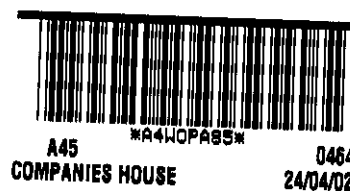


**THE WYATT COMPANY (UK) LIMITED**  
**(REGISTERED NUMBER: 1166919)**

**Directors' Report and Financial Statements**  
**For the Year Ended 30 June 2001**



# **THE WYATT COMPANY (UK) LIMITED**

## **Directors' Report For the Year Ended 30 June 2001**

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2001.

### **Review of the Business and Future Developments**

During the year ended 30 June 2001, the Company's sole activity has been to hold the partnership interest in Watson Wyatt Partners ("WWP") jointly with its immediate parent undertaking, The Wyatt Company Holdings Limited ("Wyatt Holdings").

The Company's share of this partnership interest contributed £2,198,986 to pre-tax profits in the year ended 30 June 2001 (2000: £1,487,122).

### **Results for the Year and Dividend**

The Company made a profit for the year after taxation of £1,349,263 (2000: £353,944) which was transferred to reserves.

The directors do not recommend the payment of a dividend.

### **Directors and their Interests**

The following served as directors of the Company during the year:

JJ Haley  
WW Bardenwerper

None of the directors held any beneficial interest during the year in the shares of the Company other than as stockholders of the ultimate parent undertaking which, prior to 16 October 2000, was Watson Wyatt & Company ("WWC"), incorporated in the USA.

On 16 October 2000, the entire share capital of WWC was acquired for shares issued by Watson Wyatt & Company Holdings ("WWC Holdings"), also a USA corporation. WWC Holdings was formed in order to implement an Initial Public Offering of part of the issued share capital of that company on the New York Stock Exchange. Therefore, with effect from 16 October 2000, WWC Holdings became the Company's ultimate parent undertaking and the directors of the Company are now shareholders of WWC Holdings.

### **Statement of Directors' Responsibilities**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. These financial statements are to be prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors consider that in preparing the financial statements on pages 4 to 11, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to

# THE WYATT COMPANY (UK) LIMITED

## Directors' Report

For the Year Ended 30 June 2001

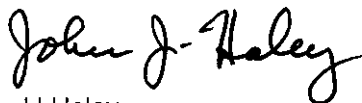
ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

### Auditors

The Company has made an elective resolution under Section 379A of the Companies Act 1985 and has consequently dispensed with the requirement to appoint auditors annually. PricewaterhouseCoopers have indicated their willingness to continue in office.

By Order of the Board



JJ Haley  
Director

1 April 2002

**PricewaterhouseCoopers**  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY  
Telephone +44 (0) 171 939 3000  
Facsimile +44 (0) 171 378 0647

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE WYATT COMPANY (UK) LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

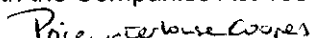
### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors, London

Date 1 April 2002

# THE WYATT COMPANY (UK) LIMITED

## Profit and Loss Account For the Year Ended 30 June 2001

	Notes	2001 £	2000 £
<b>Turnover</b>		-	-
Pre-tax income from participating interest	6	2,198,986	1,487,122
Operating charges	2	(286,846)	(982,252)
<b>Operating profit</b>		<b>1,912,140</b>	<b>504,870</b>
Interest receivable on overpaid corporation tax		5,128	1,929
<b>Profit on ordinary activities before taxation</b>		<b>1,917,268</b>	<b>506,799</b>
Tax charge on profit from ordinary activities	5	(568,005)	(152,855)
<b>Profit on ordinary activities after taxation and retained for the year</b>		<b>1,349,263</b>	<b>353,944</b>
<b>Statement of retained profits</b>			
At 1 July		5,200,834	4,846,890
Retained profit for the year		1,349,263	353,944
At 30 June		6,550,097	5,200,834

All profits, gains or losses relate to continuing operations. A separate reconciliation of the movement in shareholders' funds and a statement of total recognised gains and losses, are not provided as there are no movements for the current or previous year other than those that are shown in the above statement of retained profits.

