

**RUSSELL IMPLEMENTATION SERVICES LTD**

**Directors' report and financial statements**  
**for the year ended 31 December 2012**

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COMPANIES HOUSE



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## **RUSSELL IMPLEMENTATION SERVICES LTD**

### **Directors' report for the year ended 31 December 2012**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

### **Business review and principal activities**

Russell Implementation Services Limited's ("the Company") principal activity is the provision of Transition Management Services and Portfolio Implementation. The Company is regulated by the Financial Conduct Authority ("FCA") and is authorised to carry on investment business. Its principal source of revenue is fee income for the provision of Transition Management and Portfolio Implementation Services.

### **Results and dividends**

The profit for the year, after taxation, amounted to £289,762 (2011 - £726,474)

The directors did not declare the payment of a dividend in 2012 (2011 - £3,000,000)

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks relate to competition and staff retention.

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market price risk.

#### **Risk 1**

Competition – competition within this sector is extremely fierce and contains some of the premier names within the industry. The Company believes that by using innovative tools and techniques, we can provide customised solutions for our clients that will help improve performance, while simultaneously reducing exposure to unintended risk.

#### **Risk 2**

Staff retention – the financial services industry is an extremely competitive market and the Company recognises the need to employ and retain the best talent available. The Company has a genuine focus on its associates and is committed to providing a rewarding and stimulating environment for all its employees.

#### **Risk 3**

Credit risk – risk that a counterparty will be unable to pay amounts in full when due. The Company manages the risk by a combination of active credit control and client diversification.

#### **Risk 4**

Interest rate risk – the majority of the Company's assets and liabilities are non interest bearing. The only interest bearing assets are cash at bank and are monitored on an ongoing basis.

#### **Risk 5**

Liquidity risk – the Company monitors its ability to meet liabilities when due on a daily basis. Daily bank reconciliations are performed and are used as a control in managing the Company's liquidity.

#### **Risk 6**

Foreign exchange risk – the Company has exposure to foreign exchange risk as it earns fees in foreign currencies from several foreign clients. The Company does not have a hedging policy in place, but monitors the level of foreign exchange risk on an ongoing basis.

## **RUSSELL IMPLEMENTATION SERVICES LTD**

### **Directors' report for the year ended 31 December 2012**

#### **Risk 7**

Market price risk – this risk may impact the assets under management on which we earn our investment management and advisory fees. This is managed by diversification of the products which are offered.

#### **Key performance indicators**

Given the straightforward nature of the Company, the Directors are of the opinion that an analysis using KPI's is not necessary to gain an understanding of the business.

#### **Future prospects**

The Company is optimistic about its future prospects and will look to add resources in 2013 and expand upon its service offering.

#### **Pillar 3**

In accordance with the rules of the Financial Conduct Authority, the Company has published information on its risk management objectives and policies, remuneration disclosure policy and on its regulatory capital requirements and resources. This information is available on the Company's website – [www.russell.com/uk/legal/pillar-3-disclosure/default](http://www.russell.com/uk/legal/pillar-3-disclosure/default) page.

#### **Directors and directors' interests**

The directors who served during the year were

JJ Beveridge  
J Finn  
I Battye (resigned 18 June 2012)  
R Bishop (appointed 18 June 2012)  
J Stannard (appointed 17 February 2012)  
C Caspar  
K Willman  
P Duval  
G Stark

No director was at 31 December 2012 or at any time during the year then ended, beneficially interested in any shares of the Company or its UK parent company.

#### **Share capital**

No new shares were issued during the year.

#### **Directors' responsibilities statement**

The directors are responsible for preparing 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

## **RUSSELL IMPLEMENTATION SERVICES LTD**

### **Directors' report for the year ended 31 December 2012**

- 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Provision of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf



JJ Beveridge  
Director

Date 24 April 2013



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RUSSELL IMPLEMENTATION SERVICES LIMITED**

We have audited the financial statements of Russell Implementation Services Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Paul Koziarski*

Paul Koziarski (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
24 April 2013

