cash, as at 31 December 31 2020 amounting to SAR 3,404.4 million (31 December 31 2019: SAR 3,100.2 million). Such balances are not included in the Company's financial statements.

26. Subsequent events

There are no significant adjusting events subsequent to the reporting date.

Notes to the Financial Statements
For the Year Ended 31 December 2020

27. Coronavirus pandemic

During 2020 the COVID-19 (Coronavirus) pandemic caused and continues to causes major disruption to the global economy and social fabric of many countries. The Company and the Northern Trust Group are closely monitoring our business practices, taking into account guidance from the Centers for the Disease Control and Prevention ("CDC") and World Health Organization ("WHO"), regulators, governments and local public health departments. The Company has joined with the Group to implement risk mitigation strategies including alternate work schedules and work-from-home ("WFH") arrangements. A number of internal programs have been implemented to ensure that the Company can continue to provide the level of service expected while also providing the necessary support for employees during this pandemic. In addition, operations and client service teams are working hand in hand with Information Technology, Legal, and Risk and Control teams to adapt to the evolving local developments. In addition to ensuring we operate effectively in our current resiliency mode, a global, cross-functional Future of Work taskforce is exploring how to best evolve all aspects of our foundation, including: client service, partner engagement, risk management, efficiency and culture. Our framework will be robust enough to stand the test of time and flexible enough to allow business units and regions to evolve at different speeds and react to local environment changes. As an immediate next step, business leaders are working on a segmentation strategy to determine which roles are best served working within an office, remotely or in some combination.

The Northern Trust Group formally activated the Enterprise Pandemic Phase of our Business Continuity Plan ("BCP") on 11 March 2020, ahead of the WHO announcement. The Group has implemented best practices including stress testing of BCP to include extended WFH, implementing social distancing arrangements, adapting and refining our established and tested transfer-of-work protocols and cancelling in-person meetings and events.

The Company maintains robust BCPs to manage its operation in support of its clients. Its service has been designed to be fault tolerant, minimising the potential for any single points of failure. To achieve this, the Group is utilising its dedicated Business Resiliency Centers, optimising work-from-home arrangements and will invoke transfer-of-work capabilities as required to complete processes across multiple offices, countries and regions.

28. Approval of financial statements

The financial statements were approved by the Directors of the Company and signed on their behalf on 24 March 2021 (10 Shaban 1442 H).