

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2015
together with the
INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

The Shareholders

The Northern Trust Company of Saudi Arabia
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **The Northern Trust Company of Saudi Arabia** - a closed joint stock company ("the Company") which comprise the balance sheet as at 31 December 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes 1 through 19 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association, 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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements taken as a whole:

1. present fairly, in all material respects, the financial position of **The Northern Trust Company of Saudi Arabia** - a closed joint stock company ("the Company") as at 31 December 2015, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
2. comply with the requirements of the Regulations for Companies, the Company's Articles of Association and its By-laws with respect to the preparation and presentation of financial statements.

**For KPMG Al Fozan & Partners
Certified Public Accountants**

Abdullah Hamad Al Fozan
License No.: 348

Date: 15 Jumada'II 1437H
Corresponding to: 24 March 2016



THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
BALANCE SHEET
As at 31 December 2015
(Saudi Arabian Riyals)

<u>ASSETS</u>	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Current assets			
Cash and cash equivalents	(4)	60,966,860	52,851,916
Due from related parties	(5)	1,711,145	3,966,390
Trust fees and other servicing fees receivable		6,907,369	5,651,752
Prepayments and other current assets	(6)	732,599	370,150
Total current assets		<u>70,317,973</u>	<u>62,840,208</u>
Non-current assets			
Property and equipment, net	(7)	1,113,993	61,858
Total assets		<u>71,431,966</u>	<u>62,902,066</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities			
Due to related parties	(5)	365,078	1,357,363
Accrued expenses and other current liabilities	(8)	1,521,982	401,995
Income tax payable	(13)	3,504,471	1,821,480
Total current liabilities		<u>5,391,531</u>	<u>3,580,838</u>
Non-current liabilities			
Employees' end of service benefits	(9)	174,090	100,736
Total liabilities		<u>5,565,621</u>	<u>3,681,574</u>
 Shareholders' equity			
Share capital	(10)	52,000,000	52,000,000
Statutory reserve	(11)	2,036,479	722,049
Retained earnings		11,829,866	6,498,443
Total shareholders' equity		<u>65,866,345</u>	<u>59,220,492</u>
Total liabilities and shareholders' equity		<u>71,431,966</u>	<u>62,902,066</u>

The accompanying notes (1) through (19) form an integral part of these financial statements.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2015
(Saudi Arabian Riyals)

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Revenue			
Trust fees and other servicing fees	(3)	12,916,877	7,333,860
Expenses			
Salaries and employees related expenses		(7,795,078)	(4,648,784)
Legal and professional expenses		(1,135,866)	(1,098,159)
Rent expense		(807,724)	(803,885)
Business development expenses		(434,787)	(338,024)
Depreciation	(7)	(215,032)	(18,003)
Other expenses		(376,976)	(293,280)
Total expenses		<u>(10,765,463)</u>	<u>(7,200,135)</u>
Net income from operations		<u>2,151,414</u>	133,725
Other income	(12)	14,497,353	8,421,919
Net income before income tax		<u>16,648,767</u>	8,555,644
Income tax charge for the year	(13)	(3,504,471)	(1,821,480)
Net income for the year		<u>13,144,296</u>	<u>6,734,164</u>
Earnings per share:			
	(15)		
- Net income from operations		<u>0.41</u>	<u>0.03</u>
- Net income for the year		<u>2.53</u>	<u>1.30</u>

