Balance Sheet
As at 31 December 2017

	Note	2017 €000	2016 €000
Assets			
Cash and Cash equivalents	19	**401,654**	340,431
Loans and advances to group banks	20	**1,766,098**	1,070,346
Loans and advances to other banks		**6,090,666**	3,097,513
Loans and advances to customers	21	**24,152**	20,747
Investment securities	22	**201,962**	397,024
Investments in subsidiaries	18	**42,556**	-
Prepayments and accrued income	23	**31,126**	22,516
Tangible fixed assets	15	**569**	832
Goodwill	14	**33,398**	-
Intangible fixed assets	16	**83,973**	8
Other assets	24	**28,344**	27,741
Total assets		**8,704,498**	4,977,158
Liabilities			
Deposits by group banks		**4,313,026**	1,905,350
Bank overdrafts		**35**	4,712
Deposits by customers		**3,808,048**	2,731,630
Accruals and deferred income	25	**8,931**	3,313
Provisions	26	**128**	139
Other liabilities	27	**134,144**	98,973
		8,264,311	4,744,117
Equity			
Called up share capital	30	**310,506**	142,292
Retained Earnings	29	**129,681**	90,749
Total Equity		**440,187**	233,041
Total liabilities and equity		**8,704,498**	4,977,158

Company number 04795756

The notes on pages 8 to 31 form part of these financial statements.

NORTHERN
TRUST

Northern Trust Global Services Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2017

Registered number: 04795756

Company Information

Directors	Ms C. Aitchison Mr J. Davie Mr T. Glaysher Mr D. Marlborough Mr J. Misselbrook Ms T. Parker Mr J. Rowland Mr D. Wicks Mr. J. Wright
Company secretary	Mr. M.Wright, Ms H. Flanagan
Registered number	04795756
Registered office	50 Bank Street Canary Wharf London E14 5NT
Independent auditors	KPMG LLP 15 Canada Square London E14 5GL

Contents

KPMG

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statement.

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

Our responsibilities also include forming an independent opinion concerning the relationship between the company's net assets and its called-up share capital and distributable reserves at the balance sheet date.

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

This report is made solely to the company in accordance with section 92 (1) (b) and (c) of the Companies Act 2006. Our work has been undertaken so that we as the company's auditor might state to the company those matters we are required to state to it in a report under section 92 (1) (b) and (c) of that Act and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our work under section 92 (1) (b) and (c) of that Act, for this report, or for the opinions we have formed.

Mike Peck

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

22 March 2018

Directors' Responsibilities Statement
For the Year Ended 31 December 2017

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss in that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its 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 Company and to prevent and detect fraud and other irregularities.

Profit and Loss Account
For the year ended 31 December 2017

	Note	2017 €000	2016 €000
Interest receivable	2	**34,952**	21,388
Interest payable	3	**(24,438)**	(13,757)
Net interest income		**10,514**	7,631
Fees and commissions income	4	**141,373**	*110,263*
Fees and commissions expense	5	**(12,819)**	(11,926)
Other operating income	6	**1,720**	124
Administrative expenses	7	**(89,621)**	(66,543)
Operating profit		**51,267**	39,549
Tax expense on ordinary activities	11	**(12,335)**	(8,523)
Profit for the financial year		**38,932**	31,026

The notes on pages 8 to 31 form part of these financial statements.

All income and expenses arise from continuing activities.

Statement of other comprehensive income
For the year ended 31 December 2017

	2017 €000	2016 €000
Profit for the financial year	**38,932**	31,026
Total comprehensive income for the year	**38,932**	31,026

Statement of Changes in Equity
For the Year Ended 31 December 2017

	Share capital	Retained earnings	Total equity
	€000	*€000*	*€000*
At 1 January 2017	142,292	90,749	233,041
Comprehensive income for the year			
Profit for the year	-	38,932	38,932
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	38,932	38,932
Shares issued during the year	168,214	-	168,214
Total contributions by and distributions to owners	168,214	-	168,214
At 31 December 2017	310,506	129,681	440,187

Statement of Changes in Equity
For the Year Ended 31 December 2016

	Share capital	Retained earnings	Total equity
	€000	€000	€000
At 1 January 2016	142,292	59,723	202,015
Comprehensive income for the year			
Profit for the year	-	31,026	31,026
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	31,026	31,026
At 31 December 2016	142,292	90,749	233,041

The notes on pages 8 to 31 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies

1.1 Basis of preparation of Financial statements

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

The Company meets the requirements as a financial institution to apply Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101"). The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see Note 35).

