NORTHERN
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Northern Trust Securities LLP

Members' Report and Financial Statements

For the Year Ended 31 December 2018

Registered number: OC324323

General Information

Designated Members	The Northern Trust International Banking Corporation Northern Trust Equities Limited
LLP registered number	OC324323
Registered office	50 Bank Street Canary Wharf London E14 5NT
Independent auditors	KPMG LLP 15 Canada Square London E14 5GL

Contents

Members' Report
For the Year Ended 31 December 2018

The Members present their annual report together with the audited financial statements of Northern Trust Securities LLP (the "LLP" or "NTS") for the year ended 31 December 2018.

Principal activity

The principal activities of the LLP comprise the provision of brokerage execution and equity sales services. The LLP is located in London and has a branch in Australia.

Business review

The LLP experienced a number of events during the year ended 31 December 2018 which impacted the business performance and operations. The business has completed its integration into the Northern Trust group and continues to clear via with BNP Paribas Securities Services. Markets in Financial Instruments Directive ("MIFID II)") was a significant regulatory change in 2018 and the business prepared and executed its MIFID II strategy successfully. EMEA and APAC markets remained challenging with volumes and activity lower than expected but the LLP had some success building out of its Integrated Trading Solutions (ITS) model and will continue to look to expand on that front.

MiFID II's implementation affected the way in which commissions are paid to NTS for execution and research. NTS will always be required to comply with MiFID II for all those services offered to clients which fall under the post-MiFID II conduct of business sourcebook ("COBS") rules. All revenues received from clients for either an execution service or for a research service must be in compliance with MiFID II. NTS provides both services to clients, the latter being 'market commentary' which is classified under MiFID II as 'Non-Independent Research. With effect from 1 December 2018, NTS having reviewed its research product offering will only provide 'Non-Independent Research' as classified under MiFID II to clients..

Key Performance Indicators

The key performance indicators used by the Members to determine the progress and performance of the LLP are in revenue figures, operating profit margins and levels of earnings in both trading and brokerage.

During the year, the LLP recognised £12,861,842 (2017: £11,063,464) of revenue and £2,286,066 (2017: £1,816,171) of operating profit. The profit for the year, after taxation, amounted to £2,041,400 (2017: £1,766,364).

Designated Members

The designated Members during the year under review were:

Northern Trust Equities Limited
The Northern Trust International Banking Corporation

Political donations

The LLP made no political donations and incurred no political expenditure during the year (2017: Nil).

Financial Risk Management

The LLP's activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business, and operational risks are an inevitable consequence of this. The LLP aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on the LLP's financial performance. Enterprise-wide risk management oversight is maintained through the Market and Liquidity Risk Committee, the Credit Risk Committee, the Fiduciary Risk Committee, the Operational Risk Committee and the Compliance and Ethics Committee of the ultimate parent company. Risk is assessed and managed by these committees under the Risk Management Policies approved by the Northern Trust Corporation's ("NTC") Board of Directors. The NTC Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, liquidity risk, foreign exchange risk, operational risk and credit risk. The Internal Audit function of the Northern Trust Corporation is responsible for the independent review of both risk management and the control environment of the LLP.

The LLP also operates a Management Committee ("MC") , created by the LLP Agreement and governed by terms of reference approved at LLP Members' meeting. The MC may take decisions on any matters relating to the day-to-day management and control of the LLP provided such matters are not reserved to the LLP Members. It may delegate any function to another NT individual or entity and has reporting lines to the EMEA Executive Management Committee ("EMC"), which has strategic oversight of all NT entities in EMEA. Regional risk matters are considered at a sub-committee of the EMC called the EMEA Risk Committee and so the MC may be required to report there as necessary.

Pillar 3 Disclosures

The LLP is authorised and regulated by the Financial Conduct Authority ("FCA"), and as such is required to publish on an annual basis a set of Pillar 3 disclosures. These disclosures are related to market discipline and aim to make firms more transparent by requiring them to publish prescribed details of their risks, capital and risk management. The LLP's most recent set of disclosures are published on the Northern Trust Corporation website and may be found at the following address:

http://www.northerntrust.com/about-us/investor-relations/financial-information/sec-regulatory-filings.

Members' Report (continued)
For the Year Ended 31 December 2018

Financial resources and going concern

The LLP's business activities and other factors likely to affect its future development and position are outlined within this Members' Report. The LLP has made a profit for 2018 and is projected to continue to generate positive cash flows in the medium term. The LLP participates in the Northern Trust Corporation group's centralised treasury arrangements and therefore shares banking arrangements with its parent and fellow subsidiaries. Consideration has been given to the financial position of the LLP's ultimate parent, Northern Trust Corporation, reported in the quarterly earnings releases.