The accompanying notes (1) through (19) form integral part of these financial statements.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
<u>Cash flows from operating activities</u>			
Net income for the year		13,144,296	6,734,164
<i>Adjustments to reconcile net income to net cash generated in operating activities:</i>			
Depreciation	(7)	215,032	18,003
Provision for employees' end of service benefits	(9)	86,426	66,604
Income tax charge for the year	(13)	3,504,471	1,821,480
		<u>16,950,225</u>	<u>8,640,251</u>
Changes in operating assets and liabilities:			
Decrease/ (Increase) in related party balances, net		1,262,960	(1,915,672)
(Increase) in prepayments and other current assets		(362,447)	(13,047)
(Increase) in trust fees and other servicing fees receivable		(1,255,618)	(5,588,419)
Increase in accrued expenses and other current liabilities		1,119,987	105,493
Employees' end of service benefits paid	(9)	(13,073)	--
Income tax paid	(13)	(1,821,480)	(159,641)
Net cash (used in)/ from operating activities		<u>15,880,554</u>	<u>1,068,965</u>
<u>Cash flows from investing activities</u>			
Purchase of furniture and office equipment	(7)	(1,267,167)	(21,252)
Net cash used in investing activities		<u>(1,267,167)</u>	<u>(21,252)</u>
<u>Cash flows from financing activities</u>			
Dividend paid	(18)	(6,498,443)	--
Net cash used in financing activities		<u>(6,498,443)</u>	<u>--</u>
Net increase in cash and cash equivalents		8,114,944	1,047,713
Cash and cash equivalents at beginning of the year		<u>52,851,916</u>	<u>51,804,203</u>
Cash and cash equivalents at end of the year		<u>60,966,860</u>	<u>52,851,916</u>

The accompanying notes (1) through (19) form integral part of these financial statements.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015
(Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2014	52,000,000	48,633	437,695	52,486,328
Net income for the year	--	--	6,734,164	6,734,164
Transfer to statutory reserve <i>(note 11)</i>	--	673,416	(673,416)	--
Balance as at 31 December 2014	52,000,000	722,049	6,498,443	59,220,492
Net income for the year	--	--	13,144,296	13,144,296
Dividend <i>(note 5 and 18)</i>	--	--	(6,498,443)	(6,498,443)
Transfer to statutory reserve <i>(note 11)</i>	--	1,314,430	(1,314,430)	--
Balance as at 31 December 2015	52,000,000	2,036,479	11,829,866	65,866,345

The accompanying notes (1) through (19) form integral part of these financial statements.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. ORGANIZATION 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’II 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’I 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

a) *Statement of compliance*

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Certain comparative amounts have been reclassified to conform to the current year’s presentation.

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.

c) *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

2 BASIS OF PREPARATION (continued)

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in the financial statements. The significant accounting policies adopted are as follows:

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 the statement of income.

Expenditure for repair and maintenance is charged to the statement of income. 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

b) *Revenue recognition*

Trust and other servicing fees: Trust and other servicing fees are 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.

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

c) *Expenses*

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

e) *Employees' end of service benefits*

Employees' end of service benefits, calculated in accordance with the Saudi Arabian labour regulations, are accrued and charged to statement of income. The liability is calculated at the value of the vested benefits to which the employee is entitled at the balance sheet date.

f) *Financial Instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at fair value of the consideration given or received. These financial assets and liabilities are subsequently measured at values which is estimated to approximate their fair values. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to contractual provisions of such instruments.

g) *Operating lease*

Lease expenses under operating leases are charged to the statement of income over the period of the respective lease.

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*

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income. The books of the Company are maintained in Saudi Riyals.

j) *Provisions*

Provisions are recognized when the Company can make a reliable estimate to a present legal or constructive obligation because of past events; it is more likely than not that, an outflow of resources will be required to settle the obligation.

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.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) *Income-tax*

The Company is subject to income tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The income-tax charge is accrued and charged to the statement of income.

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. CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
Cash at bank - current account	10,966,860	4,851,916
Term deposit (<i>note 4.1</i>)	<u>50,000,000</u>	<u>48,000,000</u>
	<u>60,966,860</u>	<u>52,851,916</u>

- 4.1 The term deposit has been placed with a local bank and carries a profit rate of 1.8 % per annum (2014: 0.75% per annum) with a maturity period of three months from the date of deposit.