The following principal accounting policies have been applied consistently to all periods presented in the financial statements:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets; and
- 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.

As a financial institution, the Company is not exempt from IFRS 7 and IFRS 13 fair value measurement.

1.3 Exemption from consolidation

The Company's ultimate parent company includes the Company in its consolidated financial statements, which are prepared under a basis equivalent to adopted IFRS. Accordingly, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as the Company and its subsidiary undertaking are included in the consolidated statement for a larger group drawn up for the same date in a manner equivalent to that prescribed by EU Seventh Directive (83/349/EEC). Therefore, these financial statements present information about the Company as an individual undertaking and not about its group.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.4 Future accounting developments

There have been and are expected to be a number of changes to the Company's financial reporting after 31 December 2017 as a result of amended or new accounting standards that have been or will be issued by the IASB. The key changes are as follows:

IFRS 9 *Financial Instruments* 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. The Company plans to adopt the standard using the modified retrospective method on its effective date of January 1, 2018.

Classification and measurement
Upon adoption, the Company will measure financial assets at amortised cost, fair value through profit or loss, or fair value through other comprehensive income based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement requirements are not expected to significantly impact the Company's statement of financial position and results of operations upon adoption of IFRS 9.

Impairment
In 2017, the Company focused efforts on an impact assessment related to impairment of financial assets under IFRS 9. Based on this assessment, the Company's methodology and process to evaluate whether a financial asset is impaired and the amount of the impairment will change to comply with IFRS 9. The methodology to recognize expected credit losses will be dependent on whether there has been a significant increase in credit risk on exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In measuring the expected credit loss, the Company will consider reasonable and supportable information that is available without undue cost or effort and includes quantitative and qualitative information with a forward-looking analysis. Based on the established methodologies for recognizing expected credit losses, the Company does not expect a significant impact on its statement of financial position and results of operations upon adopting IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers at the amount that reflects the consideration to which the Company expects to be entitled. The standard applies to all contracts except those within the scope of the standards on leases, insurance contracts and financial instruments.

Since the issuance of the standard, the Company has been working on a detailed impact assessment and contract review project yet to be completed in 2018. The Company recognizes the majority of its revenue over time under current policy and will continue this practice upon adoption of IFRS 15. The Company does anticipate additional disclosures after adopting the standard.

The Company plans to adopt the standard using the modified retrospective method on its effective date of January 1, 2018. The adoption of IFRS 15 is not expected to significantly impact the Company's statement of financial position or results of operations. This expectation is based upon historical data, with further analysis as part of continuing operations to be completed in 2018.

IFRS 16 *Leases* (IFRS 16) revises the principles for the recognition, measurement, presentation, and disclosures of leases. IFRS 16 establishes a single lessee accounting model which requires a lessee to recognise assets and liabilities for the rights and obligations created by all leases, with limited exceptions for short-term or low value leases. Specifically, a lessee is required to recognise a liability in the statement of financial position to make lease payments, known as the lease liability, and a right-of-use (ROU) asset representing its right to use the underlying asset over the lease term. The Company plans to adopt IFRS 16 on its effective date of January 1, 2019 on a modified retrospective basis.

The Company has established a governance structure and a project plan for its implementation efforts, along with taking further action in defining the future operating model for lease accounting and administration. The Company continues to assess the impact of IFRS 16 on the Company's financial condition and results of operations.

1.5 Measurement convention

The financial statements are prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, and liabilities for cash-settled share-based payments.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Euros.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing 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 currency differences arising on translation are generally recognised in the profit and loss account.

1.7 Going concern

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

1.8 Interest income and expense

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

Interest resulting from negative effective interest rates on a financial asset does not meet the definition of interest income because it reflects a gross outflow, instead of a gross inflow, of economic benefits. The expense arising on a financial asset because of a negative effective interest rate is presented as interest expense. The opposite presentation is applied to the income arising on financial liabilities.

1.9 Fee income and expense

Fee income is derived and payable on services relating to customer activities. Fee income and expenses are recognised as follows:

- income earned and expenses incurred on the execution of a significant act are recognised in the profit and loss account when the act is completed;
- income earned and expenses incurred for the provision of services over a period of time are recognised in the profit and loss account as the services are provided.

1.10 Expenses: operating lease payments

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.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.11 Compensation

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

Where the Company grants rights to its parent's equity instruments to employees of its own subsidiaries, the Company accounts for these share-based payments as cash-settled. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account. Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Taxation

Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.14 Intangible assets

Computer software is initially recognized at cost. After recognition, under the cost model, computer software is measured at cost less any accumulated amortization and any accumulated impairment losses.