# **RUSSELL IMPLEMENTATION SERVICES LTD**

## **Profit and loss account for the year ended 31 December 2012**

	Note	2012 £	2011 £
<b>TURNOVER</b>	1	<b>6,545,400</b>	7,374,997
Administrative expenses		<b>(6,495,993)</b>	(6,578,306)
<b>OPERATING PROFIT</b>	6	<b>49,407</b>	796,691
Interest receivable and similar income	7	<b>2,553</b>	10,248
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>51,960</b>	806,939
Tax on profit on ordinary activities	8	<b>237,802</b>	(80,465)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	14	<b>289,762</b>	726,474

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 8 to 15 form part of these financial statements

There are no material differences between the current and prior year profit on ordinary activities before or after taxation and their historical cost equivalents

**RUSSELL IMPLEMENTATION SERVICES LTD**  
**Registered number 03049880**

**Balance sheet**  
**as at 31 December 2012**

	Note	£	2012 £	2011 £
<b>CURRENT ASSETS</b>				
Debtors	10	3,440,850	3,604,474	
Cash at bank		464,634	856,576	
		<u>3,905,484</u>	<u>4,461,050</u>	
<b>CREDITORS</b> * amounts falling due within one year	11	<u>(1,194,729)</u>	<u>(2,212,254)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,710,755</u>	<u>2,248,796</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,710,755</u>	<u>2,248,796</u>
<b>CREDITORS</b> * amounts falling due after more than one year	12		<u>(264,076)</u>	<u>(78,519)</u>
<b>NET ASSETS</b>			<u><u>2,446,679</u></u>	<u><u>2,170,277</u></u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	13	750,000	750,000	
Other reserves	14	424,902	438,262	
Profit and loss account	14	1,271,777	982,015	
<b>TOTAL SHAREHOLDERS' FUNDS</b>	15		<u><u>2,446,679</u></u>	<u><u>2,170,277</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 April 2013



JJ Beveridge  
Director

The notes on pages 8 to 15 form part of these financial statements

## **RUSSELL IMPLEMENTATION SERVICES LTD**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **1 Accounting policies**

##### **1.1 Basis of preparation of financial statements**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The financial statements are prepared in accordance with the Companies Act 2006.

##### **1.2 Turnover**

Turnover represents fee income receivable for the provision of Transition Management and Portfolio Implementation Services. Turnover is recognised on an accruals basis.

##### **1.3 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

##### **1.4 Pensions**

The Company operates a defined contribution discretionary pension scheme covering the majority of its employees. The costs of the pension scheme are charged to the Profit and loss account as they become payable in accordance with the rules of the scheme.

##### **1.5 Share-based payments**

The intermediate parent company of the Company, Frank Russell Company, operates a Long Term Incentive Plan (LTIP) share based payments scheme for selected employees of the Company.

Expense is recognised in accordance with the provisions of FRS 20 (Share-based Payments). Awards granted are measured at fair value and are recorded using an accelerated vesting method throughout a vesting period ranging between 3 and 4 years.

##### **1.6 Cash flow**

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1 (Revised 1996).

##### **1.7 Related parties**

The Company has taken advantage of the exemption provided under FRS 8 with respect to disclosure of related party transactions, as it is a wholly owned subsidiary of a company whose financial statements are publicly available.

## RUSSELL IMPLEMENTATION SERVICES LTD

### Notes to the financial statements for the year ended 31 December 2012

#### 1 Accounting policies (continued)

##### 1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

#### 2 Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	2,555,399	2,130,423
Social security costs	299,927	223,654
Other pension costs	207,839	143,341
Long term incentive schemes	281,064	214,959
	<u>3,344,229</u>	<u>2,712,377</u>

The average monthly number of employees, excluding the directors, during the year was as follows

	2012 No.	2011 No.
Sales, Marketing & Client Service	<u>16</u>	<u>11</u>

#### 3. Directors' remuneration

None of the directors are employed by the Company. Directors' remuneration is paid and borne by other Group Companies. The amounts shown below have been calculated on the basis of time spent by the directors on duties for this Company.

