WATSON WYATT & CO HOLDINGS
Form S-4
May 04, 2005

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As filed with the Securities and Exchange Commission on May 4, 2005

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WATSON WYATT & COMPANY HOLDINGS

(Exact Name of Registrant as Specified in its Charter)

Delaware	**6719**	**52-2211537**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1717 H Street, N.W.
Washington, D.C. 20006-3900
(202) 715-7000
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

John J. Haley, President and Chief Executive Officer
Watson Wyatt & Company Holdings
1717 H Street, N.W.
Washington, D.C. 20006-3900
(202) 715-7000
(Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

Copies to:

Brian J. Lane, Esq. **Stephanie Tsacoumis, Esq.** **Gibson, Dunn & Crutcher LLP** **1050 Connecticut Avenue, N.W.** **Washington, D.C. 20036-5306** **(202) 955-8500**	**Walter W. Bardenwerper, Esq.** **David Dasef, Esq.** **Watson Wyatt & Company Holdings** **1717 H Street, N.W.** **Washington, D.C. 20006-3900** **(202) 715-7000**

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the proposed acquisition have been satisfied.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Class A Common Stock, par value $0.01 per share	11,040,571	$26.62	$293,900,000.00	$34,592.03

(1) Estimated maximum number of shares of Class A common stock of Watson Wyatt & Company Holdings to be issued in connection with the acquisition by Watson Wyatt & Company Holdings of assets of Watson Wyatt LLP.

(2) Estimated in accordance with Rule 457(a) solely for the purpose of calculating the amount of the registration fee, based on the agreed-upon price per share used by the parties in calculating the stock consideration to be issued in the acquisition.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated , 2005

, 2005

Dear Fellow Stockholder:

You are cordially invited to attend our special meeting of stockholders of Watson Wyatt & Company Holdings that will be held at , on , 2005 at , local time. Watson Wyatt & Company Holdings, Watson Wyatt (UK) Acquisitions 2 Limited, The Wyatt Company Holdings Limited (both wholly owned subsidiaries of Watson Wyatt & Company Holdings) and Watson Wyatt LLP have entered into an agreement providing for the acquisition of substantially all of the assets, and assumption of most liabilities, of Watson Wyatt LLP. We have an alliance arrangement with Watson Wyatt LLP, and we currently jointly market services worldwide under the Watson Wyatt Worldwide brand. We also have an ownership interest in Watson Wyatt LLP. At the special meeting, stockholders will vote on our issuance of Watson Wyatt & Company Holdings common stock in connection with this acquisition. Stockholders will also vote on the election to our board of directors of Mr. Chandrasekhar Ramamurthy, who currently is the Managing Partner of Watson Wyatt LLP.

The acquisition will create a company with a global infrastructure and increased ability to respond efficiently to client needs. The acquisition will increase the scale, scope and diversity of our services and, we believe, will enhance our strategic and market position. To proceed with the acquisition, our stockholders must approve the issuance of 11,040,571 shares of Watson Wyatt & Company Holdings Class A common stock, par value $0.01 per share, as partial consideration for the acquisition. New York Stock Exchange rules require the approval of a majority of the votes cast on the proposal (provided that at least 50% of the outstanding shares cast votes). Watson Wyatt & Company Holdings Class A common stock is listed on the New York Stock Exchange under the symbol "WW."

The directors of Watson Wyatt & Company Holdings believe that this acquisition will be of great benefit to stockholders and strongly recommend that stockholders approve the issuance of common stock in connection with the acquisition, and vote in favor of the election of Mr. Ramamurthy to our board. Your vote is very important.

John J. Haley
President and Chief Executive Officer

You should consider the matters discussed under "Risk Factors" beginning on page of the enclosed proxy statement/prospectus before voting. Please carefully review the entire proxy statement/prospectus, including the business transfer agreement, which is attached as Annex A.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated , 2005, and is first being mailed to stockholders on or about , 2005.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Watson Wyatt & Company Holdings from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request.

Documents incorporated by reference are also available from Watson Wyatt & Company Holdings without charge, excluding all exhibits, unless Watson Wyatt & Company Holdings has specifically incorporated by reference an exhibit in this proxy statement/prospectus. Stockholders may obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from Watson Wyatt & Company Holdings at the following address:

WATSON WYATT & COMPANY HOLDINGS
1717 H Street, N.W.
Washington, D.C. 20006-3900
Attention: Secretary
(202) 715-7000

If you would like to request documents from us, please do so by , 2005. If you request any incorporated documents from Watson Wyatt & Company Holdings, we will mail them to you by first-class mail, or other equally prompt means, within one business day of receipt of your request.