Client relationship assets are initially recognized at fair value because the cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. The fair value reflects market participants' expectations at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow to the Company. After recognition, under the cost model, client relationship assets are subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

The estimated useful lives range as follows:

Computer Software	-	7	years
Client Relationship Asset	-	15	years

1.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	- 15 years, or lease term if shorter
Plant and machinery	- 7 years
Office equipment	- 5 years
Computer equipment	- 3 -5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the 'other operating income' line in the statement of comprehensive income.

1.16 Goodwill

Goodwill represents the excess of the fair value of the considerable payable over the fair value of the identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. It is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.17 Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless such changes are considered measurement payment adjustments, in which case the change is reflected in goodwill.

1.18 Subsidiaries

A subsidiary is an entity controlled by the Company. The Company "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more of the elements of control.

1.19 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

1.20 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Loans and advances

Loans and advances to banks and customers include loans and advances and repurchase agreements originated by the Company which are not intended to be sold in the short term and have not been classified as held for trading or designated at fair value. Loans and advances are recognised when cash is advanced to borrowers and are derecognised when either borrowers repay their obligations, or the loans are written off. They are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method after receipt of any proceeds.

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

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.

Held-to-maturity investment

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are recognised at trade date and are carried at amortised cost using the effective interest method, less any impairment losses (refer to section on write-off loans and advances and held to maturity investment within policy note 1.21). A sale or reclassification of a more than insignificant amount to held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassification after the Company has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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 Company has a legal right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.21 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

If there has been a significant or prolonged decline in the fair value of an equity instrument classified as Available for Sale, then an impairment loss will be recognised. An impairment loss is the difference between the acquisition cost and the current fair value of the instrument, less any impairment loss on that equity instrument previously recognised in profit or loss. In the case of a debt instrument classified as Available for sale, the cumulative loss is the difference between the amortised cost (i.e., the acquisition cost net of principal repayments and amortisation) and the current fair value of the instrument, less any impairment loss on that

Notes to the Financial Statements
For the Year Ended 31 December 2017

1. Accounting policies (continued)

debt instrument previously recognised in profit or loss.

Impairment of loans and advances

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans. Impairment losses are recorded as charges to the profit and loss statement. The carrying amount of impaired loans on the balance sheet is reduced through the use of the impairment allowance accounts. Losses which may arise from future events are not recognised.

Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the sale of collateral.

Reversals of impairment on loans and advances

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

Non-financial assets

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

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

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

1.22 Comparatives

To the extent necessary the prior period presentation has been adjusted to be comparable with the current year amounts.

1.23 Dividends

Equity dividends are recognised when they become legally payable (when approved by the shareholders at an annual general meeting).

Notes to the Financial Statements
For the Year Ended 31 December 2017

2. Interest receivable and similar income

	2017 €000	2016 €000
Loans and advances to group banks	**11,592**	7,134
Deposits by group banks	**9,655**	3,133
Loans and advances to other banks	**3,757**	4,019
Deposits by customers	**6,787**	4,846
Loans and advances to customers	**1,101**	913
Investment securities	**2,060**	1,343
	34,952	21,388

In line with accounting policy 1.8 and IFRS guidance, negative interest expense is reclassified as interest income.

3. Interest payable and similar charges

	2017 €000	2016 €000
Customer Deposits	**7,460**	2,839
Deposits by group banks	**1,832**	3,644
Loans and advances to group banks	**776**	2,392
Loans and advances to other banks	**14,105**	4,507
Other	**265**	375
	24,438	13,757

In line with accounting policy 1.8 and IFRS guidance, negative interest income is reclassified as interest expense.

4. Fees and commission income

	2017 €000	2016 €000
Custody and depositary	**74,407**	62,391
Outsourcing fees	**2,901**	2,688
Security lending	**6,632**	6,157
Banking fees	**375**	68
Fund administration	**57,058**	38,959
	141,373	110,263

5. Fees and commission expense

	2017 €000	2016 €000
Sub-custodian expense	**12,819**	11,926
	12,819	11,926

Notes to the Financial Statements
For the Year Ended 31 December 2017

6. Other operating income

	2017 €000	2016 €000
Other operating income	**90**	-
Foreign exchange difference - gain	**1,630**	124
	1,720	124

7. Administrative expenses

With the exception of the staff disclosed below, all other staff involved in the Company's operations are employees of other Northern Trust entities. These entities are remunerated for those staff and other expenses through the global transfer pricing methodology. Administrative expenses include the net amounts transferred to the Northern Trust Group in respect of transfer pricing, see Note 12. The NTGSL Luxembourg branch settles its own audit fees which are included in administrative expenses.