	2012 £	2011 £
Emoluments	<u>500,160</u>	<u>622,773</u>
Company pension contributions to defined contribution pension schemes	<u>14,348</u>	<u>25,238</u>

During the year retirement benefits were accruing to 6 directors (2011 - 3) in respect of defined contribution pension schemes

## RUSSELL IMPLEMENTATION SERVICES LTD

### Notes to the financial statements for the year ended 31 December 2012

The highest paid director received remuneration of £246,976 (2011 - £507,766)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2011 - £24,080)

8 directors have long term incentive scheme benefits accruing under the deferred bonus scheme (2011 9)

#### 4. Pension scheme

The Company operates a defined contribution, discretionary pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund of £207,839 (2011 £143,341)

#### 5 Share-based payments

In 2007, Frank Russell Company, the immediate parent company of Russell Systems Limited, set up a new Long Term Incentive Plan (LTIP). Restricted stock units and options in Frank Russell Company were granted to selected employees of the Company as part of a long term employee retention and incentive scheme.

Awards were granted for NIL consideration, with a vesting period ranging between 3 and 4 years. The fair value of the shares and options awarded on the grant date amounted to £nil (2011 £289,198) and is accounted for by the Company as an employee compensation cost with a corresponding credit to the shareholders' funds.

The Company recognised total expense of £96,075 relating to share based payment transactions during the year.

	Number of shares 2012	Number of options 2012	Number of shares 2011	Number of options 2011
Non-vested awards at 1 January	53,873	73,464	27,510	46,473
Non-vested shares granted during the year	-	-	30,636	45,954
Vested	(22,349)	(34,280)	(4,273)	(18,963)
Transfers in/out	(31,524)	(39,184)	-	-
Non-vested awards at 31 December	-	-	53,873	73,464

## RUSSELL IMPLEMENTATION SERVICES LTD

### Notes to the financial statements for the year ended 31 December 2012

The Company estimates the fair value of restricted stock option and SAR awards using the Black-Scholes option pricing model, which requires, among other inputs, an estimate of the fair value of the Company's common stock on the date of grant and the expected volatility of the common stock over the expected term of the related grants. Stock options are granted with an exercise price equal to the per-share fair value of the Company's common stock at the date of grant. The Company determined that it was not practicable to calculate the volatility of its share price since the Company's securities are not publicly traded and therefore, there is no readily determinable market value for its stock. Therefore, the Company estimates its expected volatility based on reported market value data for a group of publicly traded companies, which it selects from certain market indices.

The Company uses the average expected volatility rates reported by the comparable group for the expected terms estimated by the Company.

The fair value of employee stock option awards granted during the years ended December 31 was estimated using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free rate	0.71%	1.26% - 2.13%
Expected term	4.52 years	4.3 - 4.52 years
Expected dividend yield	1.81%	1.37% - 1.38%
Expected volatility	56.90%	54.25% - 55.78%

The fair value of SAR awards for the years ended December 31 was estimated using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Risk-free rate	0.11% - 0.18%	0.06% - 0.33%
Expected term	0.57 - 1.18 years	0.57 - 2.18 years
Expected dividend yield	1.63%	1.83%
Expected volatility	26.14% - 31.58%	37.01% - 51.16%

#### 6 Operating profit

The operating profit is stated after charging/(crediting)

	2012	2011
	£	£
Auditors' remuneration	8,275	4,251
Difference on foreign exchange	(14,539)	48,050
	<u>          </u>	<u>          </u>

#### 7. Interest receivable

	2012	2011
	£	£
Other interest receivable	2,553	10,248
	<u>          </u>	<u>          </u>

# RUSSELL IMPLEMENTATION SERVICES LTD

## Notes to the financial statements for the year ended 31 December 2012

### 8 Taxation

	2012 £	2011 £
<b>Analysis of tax (credit)/charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	-	263,321
Adjustments in respect of prior periods	(251,309)	(170,436)
<b>Total current tax</b>	<b>(251,309)</b>	<b>92,885</b>
<b>Deferred tax</b> (see note 9)		
Origination and reversal of timing differences	13,507	(12,420)
<b>Tax on profit on ordinary activities</b>	<b>(237,802)</b>	<b>80,465</b>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the hybrid standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	51,960	806,939
Profit on ordinary activities multiplied by hybrid standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	12,730	213,839
<b>Effects of:</b>		
Expenses not deductible for tax purposes	437	920
Capital allowances for year in excess of depreciation	(9)	-
Adjustments to tax charge in respect of prior periods	(251,309)	(170,436)
Other timing differences leading to an increase (decrease) in taxation	44,296	48,562
Group relief	(57,454)	-
<b>Current tax (credit)/charge for the year</b> (see note above)	<b>(251,309)</b>	<b>92,885</b>

#### Factors that may affect future tax charges

During the year, as a result of the changes in the UK main corporation tax rate to 24% that became effective from 1 April 2012, and to 23% that became effective from 1 April 2013, the Company's profits for this accounting period are taxed at an effective rate of 24.5% and the deferred tax balance is measured at 23.25%.