On the basis of their assessment of the LLP's financial position and assurance from the Northern Trust Corporation that it will continue at all times to provide the LLP with sufficient liquidity and funding to remain a going concern, the LLP's Members have a reasonable expectation that the LLP will be able to continue in operational existence for the foreseeable future. The LLP is evaluating the uncertainties and impact to its business around the United Kingdom (UK) leaving the European Union, otherwise known as "Brexit". The Members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Members' capital and interests

Details of changes in Members' capital in the year ended 31 December 2018 are set out in the financial statements.

Members may contribute further capital which they determine shall be required for the purposes of the LLP.

The management committee shall allow drawings to be made quarterly in arrears by a member on account of their entitlement to share in the profits. This is only allowed where cash requirements of the business do not compete with the need to allow cash drawings by Members.

In respect of each accounting period, Members may agree to allocate profits amongst themselves, subject to the capital requirement. Each Member that wishes a distribution to take place must notify the Management Committee on the date that the Members approve the LLP Annual Accounts. In the event that such a notification is not made by a Member then any profits that would otherwise be due to that Member shall be deemed a capital contribution.

Members' capital may not be redeemed except on the winding up of the LLP, or where an equal amount is transferred to another such account by a former fellow member or a person replacing them as a member, or where the LLP ceases to be authorised by the FCA.

Disclosure of information to auditors

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

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

Members' Report (continued)
For the Year Ended 31 December 2018

Post balance sheet events

In June 2016 the UK held a referendum which supported the UK leaving the European Union ("EU") and the UK Government triggered the formal withdrawal process on 29 March 2017, with the exit to occur by 29 March 2019. Whilst the terms of the UK's withdrawal are subject to negotiation, it is anticipated that the LLP will lose its right to directly market its services in the European Economic Area ("EEA"). In light of this, a programme (the "Programme") has been established to enable Northern Trust to continue to provide brokerage services to its clients.

As part of this programme, on 1 March 2019, Northern Trust activated its licence from the European Central Bank, officially marking the establishment in Luxembourg of Northern Trust Global Services Societas Europaea (NTGS SE) as Northern Trust's EU bank. A decision has been made to provide brokerage services as an ancillary service to new EEA domiciled clients who contract with NTGS SE for one of its core asset servicing services as well as a standalone service to EEA domiciled third parties. NTGS SE acting as an agent intends to provide the receipt and transmission of orders (RTO) for equity and/or fixed income instruments to the LLP for execution.

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

Auditors

KPMG LLP have indicated their willingness to continue in office. The Designated Members will propose a motion re-appointing the auditors at a meeting of the Members.

This report was approved by the Members and signed on their behalf.

....	....
The Northern Trust International Banking Corporation	**Northern Trust Equities Limited**
Designated Member	Designated Member
Date: 3 April 2019	Date: 3 April 2019

Statement of Members' Responsibilities in respect of the Members' Report and the Financial Statements For the Year Ended 31 December 2018

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

Company law, as applied to LLPs, requires the members to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law, as applied to LLPs, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP"s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Northern Trust Securities LLP

Opinion

We have audited the financial statements of Northern Trust Securities LLP ("the LLP") for the year ended 31 December 2018, which comprise the balance sheet, profit and loss account, statements of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the LLP's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a LLP and this is particularly the case in relation to Brexit.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model, including the impact of Brexit, and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other Information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Independent Auditor's Report to the Members of Northern Trust Securities LLP (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion::

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Peck

Michael Peck (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

12 April 2019

Profit and Loss Account
For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	**12,861,842**	11,063,464
Cost of sales		**(1,867,232)**	(1,403,859)
Gross profit		**10,994,610**	9,659,605
Administrative expenses	6	**(8,767,964)**	(7,938,612)
Other operating income	5	**59,420**	95,178
Operating profit		**2,286,066**	1,816,171
Interest receivable and similar income	9	**45,132**	2,342
Interest payable and similar charges	10	**(184,658)**	-
Profit for the financial year before taxation		**2,146,540**	1,818,513
Tax on profit	12	**(105,140)**	(52,149)
Profit for the financial year available for discretionary division among Members		**2,041,400**	1,766,364

The notes on pages 10 to 25 form part of these financial statements.

