

**WATSON WYATT EUROPEAN INVESTMENT  
HOLDINGS LIMITED**

**Registered in England Number 5504367**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**Year ended 30 June 2008**

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**WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS 2008**

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## **WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2008. This directors' report has been prepared in accordance with the special provisions relating to small companies that are members of an ineligible group under section 247A (1A) of the Companies Act 1985.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is the holding of investments in undertakings engaged in the provision of actuarial and consulting services in the European region.

### **DIRECTORS**

Directors who served throughout the year were as follows:

J Haley	
C Mautz	(resigned 18 August 2008)
W Bardenwerper	

### **INDEPENDENT AUDITORS**

Deloitte & Touche LLP will be reappointed as auditors at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of the report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all reasonable steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This advice is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

**WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

**DIRECTORS' REPORT (continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

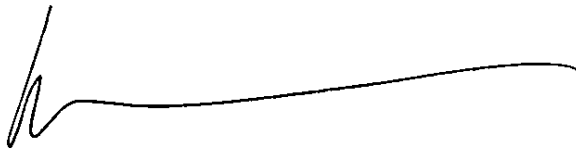
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- make judgements and estimates that are reasonable and prudent, and
- 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 proper accounting records that 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 1985. 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.

Approved by the Board of Directors  
and signed on behalf of the Board



W Bardenwerper  
Secretary

Registered office  
100 New Bridge Street  
London  
EC4V 6JA

14 October 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

We have audited the financial statements of Watson Wyatt European Investment Holdings Limited for the year ended 30 June 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

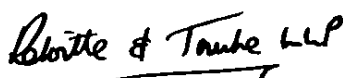
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Crawley, United Kingdom

21 October 2008

**WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

**PROFIT AND LOSS ACCOUNT**

**Year ended 30 June 2008**

	<u>Notes</u>	<u>2008</u> <u>£</u>	<u>2007</u> <u>£</u>
Administrative expenses		(25)	-
<b>OPERATING LOSS</b>	<b>2</b>	<b>(25)</b>	<b>-</b>
Interest receivable and similar income		1,655,610	1,311,231
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,655,585</b>	<b>1,311,231</b>
Tax charge on profit on ordinary activities	5	(488,398)	(393,369)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR</b>	<b>9</b>	<b>1,167,187</b>	<b>917,862</b>

All results are from continuing operations

There are no recognised gains and losses other than the profit shown above. Therefore, a statement of total recognised gains and losses is not presented.

**WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

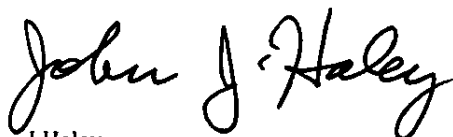
**BALANCE SHEET**

**as at 30 June 2008**

	<u>Notes</u>	<u>2008</u> <u>£</u>	<u>2007</u> <u>£</u>
<b>CURRENT ASSETS</b>			
Debtors	6	9,172,615	7,908,855
<b>CREDITORS: amounts falling due within one year</b>	7	(488,398)	(391,825)
<b>NET ASSETS</b>		<b>8,684,217</b>	<b>7,517,030</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8, 9	1,000	1,000
Share premium account	9	5,799,001	5,799,001
Profit and loss account	9	2,884,216	1,717,029
<b>SHAREHOLDER'S FUNDS</b>	9	<b>8,684,217</b>	<b>7,517,030</b>

These financial statements were approved by the Board of Directors on 14 October 2008

Signed on behalf of the Board of Directors

  
J Haley  
Director

# **WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008**

### **1. ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 1985, which have been adopted consistently throughout the current and preceding financial years. A summary of the more important accounting policies is set out below.

#### **a. Cash flow statement**

The Company has taken advantage of the exemption within Financial Reporting Standard 1 (Revised) 'Cash flow statements' not to produce a cash flow statement as the consolidated financial statements of its ultimate parent undertaking are publicly available.