The notes on pages 6 to 11 form an integral part of these financial statements.

# THE WYATT COMPANY (UK) LIMITED

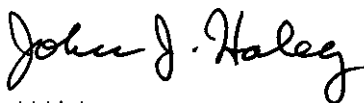
## Balance Sheet

For the Year Ended 30 June 2001

	Notes	2001 £	2000 £
<b>Fixed Assets</b>			
Investments	6	4,673,622	4,116,505
<b>Current Assets</b>			
Debtors	7	2,074,237	1,134,423
Creditors – amounts falling due within one year	8	(9,473)	(94)
<b>Net current assets</b>		2,064,764	1,134,329
<b>Total assets less current liabilities</b>		6,738,386	5,250,834
Provisions for liabilities and charges	9	(138,289)	-
		6,600,097	5,250,834
<b>Capital and Reserves</b>			
Called up share capital	10	50,000	50,000
Profit and loss account		6,550,097	5,200,834
		6,600,097	5,250,834

## Approved by the Board of Directors

Signed on their behalf



JJ Haley  
Director

1 April 2002

The notes on pages 6 to 11 form an integral part of these financial statements.

# **THE WYATT COMPANY (UK) LIMITED**

## **Notes to the Financial Statements For the Year Ended 30 June 2001**

### **1 Accounting Policies**

#### **Accounting Convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **Investment in Participating Interest**

On 1 April 1995, as part of the arrangements for the creation of the Watson Wyatt Alliance, the Company, jointly with its immediate parent undertaking, The Wyatt Company Holdings Limited ("Wyatt Holdings"), transferred its business and net assets to Watson Wyatt Partners ("WWP") in consideration for admission as a partner of WWP of an individual in his capacity as trustee of a settlement (the Wyatt Trust) under which the Company and Wyatt Holdings have a major beneficial interest. The consideration for the transfer was settled by the Company and Wyatt Holdings jointly, in proportion to the net assets contributed, being credited through the Wyatt Trust with an equivalent amount as a capital contribution to WWP.

The Company and Wyatt Holdings are of the opinion that they exercise sufficient influence on the operating and financial policies of WWP (through the role of the trustee of the Wyatt Trust as a partner in WWP) to account for this investment as a participating interest which is not an associated undertaking. The income arising from the jointly-owned 10% interest in the defined profit pool of WWP, is allocated between the Company and Wyatt Holdings in proportion to the net assets transferred to WWP on 1 April 1995, being 64.25% attributable to the Company and 35.75% due to Wyatt Holdings. Credit for the Company's share of the profit of WWP has been taken in these financial statements to the extent that it has been attributed to partners in the audited accounts of the partnership for the year ended on the preceding 30 April. In addition, credit is also taken for the change in profit arising subsequently in May and June compared with the equivalent two WMPs in the preceding year, based upon estimates provided by WWP.

The Wyatt Trust is liable for income tax on its share of the assessable profit of WWP and this expense is also attributed to the beneficiaries in the same profit sharing ratios previously referred to. This income tax liability is charged to the profit and loss account as part of the tax expense. In addition, the Company and Wyatt Holdings are assessed to corporation tax on their shares of the profit of WWP attributable to the Wyatt Trust. These corporation tax liabilities are also charged through the taxation expense in the profit and loss account, net of credits for income tax borne by the Wyatt Trust on distributions made by the trust to the beneficiaries.

Some of the operations of WWP are undertaken by subsidiary companies of the partnership. In the accounts of WWP these subsidiaries are stated at a valuation based upon the underlying net assets. The Company and Wyatt Holdings share in 10% of the change in valuation of these subsidiaries and the Company's share of the surplus or deficit arising thereon is included in the profit and loss account as part of the defined profit pool referred to previously.