Statement of Comprehensive Income
For the Year Ended 31 December 2018

	2018 £	2017 £
Profit for the financial year	**2,041,400**	1,766,364
Total comprehensive income for the year	**2,041,400**	1,766,364

Balance Sheet
As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Deferred expenses		-	14,124
Security deposits	14	**3,574,195**	2,074,195
		3,574,195	2,088,319
Current assets			
Debtors within one year	15	**8,282,946**	1,745,360
Cash and cash equivalents	16	**4,614,035**	4,650,683
		12,896,981	6,396,043
Creditors: amounts falling due within one year	17	**(7,760,977)**	(1,806,845)
Net current assets		**5,136,004**	4,589,198
Total assets less current liabilities		**8,710,199**	6,677,517
Net assets		**8,710,199**	6,677,517
Represented by:			
Members' other interests			
Members' capital classified as equity		**4,006,250**	4,006,250
Other reserves		**4,703,949**	2,671,267
		8,710,199	6,677,517
Total members' interests			
Members' interest		**8,710,199**	6,677,517

The financial statements were approved and authorised for issue by the Members and were signed on its behalf on 3 April 2019.

The Northern Trust International Banking Corporation
Designated Member

Northern Trust Equities Limited
Designated Member

Register Number: OC324323

The notes on pages 10 to 25 form part of these financial statements.

Reconciliation of Members' Interests
As at 31 December 2018

	Equity Members' other interest	Other reserves	Total	Debt Loans and other debts due to Members less any amounts due from Members in debtors	Total Members' Interests
Balance at 31 December 2016	**4,006,250**	**904,903**	**4,911,153**	**-**	**4,911,153**
Members's remuneration charged as an expense	-	-	-	-	-
Profit for the financial period available for discretionary division among Members	-	1,766,364	1,766,364	-	1,766,364
Members interests after profit for the period	-	1,766,364	1,766,364	-	1,766,364
Amounts due to Members	-	-	-	-	-
Amounts due from Members	-	-	-	-	-
	4,006,250	2,671,267	6,677,517	-	6,677,517
Amounts due to Members	-	-	-	-	-
Amounts due from Members	-	-	-	-	-
Balance at 31 December 2017	**4,006,250**	**2,671,267**	**6,677,517**	**-**	**6,677,517**
Balance at 1 January 2018	4,006,250	2,671,267	6,677,517	-	6,677,517
Adjustment on initial application of IFRS 9	-	(8,718)	(8,718)	-	(8,718)
Restated 1 January 2018	**4,006,250**	**2,662,549**	**6,668,799**	**-**	**6,668,799**
Profit for the financial period available for discretionary division among Members	-	2,041,400	2,041,400	-	2,041,400
Members interests after profit for the period	-	2,041,400	2,041,400	-	2,041,400
Amounts due to Members	-	-	-	-	-
Amounts due from Members	-	-	-	-	-
Balance at 31 December 2018	**4,006,250**	**4,703,949**	**8,710,199**	**-**	**8,710,199**

Notes to the Financial Statements
For the Year Ended 31 December 2018

1. General information

Northern trust Securities LLP is a limited liability partnership incorporated in England and Wales. Its registered office and principal place of business is 50 Bank Street, Canary Wharf, London, E14 5NT.

Details of the LLP's principal activities and nature of operations are disclosed in the Report of the Members.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") applicable in the United Kingdom and the Republic of Ireland, the Companies Act 2006 as applied by the Limited Liability Partnerships Regulations 2009 and the requirements of the Statement of Recommended Practice ("SORP") "Accounting by Limited Liability Partnerships".

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the LLP's accounting policies (see note 3).

First time application of FRS 101

In the current year the LLP has adopted application of Financial Reporting Requirements and FRS 101. In previous years the financial statements were prepared in accordance with Financial Reporting Standard 102 ("FRS 102") applicable in the United Kingdom and the Republic of Ireland, the Companies Act 2006 as applied by the Limited Liability Partnerships Regulations 2009 and the requirements of the Statement of Recommended Practice ("SORP") "Accounting by Limited Liability Partnerships".

In the transition from Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") to FRS 101, the LLP has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with FRS 102. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the group to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below but made amendments where necessary in order to comply with Companies Act 2006. There have been no other material amendments to the disclosure requirements previously applied in accordance with FRS 102.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements and in preparing an opening FRS101 balance sheet at 1 January 2018 for the purpose of the transition to FRS 101:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The LLP has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 - 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets;
- the requirement of paragraphs 6 and 21 of IFRS 1 First-Time Adoption of International Financial Reporting Standards to present an opening statement of financial position; and
- the requirements of paragraphs 113(a), 114, 115, 118, 119 (a), 119(b), 119(c), 120(a), 120(b), 121, 122, 123, 124, 125, 126 (a), 126(b), 126(c), 126(d), 127 and 129 of IFRS15 Revenue from Contracts with Customers.