5. RELATED PARTY BALANCES AND TRANSACTIONS

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 Related party comprise of Northern Trust Corporation Group ("the Group") and its affiliated companies. The Company accounts for revenues and expenses as calculated under the Group's global transfer pricing methodology.

Transfer pricing generally refers to the determination of compensation for transactions conducted between commonly controlled taxpayers. The determination of an appropriate level of compensation is relevant for all transactions between affiliates for the provision of services, the 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 Group service line may engage multiple affiliates to perform functions of varying complexity and value.

The residual profit split methodology framework starts with the Group global revenue which is first used to reimburse most direct costs of affiliates with a routine margin. The remaining profit is then split into product related profit pools which are in turn allocated to affiliates, such as the Company, using product specific allocation keys. The allocation keys are reflective of the economics of the Group's lines of business. The determination 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.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
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5. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>2015</u>	<u>2014</u>
Affiliates	Net revenue under the transfer pricing policy	<u>14,101,736</u>	<u>8,101,247</u>
	Allocation of employee costs (share based compensation)	<u>108,671</u>	<u>112,134</u>
Directors (<i>note 5.1</i>)	Directors' remuneration - Legal and professional expenses	<u>370,000</u>	<u>370,000</u>
Shareholders (<i>note 18</i>)	Dividend	<u>6,498,443</u>	<u>--</u>

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

Due from related parties

The Northern Trust Company, USA	<u>1,379,822</u>	<u>3,572,754</u>
The Northern Trust Company, London Branch	<u>311,881</u>	<u>94,486</u>
Other affiliates	<u>19,442</u>	<u>299,150</u>
	<u>1,711,145</u>	<u>3,966,390</u>

Due to related parties

The Northern Trust Company, USA	<u>228,629</u>	<u>67,855</u>
The Northern Trust Company, London Branch	<u>103,088</u>	<u>1,015,387</u>
Directors' fee (<i>note 5.1</i>)	<u>30,833</u>	<u>30,833</u>
Other affiliates	<u>2,528</u>	<u>243,288</u>
	<u>365,078</u>	<u>1,357,363</u>

- 5.1 The independent non-executive directors are entitled to a fee on basis of their respective service agreements with the Company.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2015</u>	<u>2014</u>
Prepaid expenses	<u>621,149</u>	<u>157,754</u>
Staff advances	<u>20,396</u>	<u>157,856</u>
Other deposits	<u>91,054</u>	<u>54,540</u>
	<u>732,599</u>	<u>370,150</u>

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
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7. PROPERTY AND EQUIPMENT, NET

	<u>2015</u>				<u>2014</u>
	<u>Leasehold improvements</u>	<u>Office equipment</u>	<u>Office furniture</u>	<u>Total</u>	<u>Total</u>
Cost:					
Balance at beginning of the year	--	68,886	21,252	90,138	68,886
Additions	371,200	495,967	400,000	1,267,167	21,252
Balance at end of the year	371,200	564,853	421,252	1,357,305	90,138
Accumulated depreciation:					
Balance at beginning of the year	--	26,775	1,505	28,280	10,277
Charge for the year	97,956	83,284	33,792	215,032	18,003
Balance at end of the year	97,956	110,059	35,297	243,312	28,280
Net Book Value:					
As at 31 December 2015	273,244	454,794	385,955	1,113,993	
As at 31 December 2014	--	42,111	19,747		61,858

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2015</u>	<u>2014</u>
Accrued expenses	1,499,964	260,573
Other current liabilities	22,018	141,422
	1,521,982	401,995

9. EMPLOYEES' END OF SERVICE BENEFITS

The movement of employees end of service benefits for the year ended 31 December is as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	100,736	34,129
Charge for the year	86,426	66,607
Payments made during the year	(13,072)	--
Balance at end of the year	174,090	100,736

10. SHARE CAPITAL

As at 31 December 2015, the authorized, 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 2014: SR 52 million divided into 5.2 million shares of SR 10 each).