#### **Deferred Taxation**

The Company has chosen to adopt early the provisions of Financial Reporting Standard 19 ("Deferred Taxation"), with effect from 1 July 2000. Accordingly, provision for deferred taxation is recognised on all timing differences between profits stated in the financial statements and profits as computed for tax purposes where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is recognised at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

# THE WYATT COMPANY (UK) LIMITED

## Notes to the Financial Statements For the Year Ended 30 June 2001

The effect of this change in accounting policy on the results of accounting periods ended on or before 30 June 2000 and on the reserves at that date, is not material and, therefore, no restatement of these previously reported results and reserves has been made.

### 2 Operating Charges

This expense is a management charge payable to the immediate parent undertaking.

### 3 Directors' Remuneration

The directors of the Company who held office in the year ended 30 June 2001 are also employees of WWC, the ultimate parent undertaking prior to 16 October 2000 (Note 12). Mr J.J. Haley is also a director of WWC and of Watson Wyatt & Company Holdings, the ultimate parent undertaking from 16 October 2000 (Note 12). As employees of WWC, the directors of the company are remunerated by WWC in respect of their services to the Company. None of these directors received emoluments from the Company (2000: £Nil).

### 4 Auditors' Remuneration

The remuneration of the auditors in respect of audit services is borne by WWC, the Company's ultimate parent undertaking prior to 16 October 2000 (Note 12). No remuneration was paid to the auditors in respect of non-audit services.

### 5 Tax Charge on Profit from Ordinary Activities

#### Analysis of tax charge for the year

	2001	2000
	£	£
UK corporation tax charge (2000: credit) on the profit for the year:	78,905	(86,417)
Current income tax at the basic rate of tax, borne by the Wyatt Trust	382,254	292,379
Adjustments in respect of prior years:		
Corporation tax	(15,052)	(29,292)
Income tax borne by the Wyatt Trust	(16,391)	(23,815)
Total current tax charge	429,716	152,855
Deferred tax:		
Origination and reversal of timing differences arising in:		
Current year	150,671	-
Prior years	(12,382)	-
Total deferred tax charge	138,289	-
Total tax charge for the year	568,005	152,855

# THE WYATT COMPANY (UK) LIMITED

## Notes to the Financial Statements For the Year Ended 30 June 2001

### Factors affecting tax charge for the year

	2001	2000
	£	£
Profit on ordinary activities before taxation	1,917,268	506,799
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2000: 30%)	575,180	152,040
Effects of:		
Profit of the Wyatt Trust subject to assessment under UK income tax rules and taxed substantially at the basic rate	382,254	292,379
Credits available on distributions by the Wyatt Trust	(359,010)	(251,811)
Share of net surplus (2000: net deficit) on revaluation of certain assets held by WWP, not (taxable)/deductible until realised	(140,808)	10,983
Adjustments to prior years' tax charges	(31,443)	(53,107)
Other	3,543	2,371
Total current tax charge	429,716	152,855

### Factors that may affect future tax charges

The Company's share of the results of WWP (excluding capital gains) is subject to corporation tax on income accruing to the Company and also to income tax within the Wyatt Trust. The adverse impact of this duplicate taxation is minimised by the tax credits available to the Company on distributions received from the Wyatt Trust. However, the Wyatt Trust's ability to make distributions is dependent upon its cash flow requirements which, in turn, are determined by the Company's and Wyatt Holdings' working capital commitments to WWP. This factor may cause some volatility in the amount of tax credits available to the Company.

The Company has charged to the profit and loss account since 1 April 1995, approximately £312,000 relating to its share of deficits arising on the revaluation by WWP of its subsidiary and associated undertakings. The Company has not taken credit for the deferred taxation relating to these losses because it is not presently aware of plans to dispose of these undertakings in the foreseeable future.