This information is included in the consolidated financial statements of the Northern Trust Corporation as at 31 December 2018 and these financial statements may be obtained from Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois.

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.3 Changes in accounting policies

The LLP adopted IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments. IFRS 9 includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements.

Classification and measurement of financial assets is based on the business model in which the assets are held and whether the contractual characteristics of the asset's cash flows are solely payments of principal and interest. Financial liabilities are subject to similar recognition requirements as IAS 39.

IFRS 9 introduces an expected credit loss ("ECL") model for recognising impairment losses. The model applies to financial assets (excluding equity instruments) and off balance sheet commitments.

The LLP does not currently apply hedge accounting and therefore changes in hedge accounting requirements did not affect the financial statements.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as discussed below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and liabilities from the adoption of IFRS 9 are recognised in retained earnings and reserves at January 1, 2018. Reported retained earnings and reserves declined by £8,718 as compared with IAS39.
- Based on the facts and circumstances that existed on the initial adoption date, the LLP determined the business models within which financial assets are held.
- If a financial asset had low credit risk at the date of adoption, the LLP has assumed the credit risk on the asset had not increased significantly since initial recognition.

On January 1, 2018, the LLP adopted IFRS15 Revenue from Contracts with Customers. The primary objective of IFRS 15 is revenue recognition that represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The LLP adopted IFRS15 using the modified retrospective method applied to contracts not yet completed as of the date of adoption. Results for reporting periods beginning January 1, 2018 are presented under IFRS15, whereas prior period amounts are not adjusted. The timing or amount of the LLP's brokerage execution and research fee income from contracts with customers was not impacted by the adoption of IFRS 15.

2.4 Financial Instruments

Classification

On initial recognition, a financial asset is classified and, measured at amortised cost, FVOCI, or FVTPL. It is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

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

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

For equity instruments not held for trading, the LLP has the option to elect to measure the instrument at FVOCI at the time of initial recognition. The LLP made no such elections. All other financial assets are measured at FVTPL. The LLP may also designate a financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The LLP made no such designations.

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

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. **Accounting policies (continued)**

Business model assessment

The LLP assesses its business model at the portfolio level in the same manner that performance is reported to management. Information considered in this assessment includes stated policies and objectives for the portfolio and management's strategy; how performance is evaluated and reported to management; risks that impact the business model and how those risks are managed; and the frequency, volume, timing, and reasons for sales in prior periods. Instruments are not reclassified unless a business model for managing the assets has changed.

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

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

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

All of the LLP's financial instruments have contractual terms that produce cash flows that are solely payments of principal and interest. The LLP considered interest rates, call options, redemption prices, seniority rankings, etc. in this evaluation before concluding instruments pass the SPPI test.

Cash and cash equivalents

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

Trade and other debtors

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

Trade and other creditors

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

Deposits and subordinated loans

Deposits and subordinated loans are initially measured at fair value, net of transaction costs, at trade date. Subsequently, they are measured at amortised cost using the effective interest rate.

Offsetting

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

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

The LLP loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents; and
- Research services fees receivable.

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

- Loans and advances and debt investment securities that have low credit risk at the reporting date;

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The LLP 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 LLP considers reasonable and supportable information available without undue cost or effect. This includes historical experience and forward-looking information.

The LLP assigns an internal borrower rating ("BR") to each of its counterparties which reflects the creditworthiness of the counterparty. BR drives the calculation of ECLs as the probability of default ("PD") on each exposure starts with the counterparty's BR. BRs are assigned according to the Credit Policy and account for quantitative and qualitative aspects of the counterparty's financial health. A BR 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 LLP determines a significant increase in credit risk ("SICR") has occurred if a BR that previously fell inside a generally understood definition of high credit quality is updated to fall outside that range.

Debt securities with BR 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).

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 BR, whether the exposure is over 30 days past due, or if the counterparty is on the LLP'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.

The LLP 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 LLP in full;
- Any of the borrower's obligations are 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);

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

- 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 BR is downgraded to eight or nine;
- 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).

Measuring ECLs

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

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

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

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

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

2.6 Trades due to settle

The LLP engages in 'matched principal' transactions. 'Matched principal' trading is an arrangement whereby the facilitator (NTS LLP) interposes itself between the buyer and the seller to the transaction, and securities are bought from one counterparty and contemporaneously sold to another counterparty.