	2017 €000	2016 €000
Staff Costs (Note 9)	**12,648**	8,049
Operating lease rentals	**594**	239
Depreciation	**1,695**	289
Transfer Pricing (Note 12)	**61,915**	53,408
Acquisition costs	**6,686**	-
Other	**5,983**	4,558
	89,521	66,543

8. Auditors' remuneration

The following amounts were paid to the auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 €000	2016 €000
Statutory audit	**346**	233
Audit related assurance services	**320**	259
Other assurance services	**41**	41
	707	533

Notes to the Financial Statements
For the Year Ended 31 December 2017

9. Staff numbers and costs

Apart from the staff disclosed below, all other staff involved in the Company's operations are employees of other Northern Trust entities.

	2017 €000	2016 €000
Wages and salaries	**10,800**	6,723
Social security costs	**1,041**	611
Share based payments	**234**	181
Staff pension costs	**573**	534
	12,648	8,049

The average monthly number of persons employed by the Company during the year was as follows:

	2017 No.	2016 No.
Average number of Employees	**76**	43

10. Director's remuneration

	2017 €000	2016 €000
Director's emoluments	**900**	828
Amounts receivable under short-term incentive schemes	**148**	162
Amounts receivable under long-term incentive schemes	**476**	431
Company contributions to defined contribution pension schemes	**6**	6
	1,530	1,427

The aggregate of emoluments and amounts receivable under short-term and long-term incentive schemes of the highest paid Director was €361,169 (2016: €560,507), and company pension contributions of €3,240 (2016: €2,063) were made to a money purchase scheme on the Directors behalf. During the year, the highest paid Director exercised share options and received shares under a long term incentive scheme.

The number of Directors to whom retirement benefits are accruing under money purchase schemes was 3 (2016: 4). One Director (2016: Nil) has retirement benefits accruing under a defined benefit scheme that is administered out of the United States of America, and for which there are no related assets and liabilities held by NTGSL.

The number of Directors in respect of whose services shares were received or receivable under long term incentives schemes was 8 (2016: 6).

Directors' emoluments are allocated by the apportionment of time incurred by Directors for services to the Company. All Directors' emoluments have been borne by a fellow group undertaking except for Non Executive Directors' remuneration of €196,521 (2016: €150,931).

Notes to the Financial Statements
For the Year Ended 31 December 2017

11. Taxation

Corporation tax:

	2017 €000	2016 €000
UK:		
Current tax on profits for the year	**7,023**	6,403
	7,023	6,403
Overseas:		
Current tax on profits for the year	**5,301**	2,073
Interest on tax	**-**	(1)
Adjustment in respect of prior periods	**11**	48
Total current tax	**12,335**	8,523
Deferred tax		
Total deferred tax	**-**	-
Taxation on profit on ordinary activities	**12,335**	8,523

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 €000	2016 €000
Profit on ordinary activities before tax	**51,267**	39,549
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**9,869**	7,910
Effects of:		
Current tax on banking profits exceeding banking surcharge threshold at 8%	**448**	57
Permanent differences	**426**	20
Timing differences	**2**	14
Foreign profits not taxed	**(3,722)**	(1,597)
Overseas tax suffered	**5,312**	2,120
Interest on tax	**-**	(1)
Total tax charge for the year	**12,335**	8,523

Notes to the Financial Statements
For the Year Ended 31 December 2017

12. Transfer pricing

Transfer pricing generally refers to the determination of compensation for transactions conducted between commonly controlled legal entities. 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 entities.

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

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

	2017 €000	2016 €000
Profit and loss account		
Amounts transferred to global transfer pricing pool	**(153,606)**	(118,019)
Re-imbursement of expenses, plus mark-up	**43,421**	25,468
Profit pool allocation	**48,270**	39,143
Transfer pricing allocation for the Company	**(61,915)**	(53,408)

Notes to the Financial Statements
For the Year Ended 31 December 2017

13. Country by Country reporting

All of the information disclosed below is in respect of Northern Trust Global Services Limited and its branches

	UK	Luxembourg branch	Netherlands branch	Sweden branch	Abu Dhabi branch	Total
For the year ended 2017						
Number of employees *	-	47	18	7	4	76
Turnover (€'000)**	98,489	22,430	7,635	-	-	128,554
Profit before tax (€'000)	31,932	16,692	2,079	302	262	51,267
Public subsidies received (€'000)	-	-	-	-	-	-
€'000						
Corporation tax provision b/f	-	2,320	171	(50)	-	2,441
Accruals	6,834	4,726	505	85	-	12,150
Payments ***	(6,834)	(1,100)	(446)	(97)	-	(8,477)
Corporation tax c/f	-	5,946	230	(62)	-	6,114