# THE WYATT COMPANY (UK) LIMITED

## Notes to the Financial Statements For the Year Ended 30 June 2001

### 6 Investments (included In Fixed Assets)

	Participating interest
	£
<b>Cost</b>	
At 1 July 2000	3,214,472
Capital contributions made in the year:	
WWP	-
Wyatt Trust	-
At 30 June 2001	3,214,472
<b>Share of profits</b>	
At 1 July 2000	902,033
Profit arising in the year:	
WWP	2,193,607
Wyatt Trust	5,379
Share of tax borne by the Wyatt Trust:	
Current year	(382,254)
Prior years	16,391
Distributions received in the year:	
From WWP	-
From Wyatt Trust	(1,276,006)
At 30 June 2001	1,459,150
<b>Net book amount at 30 June 2001</b>	<b>4,673,622</b>
Net book amount at 30 June 2000	4,116,505

### Participating interest

The Company and Wyatt Holdings are jointly entitled to a 10% interest in a defined profit pool of WWP, which is allocated 64.25% to the Company and 35.75% to Wyatt Holdings. As referred to in Note 1, this interest is held jointly by the Company and Wyatt Holdings as beneficiaries of the Wyatt Trust.

# THE WYATT COMPANY (UK) LIMITED

## Notes to the Financial Statements For the Year Ended 30 June 2001

### 7 Debtors

	2001	2000
	£	£
Corporation tax	-	176,832
Amount owed by group undertakings:		
Immediate parent company	2,074,237	957,591
	2,074,237	1,134,423

### 8 Creditors - amounts falling due within one year

	2001	2000
	£	£
Corporation tax	9,379	-
Amounts due to group undertakings:		
Fellow subsidiary	94	94
	9,473	94

### 9 Provision for liabilities and charges

Comprises deferred taxation, further details of which are as follows:

	£
At 1 July 2000, arising on:	
Share of surplus on revaluation of assets of WWP	-
Capital gains tax losses carried forward	-
Total	-
Additional provisions in the year charged to profit and loss account	138,289
Provisions deleted in the year	-
At 30 June 2001, arising on:	
Share of surplus on revaluation of assets of WWP	169,353
Capital gains tax losses carried forward	(31,064)
Total at 30 June 2001	138,289

# THE WYATT COMPANY (UK) LIMITED

## Notes to the Financial Statements For the Year Ended 30 June 2001

### 10 Called Up Share Capital

	2001	2000
	£	£
Authorised, allotted and fully paid:		
50,000 ordinary shares of £1 each	50,000	50,000

### 11 Contingent Liabilities

Certain claims have been made against the Company arising in the normal course of the consultancy business carried out prior to 1 April 1995. Provision for the estimated possible future costs of meeting such claims has been made by the immediate parent undertaking, Wyatt Holdings. The cost of these provisions is recharged to the Company through the management charge (Note 2). No provision has been made against the remaining cases as the directors of the Company and of Wyatt Holdings currently foresee no material liability resulting from such claims.

### 12 Ultimate Parent Undertaking

Prior to 16 October 2000, the ultimate parent undertaking was Watson Wyatt & Company ("WWC"), which is incorporated in the USA. On that date, the entire issued share capital of WWC was acquired for shares by Watson Wyatt & Company Holdings ("WWC Holdings"), which is also incorporated in the USA. WWC Holdings was formed in order to implement an Initial Public Offering of part of the issued share capital of that company, which was completed on that date. Therefore, with effect from 16 October 2000, WWC Holdings is the largest group of which the Company is a member and for which group financial statements are prepared. The parent undertaking of the smallest group of which the Company is a member and for which group financial statements are prepared is The Wyatt Company Holdings Limited, which is registered in England. Copies of the group financial statements for The Wyatt Company Holdings Limited are available from the Secretary of the Company at 100 New Bridge Street, London EC4V 6JA.

### 13 Cash Flow Statement

A statement on cash flow has been omitted as the Company has taken advantage of the dispensation available to wholly owned subsidiaries where a consolidated cash flow statement has been prepared by the UK parent undertaking.