All financial transactions are first recorded at the transaction date. NTS LLP has clearing arrangements in place with BNP Securities Services ("BNPSS") and operates on a Delivery Versus Payment ("DVP") basis. Settlement of such transactions typically takes place within a few business days of the transaction date according to the relevant market rules and conventions. NTS LLP adopts settlement date accounting.

At the end of each accounting period, where trade settlement is unbalanced and past due but not impaired, a balance for trades due to settle asset and/or liability is recognised when a client or broker has not met its obligations to deliver cash or stock respectively. In that event, NTS LLP adopts settlement date accounting. BNPSS provide short term liquidity when timing differences arise on matched principal transactions.

2.7 Going concern

On the basis of their assessment of the LLP's financial position and assurance of liquidity support from the Northern Trust Corporation, the LLP's Members have a reasonable expectation that the LLP will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.8 Turnover

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer. The LLP recognises revenue when it transfers control over a service to a customer. Such revenue is recognised over time as the services are provided.

Once the LLP 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.

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.9 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest receivable and similar income' and 'Interest payable and similar charges' in the profit and loss account using the effective interest rates of the financial assets or financial liabilities to which they relate.

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

2.10 Taxation

Tax to be paid on the profits arising in the LLP's Australia branch are the tax liabilities on the LLP and are included as a tax charge within these financial statements.. Tax to be paid on the profits arising in the UK are the tax liabilities of the Members of the LLP and therefore not included as a tax charge within these financial statements.

2.11 Operating lease expense

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense over the term of the lease, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.12 Comparatives

To the extent necessary the comparatives have been adjusted to facilitate changes in the presentation of the current period amounts. Comparative periods have not been restated for the adoption of IFRS 9. Differences in the carrying amounts of financial assets and liabilities are recognised in other reserves at January 1, 2018. Reported other reserves declined by £8,718 as compared with IAS 39.

2.13 Foreign currency translation

Functional and presentation currency

The LLP's functional and presentational currency is Sterling.

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

Transactions and balances

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

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

Foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

Notes to the Financial Statements
For the Year Ended 31 December 2018

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

Prior to 1 May 2016, the LLP operated a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the LLP pays fixed contributions into a separate entity. Once the contributions have been paid the LLP has no further payment obligations.

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

2.15 Members' capital

Members' capital is classified as equity in accordance with FRS 101 and the SORP. Repayment of Members' capital is governed by the partnership agreement dated 1 May 2016 as amended by Deed of Variation dated 6 September 2017 and 17 April 2018.

2.16 Transfer of Members' interests

During the period there were no transfers from Members' capital interests to debts due to Members.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

Transfer pricing
The determination of transfer pricing is made using an "arm's-length" standard that tests what would have occurred in comparable circumstances between comparable, unrelated taxpayers. Judgement is required with regards to the appropriate methodology and verification of reasonableness. Further details are contained in note 13.

Notes to the Financial Statements
For the Year Ended 31 December 2018

4. Turnover

The turnover is comprised solely of brokerage execution and research services.

	2018 £	2017 £
Brokerage execution	**11,249,432**	9,155,610
Research services	**1,612,410**	1,907,854
	12,861,842	11,063,464

Performance Obligations

Brokerage execution revenue is primarily represented by securities commissions received in exchange for providing trade execution related services. Control is transferred at a point in time, on the trade date of the transaction, and fees are typically variable based on transaction volumes and security types.

Research Services represents revenues related to the provision of access to research content prepared by NTS's research analysts. This can take many forms, including daily commentary on markets distributed via email or the preparation of research documentation. The nature of the research service performance obligation 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. Research services related revenues are recognised on an accrual basis, over the period in which services are provided. Fee arrangements are comprised of fixed and variable amounts. Revenue is recognised using the output method in an amount that reflects the consideration the LLP expects to be entitled to in exchange for providing each month of service.

The LLP's contracts with its clients are typically open ended arrangements with an enforceable period less than a year. The LLP has elected to apply the practical expedient for disclosure requirements allowed in IFRS 15 for performance obligations that are included in contracts with an original duration of less than one year.

Further, the LLP also applies the practical expedient to not adjust promised amounts of consideration for any significant financing components as at contract inception, the LLP expects that the period between transferring service to the customer and the customer's payment for that service will be less than a year for all contracts.