	UK	Luxembourg branch	Netherlands branch	Sweden branch	Abu Dhabi rep office	Total
For the year ended 2016						
Number of employees *	-	16	17	6	4	43
Turnover (€000)**	81,067	10,672	6,598	-	-	98,337
Profit before tax (€'000)	31,564	6,584	1,108	293	-	39,549
Public subsidies received (€'000)	-	-	-	-	-	-
€000						
Corporation tax provision b/f	-	1,231	318	(55)	-	1,494
Accruals	6,397	1,715	336	75	-	8,523
Payments ***	(6,397)	(626)	(483)	(70)	-	(7,576)
Corporation tax c/f	-	2,320	171	(50)	-	2,441

* All UK employees are employed by an associated company, Northern Trust Management Services Limited. The number represents the average number of employees in the period.

** Turnover represents fee and commission income less fees and commissions expense.

*** UK tax is settled by The Northern Trust Company, London branch as the representative of the Group Payment Arrangement.

Nature of services:
The Company undertakes asset servicing in three locations: the UK (custody, fund administration, depositary and securities lending), Luxembourg (custody, fund administration and depositary) and the Netherlands (depositary). The Company holds client deposits as banker in the UK and Luxembourg. The Sweden and the Abu Dhabi branches undertake marketing and other client facing support activities (on 1 March 2017 the Abu Dhabi rep office converted to a 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 Global Services Limited has complied with the requirements including the audit.

Notes to the Financial Statements
For the Year Ended 31 December 2017

14. Goodwill

	2017 €000	2016 €000
Cost		
Additions	33,398	-
At 31 December 2017	33,398	-
Amortisation		
At 31 December 2017	-	-
Net book value		
At 31 December 2017	33,398	-

The goodwill relates to the acquisition of the UBS business which occurred during the year. As the consideration transferred exceeded the fair value of the net assets acquired, a bargain purchase did not occur. The recognition of assets and liabilities resulted in a goodwill balance as at the completion date of the acquisition.

15. Tangible fixed assets

	Long-term leasehold property €000	Plant and machinery €000	Fixtures and fittings €000	Office equipment €000	Computer equipment €000	Total €000
Cost or valuation						
At 1 January 2017	815	26	278	25	258	1,402
At 31 December 2017	815	26	278	25	258	1,402
Depreciation						
At 1 January 2017	399	5	41	15	110	570
Charge for the year on owned assets	177	4	28	5	49	263
At 31 December 2017	576	9	69	20	159	833
Net book value						
At 31 December 2017	239	17	209	5	99	569
At 31 December 2016	416	21	237	10	148	832

Notes to the Financial Statements
For the Year Ended 31 December 2017

16. Intangible assets

	Software €000	Client Relationship Asset €000	Total €000
Cost			
At 1 January 2017	*229*	-	*229*
Additions - external	-	85,397	85,397
At 31 December 2017	229	85,397	85,626
Amortisation			
At 1 January 2017	221	-	221
Charge for the year	6	1,426	1,432
At 31 December 2017	227	1,426	1,653
Net book value			
At 31 December 2017	2	83,971	83,973
At 31 December 2016	8	-	8

The client relationship asset, within intangible assets above, arose from the acquisition of the UBS business which occurred during the year.

Notes to the Financial Statements
For the Year Ended 31 December 2017

17. Acquisitions of businesses

Acquisitions in the current period

On 1 October 2017, the Company acquired the assets of UBS Fund Services Luxembourg through the Company's Luxembourg branch and shares in a newly incorporated UBS Swiss entity (which was subsequently renamed Northern Trust Switzerland AG). The consideration transferred to UBS was in the form of cash on the completion date ("Initial Purchase Price") and in the form of two subsequent earn-out payments (Contingent Consideration). The total consideration has been split between the purchase of UBS Fund Services Luxembourg assets and the share capital of Northern Trust Switzerland AG according to a determination of the economic value associated with each element.

The new Luxembourg business provides fund administration services including the provision of fund accounting and transfer agency supporting both traditional and alternative fund structures. The Company acquired employees, client relationships, property and as such an organized workforce and operational processes. These are utilized to provide fund administration and transfer agency capabilities to the Company's clients. The Company acquired both inputs and processes that are capable of producing outputs therefore the acquisition meets the definition of a business combination. In the three months to 31 December 2017, the new business contributed revenue of €9.8 million.