Further reductions to the UK corporation tax rate were announced in the March 2013 Budget. These changes, which are expected to be enacted separately each year, propose to reduce the rate to 21% from 1 April 2014, and to 20% from 1 April 2015. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

# **RUSSELL IMPLEMENTATION SERVICES LTD**

## **Notes to the financial statements for the year ended 31 December 2012**

### **9 Deferred tax asset**

	2012 £	2011 £
At beginning of year	75,437	63,017
(Charge for)/released during year	(13,507)	12,420
At end of year	<u>61,930</u>	<u>75,437</u>

The deferred tax asset is made up as follows

	2012 £	2011 £
Long term incentive schemes	<u>61,930</u>	<u>75,437</u>

Deferred tax has been recognised on all temporary timing differences including those arising in earlier years, as positive trading results make it more likely than not that the deferred tax asset will crystallise in future periods

### **10. Debtors**

	2012 £	2011 £
Amounts owed by group undertakings	242,428	-
Corporation tax	337,558	63,123
Other debtors	8,656	13,759
Prepayments and accrued income	2,790,278	3,452,155
Deferred tax asset (see note 9)	61,930	75,437
	<u>3,440,850</u>	<u>3,604,474</u>

### **11. Creditors: Amounts falling due within one year**

	2012 £	2011 £
Amounts owed to group undertakings	398,475	1,101,584
Social security and other taxes	119,029	351,088
Accruals and deferred income	677,225	759,582
	<u>1,194,729</u>	<u>2,212,254</u>

# **RUSSELL IMPLEMENTATION SERVICES LTD**

## **Notes to the financial statements for the year ended 31 December 2012**

### **12. Creditors** **Amounts falling due after more than one year**

	2012 £	2011 £
Accruals - Share based payments	<u>264,076</u>	<u>78,519</u>

### **13. Share capital**

	2012 £	2011 £
<b>Allotted, called up and fully paid</b>		
750,000 Ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>

### **14. Reserves**

	Contributed surplus - LTIP £	Profit and loss account £
At 1 January 2012	438,262	982,015
Profit for the year	-	289,762
Contributed surplus - LTIP	(13,360)	-
	<u>424,902</u>	<u>1,271,777</u>
At 31 December 2012		

### **15. Reconciliation of movement in shareholders' funds**

	2012 £	2011 £
Opening shareholders' funds	2,170,277	4,277,357
Profit for the year	289,762	726,474
Dividends (Note 19)	-	(3,000,000)
Contributed surplus - LTIP	(13,360)	166,446
	<u>2,446,679</u>	<u>2,170,277</u>
Closing shareholders' funds		

### **16. Consolidated Supervision**

The Company is subject to the consolidated capital requirements of the Financial Conduct Authority

### **17 Post balance sheet events**

There were no subsequent events since the year end

## RUSSELL IMPLEMENTATION SERVICES LTD

### Notes to the financial statements for the year ended 31 December 2012

#### 18. Ultimate parent undertaking and controlling party

The immediate parent undertaking of Russell Implementation Services Ltd and the smallest group to prepare consolidated financial statements is Russell Systems Limited registered in England. Copies of the Company's and group's financial statements can be obtained from Rex House, 10 Regent Street, London, SW1Y 4PE.

The ultimate parent undertaking and the largest group to prepare consolidated financial statements is Northwestern Mutual Life Assurance Company incorporated in the United States of America. Copies of group financial statements can be obtained from 720 East Wisconsin Avenue, Milwaukee, WI 53202.

#### 19. Dividends

	2012 £	2011 £
Dividends paid on equity capital	-	3,000,000

During 2012, the Company did not declare the payment of a dividend.