Customer Receivables

Receivables related to contracts with customers are GBP 523,286 and GBP 542,447 as of 31 December 2018, and 1 January 2018, respectively, and consist of mostly of accrued fee income. Customer receivables are recognised within 'Debtors within one year' on the Balance sheet

5. Other operating income

	2018 £	2017 £
Other operating income	**55,259**	-
Foreign exchange difference - gain	**4,161**	95,178
	59,420	95,178

Notes to the Financial Statements
For the Year Ended 31 December 2018

6. Administrative expenses

	2018 £	2017 £
Operating lease rentals	**18,833**	33,053
Transfer pricing (note 13)	**6,967,242**	5,834,121
Other administrative expenses	**1,781,889**	2,071,438
	8,767,964	7,938,612

On 6 October 2016 the LLP assigned its leased premises at 1st Floor, 22 Ganton Street, London W1F 7FD to a third party including transferring all future minimum lease payments to the assignee. This resulted in the reversal of remaining rent free period liability.

7. Auditors' remuneration

Auditors' remuneration is borne by a fellow group undertaking, Northern Trust Management Services Limited. The following amounts were paid, on behalf of the LLP, to its auditor in respect of the audit of the financial statements and for other services provided to the LLP:

	2018 £	2017 £
Statutory audit	**39,000**	39,000
Audit related services	**13,000**	22,000
	52,000	61,000

8. Staff numbers and costs

The LLP has no employees. All employee contracts are held by a related group company, Northern Trust Management Services Limited ("NTMSL").

9. Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable on deposits outside the Northern Trust Group	**45,132**	2,342

10. Interest payable and similar charges

	2018 £	2017 £
Bank overdraft interest payable to banks outside the Northern Trust Group	**184,658**	-

Notes to the Financial Statements
For the Year Ended 31 December 2018

11. Information in relation to members

All profits are divided among Members after the end of the period in accordance with established profit sharing arrangements. The average number of Members during the period was 2 (2017: 2).

The profit attributable to the highest paid Member was £2.1 (2017: £1.8m). This amount includes Members' Remuneration, allocated and unallocated profits for the financial period attributable to Members based on their respective capital contributions.

The LLP is subject to the FCA's Remuneration Code ("the Code"). The LLP is required to establish, implement and maintain remuneration policies, practices and procedures that are consistent with and promote effective risk management. Details of which can be found in the set of Pillar 3 disclosures published at the following address:

http://www.northerntrust.com/about-us/investor-relations/financial-information/sec-regulatory-filings

The FCA has adopted a four-tiered approach to proportionality when applying the requirements of the Code and the LLP falls under Tier 3 due to its size. The LLP is not therefore required to apply the most prescriptive remuneration structures.

The LLP is an institutional execution-only stockbroker which is remunerated through client commissions and does not undertake proprietary trading. The risk profile of the LLP's business together with its corporate structure allows the LLP which is a Limited Liability Partnership, have determined the LLP's Remuneration Policy and its policy reflects its low risk profile. Partners are remunerated via profit share and therefore have a direct link to ownership and the profitability of the LLP. The Partners' remuneration is separately disclosed in the profit and loss account.

The LLP has performed the following as part of its compliance with the Code; established its proportionality tier, determined which Code rules to apply to it; identified and listed its Code staff and completed the FCA Remuneration Policy Statement.

12. Taxation

	2018 £	2017 £
UK		
Current tax on profits for the year	-	-
Adjustments in respect of previous periods	-	-
	-	-
Overseas		
Current tax on profits for the year	109,009	52,149
Adjustments in respect of previous periods	(3,869)	-
	105,140	52,149
Total tax charge	105,140	52,149

Notes to the Financial Statements
For the Year Ended 31 December 2018

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	**2,146,540**	1,818,513
Current tax at 19% (2017: 19.25%).	**407,843**	350,064
Total tax		
Effects of:		
Permanent differences	**-**	18,881
Adjustments in respect of previous periods	**(3,869)**	-
UK profits subject to tax in the hands of the members	**(342,671)**	(277,141)
Overseas tax suffered	**109,009**	-
Foreign profits not taxed	**(65,172)**	-
Foreign brought forward losses utilised in the period	**-**	(39,112)
Differences in exchange rates	**-**	(543)
Tax charge for the period	**105,140**	52,149

13. Transfer Pricing

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

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

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

	2018 £	2017 £
Amounts transferred to the global transfer pricing pool	**(12,775,349)**	(10,939,750)
Re-imbursement of expenses, plus mark-up	**4,198,520**	3,966,181
Profit pool allocation	**1,609,587**	1,139,448
Transfer pricing allocation for the LLP	**(6,967,242)**	(5,834,121)