If the acquisition had occurred on 1 January 2017, full year turnover would be estimated at €39 million and full year net profit before tax would be estimated at €12.3 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition occurred on 1 January 2017.

The reason for the acquisition was to grow the Company's presence in continental Europe, significantly expanding the established Luxembourg Branch and opening up opportunities into the Switzerland market. The acquisition also provides part of the rationale for the planned transition of the Company's domicile to Luxembourg.

At acquisition date, the investment had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition €000
Investment in Northern Trust Switzerland AG	42,526
Luxembourg intangible assets	85,397
Receivable from UBS	3,443
Pension Liability	(30)
	131,336
Consideration paid:	
Initial cash price paid	155,704
Cash for share capital in Northern Trust Switzerland AG	87
Initial cash consideration relating to business combinations	155,791
Contingent consideration expected to be paid at fair value	8,943
Total consideration	164,734
Goodwill on acquisition	33,398

Notes to the Financial Statements
For the Year Ended 31 December 2017

Investment in Northern Trust Switzerland AG

The Company purchased CHF100,000 of share capital for €42,526,000.

Intangible Assets

As part of the transaction, Northern Trust acquired two different types of customer relationships:

- UBS managed funds
- Third-Party managed funds

The finite useful life of the UBS contract has been determined to be 15 years. The intangible asset is amortized on a straight-line basis reflecting the pattern in which the asset is consumed and in which the Company expects to receive its revenues related to the fund administration contracts.

Goodwill

Goodwill has arisen on the acquisition because the fair value of the consideration exceeded of the fair value of the net assets acquired. No impairment had occurred as of 31 December 2017.

Contingent consideration

The Company has agreed to pay additional consideration known as earn-out. This first earn-out payment was calculated as the difference between the Initial Purchase Price and the Provisional Purchase Price based on business won and lost as of 19 November 2017, since 31 December 2016. The first earn-out payment of CHF 8,406,594 was paid to UBS on 4 December, 2017. The second earn-out payment is due to UBS on 25 July 2018 based on business won and lost until 19 May 2018. The fair value of the second earn-out payment is CHF2,185,010 (€1,867,124 equivalent) and it is based on the latest available client data in December 2017. Accretion changes with the fair value of the contingent consideration. The accretion expense of CHF 360,716 has been recognized as administration expense in the income statement as of 31 December, 2017.

Acquisition related costs

The Company incurred €6,685,781 of acquisition related costs. These consisted of €2,350,538 legal services, €2,742,621 financial advisors costs and €1,592,622 other expenses. These costs have been included in administrative expenses in the Company's income statement.

Receivable from UBS

The fair value of acquired debtors was €3,439,000. Cash was received to settle the agreed balance before 31 December 2017.

Notes to the Financial Statements
For the Year Ended 31 December 2017

18. Investments in subsidiaries

	2017 €000	2016 €000
NT Property Nominees 1A Limited	-	-
NT Property Nominees 1B Limited	-	-
1889 Holdings S.A.	30	-
Northern Trust Switzerland AG	42,526	-
	42,556	-

As at 31 December 2017, the Company owned 100% of the issued share capital of NT Property Nominees 1A Limited, 50 Bank Street, Canary Wharf, London, E14 5NT, United Kingdom. The investment in the subsidiary undertaking is one ordinary share of £1 each (Euro equivalent €1 each), and the principal activity of the company is a nominee company.

As at 31 December 2017, the Company owned 100% of the issued share capital of NT Property Nominees 1B Limited, 50 Bank Street, Canary Wharf, London, E14 5NT, United Kingdom. The investment in the subsidiary undertaking is one ordinary share of £1 each (Euro equivalent €1 each), and the principal activity of the company is a nominee company.

The Company established a new entity in 2017 called 1889 Holdings S.A. It is located in Luxembourg at Senningerberg, Grand Duchy of Luxembourg with the Company owning 100% of the issued share capital of the entity. The investment in the subsidiary undertaking is 30,000 ordinary shares of €1 each, and the principal activity of the company is a holding company.

As at 31 December 2017, the Company owned 100% of the issued share capital of Northern Trust Switzerland AG, located at Aeschenplatz 6, CH-4052 Basel, Switzerland. During 2017, the Company bought 100% of this renamed entity as part of the fund administration acquisition from UBS. The investment in the subsidiary undertaking is 100,000 ordinary shares of CHF1 each (Euro equivalent €1 each). The principal activity of Northern Trust Switzerland AG is to provide fund administration services.