#### **b. Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are regarded as recoverable and recognised only to the extent that, on the available evidence, 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.

### **2. OPERATING LOSS**

There was no operating loss for the preceding financial year. The auditors' remuneration for the current financial year of £5,800 (2007 - £5,500) was borne by a parent undertaking.

### **3. DIRECTORS' EMOLUMENTS**

No remuneration was payable to the directors of the Company during either year.

### **4. STAFF COSTS**

The Company had no employees during either year.



**WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 30 June 2008**

**5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

The rate of UK corporation tax for the year is 29.5%, being a rate of 30% for the nine month period ending on 31 March 2008 and 28% for the three month period ending on 30 June 2008

	2008 £	2007 £
UK corporation tax payable at 29.5% (2007 - 30%)		
Current year	(488,398)	(393,369)

The tax charge for the year includes amounts payable in respect of group relief. All group relief is paid for.

The tax assessed for the year is the same as that resulting from applying the standard rate of corporation tax in the UK of 29.5% (2007 - 30%).

**6. DEBTORS**

	2008 £	2007 £
Amounts owed by group undertakings	9,172,615	7,908,855

On 22 July 2005 a loan note of £15.1 million (including accrued interest) was assigned to the Company by Watson Wyatt & Company at an agreed fair value of £5.8 million. Shares in the Company were issued as consideration.

Interest on the loan to Watson Wyatt Holdings (Europe) Limited is payable annually on 31 May, in arrears, at a rate of 5%, plus the increase in the Retail Prices Index in the previous year (compounded). The interest accruing up to each 31 May is paid only to the extent that it is covered by the consolidated realised profits of the Watson Wyatt Holdings (Europe) Group, adjusted for the amortisation of goodwill and unpaid interest, and accumulated at the end of the last completed accounting period.

Interest not paid is compounded and added to the principal amount on each 31 May. The principal amount and compounded interest are to be repaid no later than 1 April 2020 and are repayable before then to the extent that repayment would be covered by the Group's consolidated accumulated profits noted above, and subject to the funds not being required by the Group.

**7. CREDITORS: amounts falling due within one year**

	2008 £	2007 £
Corporation tax payable	488,398	391,825

# **WATSON WYATT EUROPEAN INVESTMENT HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **for the year ended 30 June 2008**

### **8. SHARE CAPITAL**

	2008 £	2007 £
<b>Authorised</b>		
10,000 Ordinary shares of £1 each	10,000	10,000
<b>Called up, allotted and fully paid</b>		
1,000 Ordinary shares of £1 each	1,000	1,000

### **9. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES**

	Share capital £	Share Premium account £	Profit and loss account £	Total 2008 £	Total 2007 £
At beginning of year	1,000	5,799,001	1,717,029	7,517,030	6,599,168
Retained profit for the financial year	-	-	1,167,187	1,167,187	917,862
At end of year	1,000	5,799,001	2,884,216	8,684,217	7,517,030

### **10. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY**

At the balance sheet date the Company was a wholly owned subsidiary of Watson Wyatt Holdings Limited, a company incorporated in the United Kingdom, and the ultimate parent undertaking and controlling entity was Watson Wyatt Worldwide, Inc, a company incorporated in the United States and listed on the New York Stock Exchange

The largest and smallest group into which the company's accounts are consolidated is Watson Wyatt Worldwide Inc

Consolidated financial statement of Watson Wyatt Worldwide, Inc for the year ended 30 June 2008 are available on the Watson Wyatt website at [www.watsonwyatt.com](http://www.watsonwyatt.com)

### **11. RELATED PARTY TRANSACTIONS**

The Company has taken advantage, as a greater than 90% subsidiary, of the exemption under Financial Reporting Standard (FRS) 8, 'Related Party Disclosures', from disclosure of transactions and balances with group companies. Accordingly, transactions with Watson Wyatt Worldwide, Inc and its subsidiary undertakings are not disclosed separately.