Notes to the Financial Statements
For the Year Ended 31 December 2018

14. Security deposits

	2018 £	2017 £
Clearing firm deposit	**3,500,000**	2,000,000
Refundable security deposit	**74,195**	74,195
	3,574,195	2,074,195

15. Debtors within one year

	2018 £	2017 £
Trade debtors	**149,025**	75,507
Accrued fee income	**374,261**	466,940
Amounts owed by group undertakings	**1,111,818**	682,700
Trades due to settle	**6,533,599**	-
Prepayments	**14,125**	18,834
Other debtors	**100,118**	461,744
Taxation recoverable	**-**	39,635
	8,282,946	1,745,360

16. Cash and cash equivalents

	2018 £	2017 £
Balances with Northern Trust Group banks	**600,000**	-
Balances with banks outside the Northern Trust Group	**4,014,035**	4,650,683
	4,614,035	4,650,683

17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	**2,475,405**	-
Trade creditors	**-**	370
Amounts owed to group undertakings	**1,307,945**	926,897
Trades due to settle	**3,674,103**	-
Other creditors	**22,440**	828,373
Accrued expenses	**220,274**	51,205
Taxation payable	**60,810**	-
	7,760,977	1,806,845

Notes to the Financial Statements
For the Year Ended 31 December 2018

18. Country by country

All of the information disclosed below is in respect of Northern Trust Securities LLP and its branch.

For the year ended 31 December 2018:

	UK	Sydney branch	Total
Number of employees*	-	-	-
	£	£	£
Turnover	12,193,277	668,565	12,861,842
Profit before tax	1,803,531	343,009	2,146,540
LLP tax b/f	-	(39,632)	(39,632)
Accruals	-	104,724	104,724
Payments	-	(4,282)	(4,282)
LLP tax c/f	-	60,810	60,810

For the year ended 31 December 2017:

	UK	Sydney branch	Total
Number of employees*	-	-	-
	£	£	£
Turnover	10,334,101	729,363	11,063,464
Profit before tax	1,439,694	378,819	1,818,513
LLP tax b/f	-	-	-
Accruals	-	52,826	52,826
Payments	-	(92,458)	(92,458)
LLP tax c/f	-	(39,632)	(39,632)

Nature of services:
The principal activities of the LLP comprise the provision of brokerage execution and research services. The Australian office also undertakes the same activities as the UK.

* The average number of employees in 2018 was nil (2017: Nil). All UK employees are employed by a fellow group undertaking, Northern Trust Management Services Limited, and all Australian employees are employed by a fellow group undertaking, The Northern Trust Company Melbourne branch.

By setting out the schedule above in accordance with The Capital Requirements (Country-By-Country Reporting), UK Regulation 2013, Section 2(8), Northern Trust Securities LLP has complied with the requirements.

Notes to the Financial Statements
For the Year Ended 31 December 2018

19. Financial risk management

Introduction and overview

This note presents information about the LLP's exposure to each of the risks in its risk profile: credit, liquidity, operational (including compliance and fiduciary risks), strategic, regulatory and market risk, as well as the LLP's objectives, policies and processes for measuring and managing risk, and finally the LLP's management of capital.

The Management Committee is responsible for monitoring compliance with the LLP and group's risk management framework in relation to risks faced by the LLP. The Management Committee is assisted in these functions by the Internal Audit Committee of the Northern Trust Corporation. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Northern Trust Corporation Audit Committee.

Risk management framework

The LLP employs the framework from its ultimate parent, the Northern Trust Corporation, which has a global structure and process for risk management. Local risk management, by the Management Committee and local risk oversight committees, uses this global corporate risk structure.

Risk management is carried out by the following Northern Trust committees; Market and Liquidity Risk, Credit Risk, Fiduciary Risk, Operational Risk, and the Compliance and Ethics Oversight. These committees provide risk appetite principles and detailed policies which are reviewed regularly to reflect changes in market conditions, products and services offered. These committees and the Management Committee, through training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

In addition to the above, the Executive Management Committee ("EMC") is responsible for the daily management and execution of the agreed strategies of Northern Trust Europe, Middle East and Africa ("EMEA") entities' businesses, including the LLP. The EMC has appointed the EMEA Risk Committee ("ERC") to review and assess all risks pertaining to Northern Trust entities within the EMEA region, including the LLP. There is also a regional risk council ("EMEA Capital Markets Risk Council") which is responsible for local specialized governance on operational and compliance issues impacting the market-facing activities of Northern Trust - including the brokerage activities of the LLP. This council reports every quarter to the ERC and the LLP Management Committee. There is a separate Business Unit Risk Committee ("NTSI Risk Committee") which is dedicated to the brokerage entities of Northern Trust and ensures risk management best practice is employed across similar or related activities.