19. Cash and cash equivalents

	2017 €000	2016 €000
Bank current accounts	401,654	340,431
	401,654	340,431

20. Loans and advances to group banks

	2017 €000	2016 €000
Repayable on demand	127,713	587,167
Repayable within 3 months	1,638,385	483,179
	1,766,098	1,070,346

21. Loans and advances to customers

	2017 €000	2016 €000
Repayable on demand	24,152	20,747
	24,152	20,747

Notes to the Financial Statements
For the Year Ended 31 December 2017

22. Investment securities

	2017 €000	2016 €000
Held-to-maturity investments < 1 year	-	191,542
Held-to-maturity investments > 1 year	201,962	205,482
	201,962	397,024

23. Prepayments and accrued income

	2017 €000	2016 €000
Accrued interest - group banks	736	116
Accrued interest - other banks	503	332
Accrued income	28,715	20,900
Prepayments	1,172	1,168
	31,126	22,516

24. Other assets

	2017 €000	2016 €000
Due within one year		
Trade debtors	15,848	12,090
Due from group undertakings	10,215	3,936
Other assets	2,281	11,715
	28,344	27,741

25. Accruals and deferred income

	2017 €000	2016 €000
Accrued interest - group banks	17	35
Accrued interest - other banks	183	57
Accrued interest - customers	889	257
Accrued expenses	7,842	2,964
	8,931	3,313

Notes to the Financial Statements
For the Year Ended 31 December 2017

26. Provisions

	2017 €000	2016 €000
Balance as at 1 January 2017	**139**	82
Provisions made during the year	**-**	54
Discount rate adjustment and computed interest	**1**	1
Foreign exchange movement	**(12)**	2
Balance as at 31 December 2017	**128**	139

This provision is for dilapidations on leasehold improvements in the Abu Dhabi and Sweden offices.

27. Other liabilities

	2017 €000	2016 €000
Provision for tax	**6,114**	2,441
Contingent Consideration	**1,867**	-
Other liabilities	**5,183**	1,530
Due to group undertaking < 1 year	**44,418**	18,440
Loan from parent company > 1 year	**76,562**	76,562
	134,144	98,973

At 31 December 2017 there is a loan from the parent company, Northern Trust Holdings Limited for €76.6 million (2016: €76.6 million). This loan is subordinated in all respects to the claims of other creditors and repayable either on liquidation of the borrower or, if agreed with the lender, with express permission granted by the regulators (Prudential Regulatory Authority and Financial Conduct Authority). The loan is perpetual, meaning it has no maturity date. Interest on this loan is expressed as a percentage per annum equal to the prevailing 12-month Euribor rate on 27 December in each year, or the next business day, plus 200 basis points or such other rate as may be agreed by the parties.

The Contingent consideration relates to an earn-out payment on the UBS acquisition, which occurred during 2017. It is shown at fair value via accretion charges, which are expensed to the profit and loss account. Further details are contained in Note 17.

28. Employee benefits

The Company operates a defined contribution pension plan solely for the benefit of the employees.

The total expense relating to these plans in the current year was €572,968 (2016: €533,972).

Share based payments

The Company participates in The Northern Trust Corporation 2012 Stock Plan (the 2012 Plan) which is administered by the Compensation and Benefits Committee of the Board of Directors of the Group. The 2012 Plan provides for the grant of non-qualified stock options, incentive stock options, stock appreciation rights, stock awards, stock units and performance stock units. Grants are outstanding under the 2012 Plan and The Amended and Restated Northern Trust Corporation 2002 Stock Plan, a predecessor plan (2002 Plan).

Stock options consist of options to purchase common stock at prices not less than 100% of the fair market value thereof on the date the options were granted. Options have a maximum ten-year life and generally vest and become exercisable in one to four years after the date of grant. In addition, all options may become exercisable upon a 'change in control' as defined in the 2012 Plan of the 2002 Plan. All options terminate at such time as determined by the Committee and as provided in the terms and conditions of the respective option grants.

Notes to the Financial Statements
For the Year Ended 31 December 2017

Cash and equity settled awards granted during the year total 2,820 units (2016: 3264 units). The market price at award date was USD 88.06 to USD 99.59 (2016: USD 58.25). The options outstanding at the year end have an exercise price in the range of USD 43.65 to USD 71.23 and a weighted average contractual life of 2.93 years.

The weighted average share price at the grant date of share options exercised during the year was USD 52.79 (2016: USD 63.36).

29. Reserves

Profit and loss account

Accumulated Profit is recognised in Retained Earnings.