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

11. STATUTORY RESERVE

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer at least 10% of its net income for the year to a statutory reserve until such reserve equals 50% of its paid up capital as a minimum. Accordingly, this reserve is not available for distribution. The Company has transferred 10% of its net income for the year to statutory reserve.

12. OTHER INCOME

	<u>2015</u>	<u>2014</u>
Net revenue under the transfer pricing policy (<i>Note 5</i>)	14,101,736	8,101,247
Commission income on bank deposits	395,617	320,672
	<u>14,497,353</u>	<u>8,421,919</u>

13. INCOME TAX

The Company has made a provision for income tax of SR 3.5 million (2014: 1.82 million) for the year ended 31 December on the following basis:

	<u>2015</u>	<u>2014</u>
Net income from operations	2,151,414	135,725
Other income (<i>Note 11</i>)	14,497,353	8,421,919
Tax adjustments	716,400	549,754
Taxable income for the year	<u>17,365,167</u>	<u>9,107,398</u>
Income tax provision at 20% of taxable income	<u>3,473,033</u>	<u>1,821,480</u>

Movement in the provision

Balance at beginning of the year	1,821,480	159,641
Charge for the year	3,473,033	1,821,480
Charge for the prior year	31,438	--
	<u>3,504,471</u>	<u>1,821,480</u>
Payment made during the year	<u>(1,821,480)</u>	<u>(159,641)</u>
Balance at end of the year	<u>3,504,471</u>	<u>1,821,480</u>

Status of assessments

The Company filed its tax declarations for the years ended 2013 and 2014 within the statutory deadline; however, no tax assessments have yet been finalized by the DZIT. Income tax declaration for the year ended 31 December 2015 will be submitted to the DZIT in the due course.

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
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14. CAPITAL ADEQUACY

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 clients, 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 December 31 was as follows:

	<u>2015</u>	<u>2014</u>
	(in '000')	
Capital Base:		
Tier 1 Capital	65,866	59,220
Tier 2 Capital	--	--
Total Capital Base	<u>65,866</u>	<u>59,220</u>
Minimum Capital Requirement:		
Market Risk	163	20
Credit Risk	2,646	2,194
Operational Risk	2,691	1,800
Total Minimum Capital Required	<u>5,500</u>	<u>4,014</u>
Capital Adequacy Ratio:		
Surplus / (Deficit) in Capital	<u>60,366</u>	<u>55,206</u>
Total Capital Ratio (times)	<u>11.98</u>	<u>14.75</u>

Capital Base of the Company comprises of Tier1 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.

15. EARNINGS PER SHARE

Earnings per share has been computed separately by dividing the income from operations and net income for the year by the weighted-average number of ordinary shares of 5.2 million shares outstanding during the year ended 31 December 2015 (31 December 2014: 5.2 million shares).

THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)

16. 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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets of the Company comprise of bank balance, due from related parties and certain other assets. Financial liabilities of the Company comprise of due to related parties and employees' end of service benefits. Accounting policies for financial assets and liabilities are set out in note 3.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit risk for the Company mainly arises from placements of cash and cash equivalents that is managed by making placements with local banks with sound credit ratings.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. 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.

Commission rate risk

Commission risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its bank deposits. The Company manages its commission rate risk by making short-term bank deposits for maximum period of three months.

Fair value

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. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

18. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on 24 March 2016 has proposed a dividend amounting to SR 11.83 million approximately SR 2.27 per share (2014: 6.498 million approximately SR 1.25) for the approval of the shareholders at the Annual General Meeting to be held on. The financial statements for the year ended 31 December 2015 do not include the effect of the proposed cash dividend which will be accounted for in the financial statements for the year ending 31 December 2016.

**THE NORTHERN TRUST COMPANY OF SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015
(Saudi Arabian Riyals)**

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Directors of the Company and signed on their behalf on 15 Jumada'II 1437H (corresponding to 24 March 2016).