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

Operational risk (unaudited):

Operational risk is defined as the risk of loss from inadequate or failed internal processes, human factors and systems or from external events. Operational risk typically arises when transaction activity is not executed, settled or recorded accurately, or on a timely basis, or where there has been a breach of contractual commitments with clients.

Management of operational risk (unaudited)

The LLP's objective is to manage operational risk so as to balance the avoidance of financial losses and reputational damage with overall cost effectiveness. Operational risks within the business are identified and assessed using various risk management programmes. These analyse the risks that are inherent in the business environment and processing activities and their respective internal control adequacy.

Management is of the view that the LLP's inherent operational risk is significantly mitigated by the Northern Trust Corporation's operational risk framework.

Strategic risk (unaudited):

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

Notes to the Financial Statements
For the Year Ended 31 December 2018

19. Financial risk management (continued)

(a). Credit risk

Credit risk is the risk of loss to the LLP if a customer or counterparty to a financial instrument fails to meet its contractual obligation. It arises principally from the LLP's cash deposits at its clearing broker or nostro banks and debtors arising from an indemnity given by the LLP to its clearing broker to step in should a client fail to meet its obligations to deliver stock or cash for trade settlement.

Credit risk management and monitoring

The LLP's clearing broker and nostro banks are assessed and approved on at least an annual basis by the relevant Northern Trust credit committee. In respect of client failure, this risk is assessed as part of the client onboarding process. There is also annual impact analysis of potential trade failures as part of the Pillar 2 capital assessment.

The LLP's objective is to maintain a 'low to moderate' credit risk exposure which it aims to achieve through its credit risk management process. The credit risk management and monitoring is conducted by specialised groups and overseen by EMC.

(b). Liquidity risk

Liquidity risk management and monitoring

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.

There are no customer deposits or borrowings that could lead to liquidity demands. Liquidity risk is therefore low for the LLP and limited to the management of day to day expenses of the LLP's business. A letter of liquidity support is also provided from the ultimate controlling party in addition to the adequate reserves and equity of the LLP.

(c). Market risk

Measurement and assessment of risk

Market risk is the potential for movements in market variables such as foreign exchange and interest rates to cause changes in the value of trading positions, in addition to the risk resulting from sensitivity of net interest income and market value of equity to interest rate changes.

The LLP is a fully matched broker, in other words, it does not hold any form of trading inventory as part of its business model. There is very limited exposure to FX rates as part of currency mismatches which is managed by a regular "sell-down" process.

(d). Capital management

The LLP is an IFPRU 50k limited license firm supervised by the Financial Conduct Authority. The LLP seeks to maintain a strong capital and liquidity position to maintain investor, creditor and market confidence and to support future business development. LLP's capital resources consist of members' capital classified as tier 1 capital.

The LLP's capital position as at 31st December:

	2018	2017
	£	£
Tier 1	**8,710,199**	4,006,250

The LLP has complied with all externally imposed capital requirements throughout the year ended 31 December 2018.

Notes to the Financial Statements
For the Year Ended 31 December 2018

20. Financial instruments

IFRS 9 transition disclosures

	31 December 2017 (IAS 39/IAS 37)	Remeasurement	01 January 2018 (IFRS 9)
	£	£	£
Financial Assets			
Amortised cost			
Cash and cash equivalents	4,650,683	(48)	4,650,635
Research fees receivable	542,447	(8,670)	533,777
Total amortised cost	5,193,130	(8,718)	5,184,412
Financial liabilities			

There has not been any remeasurement of financial liabilities, therefore there was no change in the carrying amounts on transition from IAS 39 to IFRS 9 at 1 January 2018.

At 31 December 2017, as there were no impairment indicators, the LLP did not provide for any impairment allowances under IAS 39 and IAS 37. Upon adoption of IFRS 9, loss allowances for ECLs were provided for as at 1 January 2018, and are included in the table above. These opening allowances were recognised in reserves.

21. Subsequent events

There have been no other significant events affecting the LLP since the year end other than the Brexit response detailed in the Member's Report.

22. Controlling party

The immediate controlling party of the LLP is the Northern Trust International Banking Corporation, incorporated in the United States of America.

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

23. First time adoption of FRS 101

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.