30. Share capital

	2017 €000	2016 €000
Authorised		
Nil (2016: 400,000,000) Ordinary shares of €1 each	-	400,000
Allotted, called up and fully paid		
310,506,238 (2016: 142,292,483) Ordinary shares of €1 each	**310,506**	142,292

The authorised share capital of the Company was removed by a special resolution of the single member passed on 2 August 2017.

In order to fund the UBS acquisition during the year, the Company made an allotment of 168,213,755 shares of €1 each at par value, to its parent Northern Trust Holdings Limited, in return for cash.

Notes to the Financial Statements
For the Year Ended 31 December 2017

31. Operating leases

	2017 €000	2016 €000
Not later than 1 year	**1,476**	276
Later than 1 year and not later than 5 years	**1,971**	436
Total	**3,447**	712

	2017 €000	2016 €000
Sublease receivable		
Not later than 1 year	**31**	31
Later than 1 year and not later than 5 years	**81**	81
Total	**112**	112

The Company leases a number of office buildings under operating leases in Abu Dhabi and the Netherlands and Luxembourg.

NTGS Luxembourg entered in to a lease agreement as part of the UBS acquisition with UBS Europe SE effective 1 October 2017 for office and car parking space. Located in Luxembourg, Avenue Borschette, Plateau de Kirchberg. The amount of the lease is €265,045 per quarter excluding VAT, with a rent free period until 31 December 2017. The agreement provides that the tenant may terminate the Lease Agreement with effect as of 30 April 2020 with a twelve months' prior notice.

During the year €593,696 was recognised as an expense in the profit and loss account in respect of operating leases (2016: €238,576).

32. Commitments and guarantees

The Company had issued no commitments nor provided any guarantees at year end (2016: Nil)

33. Subsequent events

In March 2018 NTGSL applied to the CSSF to become a credit institution concurrently with re-domiciling to Luxembourg.

There have been no other significant events affecting the Company.

34. Holding company

The Company is a subsidiary of Northern Trust Holdings Limited, incorporated in the United Kingdom. The annual accounts can be obtained from 50 Bank Street, Canary Wharf, London, E14 5NT.

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

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

Notes to the Financial Statements
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35. Accounting estimates and judgements

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

The following judgements and estimates 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 12.

UBS Acquisition

The acquisition of the UBS business required both significant judgements and estimation.

In terms of judgements, the principal ones were:

- The determination that, from the perspective of these company-only accounts, the acquisition of the Luxembourg business required business combination accounting whilst the acquisition of the Swiss company did not - as the latter was a purchase of a legal entity
- There were no intangible assets that required measurement other than the customer relationship assets. Other potential intangibles assets considered for recognition were the workforce, trade names, developed technology, non-compete arrangements and leases but none of these that could be recognised under IFRS had any material value

The key estimates related to:

- The valuation of the intangible asset pertaining to customer relationship assets
- The allocation of consideration between the Luxembourg and Swiss territories
- The contingent consideration
- The amortisation period of the intangible assets

The valuation of the customer relationship assets involved a number of inputs including:

- Revenue: Based on existing UBS growth rates
- Client attrition: minimal, 0% - 0.7%
- Discount rates: Use of local internal rates of return, Luxembourg 16.7%
- Contributory asset charges: Key assets that contribute to customer cash flows were working capital estimated at six months on annual expenses and cost and debt, fixed assets, workforce cost of replacement and regulatory capital.

Customer relationship assets relating to UBS managed funds and third party funds were considered separately and it was determined that the intangible asset pertaining to UBS managed funds amounted to €85.4m whilst the third party funds amounted to Nil. The principal differences related to the relative level of funds under management, the margin and the costs of integration.

Consideration was allocated between the two territories based on relative earnings. A 1% (decrease)/increase in the percentage allocated to Luxembourg would have (decreased)/increased goodwill by €1.6m and (decreased)/increased the investment in subsidiary by €1.6m.

The amortisation period for client intangible assets has been based on the contractual terms with UBS as set out in the ASTA and other agreements. If the amortisation period was reduced/increased by 10%, the amortisation charge for the period would have been €158,143 / (€129,390) higher/(lower). The impact on the client intangible assets of a 10% (decrease)/increase in the discount rate applied would have increased/(decreased) by €6.8m / (€5.9m).

The contingent consideration for the UBS acquisition as of 31 December 2017 includes one cash payment subsequent to the acquisition date. The payment amount depends on new and retained client contracts as set out in the Asset and Share Transfer Agreement ("ASTA"). Further details are contained in note 27.