See "Where You Can Find Additional Information" at page .

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

, 2005

A special meeting of stockholders of Watson Wyatt & Company Holdings will be held on , 2005, at [place], [address], at [time], local time, for the following purposes:

I. *To consider and vote on a proposal to approve the issuance of Watson Wyatt & Company Holdings Class A common stock in connection with the acquisition of assets and assumption of liabilities from Watson Wyatt LLP as contemplated by the business transfer agreement, dated as of April 15, 2005, among Watson Wyatt & Company Holdings, Watson Wyatt (UK) Acquisitions 2 Limited, The Wyatt Company Holdings Limited, both wholly owned subsidiaries of Watson Wyatt & Company Holdings, and Watson Wyatt LLP.*

II. *To elect Mr. Ramamurthy to Class III of the board of directors of Watson Wyatt & Company Holdings to serve for a term expiring at the 2006 Annual Meeting of Stockholders, or until the election and qualification of his successor. The election of Mr. Ramamurthy is contingent upon consummation of the acquisition.*

III. *To vote on adjournment(s) or postponement(s) of the special meeting, including adjournment(s) or postponement(s) to solicit additional votes to approve the issuance of Watson Wyatt & Company Holdings common stock in connection with the acquisition.*

IV. *To transact such other business that may properly come before the special meeting or any adjournment(s) or postponement(s) thereof.*

The close of business on , 2005 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

We strongly urge you to review the proxy statement/prospectus and to complete and return your proxy as soon as possible. Your vote is important no matter how many shares you own.

To ensure that your shares will be voted at the meeting, please complete, sign and date the enclosed proxy card promptly and return it in the enclosed envelope (if you have received your proxy materials by mail), or vote your proxy via telephone or internet as soon as possible.

By Order of the Board of Directors,

Walter W. Bardenwerper
Vice President, General Counsel and Secretary

Washington, D.C.
, 2005

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SUMMARY

This summary highlights selected information contained in this proxy statement/prospectus and may not contain all of the information that is important to you. To better understand the proposed acquisition and the securities that will be issued in connection with the acquisition, you should read carefully this entire document and the other documents to which we refer. See "Where You Can Find Additional Information" at page .

This proxy statement/prospectus is a proxy statement/prospectus of Watson Wyatt & Company Holdings for use in soliciting proxies for its special meeting and to register the issuance of Watson Wyatt & Company Holdings common stock in connection with the acquisition and the resale of common stock by affiliates of Watson Wyatt LLP. This proxy statement/prospectus also will be provided to voting members of Watson Wyatt LLP who will vote on the acquisition and will receive acquisition consideration, and to non-voting members and retired members of Watson Wyatt LLP who will receive a portion of the acquisition consideration from the voting members.

In this proxy statement/prospectus, we will refer to Watson Wyatt & Company Holdings, collectively with its subsidiaries that will effect the acquisition, as Watson Wyatt Holdings. We will refer to Watson Wyatt LLP, collectively with its subsidiaries, as Watson Wyatt LLP. We will refer to the members of Watson Wyatt LLP who have the right to vote on the acquisition as the voting members, and the other members who do not have a right to vote on the acquisition as the non-voting members. We refer to voting members and non-voting members of Watson Wyatt LLP, collectively, as members.

Questions and Answers

Q:

What will Watson Wyatt Holdings acquire in the acquisition?

A:

In the acquisition, Watson Wyatt Holdings will acquire substantially all of the assets of Watson Wyatt LLP, and will assume most liabilities that have been incurred by Watson Wyatt LLP in conducting its business. The business currently conducted by Watson Wyatt LLP consists of benefits consulting, investment consulting, benefits administration, human capital consulting and insurance and financial services consulting. The assets to be acquired from Watson Wyatt LLP include the stock of all Watson Wyatt LLP subsidiaries. We will assume liabilities relating to the Watson Wyatt LLP business, but generally will not assume any liabilities for professional liability claims. We refer to the assets and liabilities that we will acquire, including those associated with Watson Wyatt LLP's continental European business and non-European business (including subsidiaries in Hong Kong, India, Japan, Singapore, South Korea and the United States), in this proxy statement/prospectus, collectively, as the European business. For a more detailed description of the European business, see "Information About the European Business" at page .

Watson Wyatt Holdings and Watson Wyatt LLP have jointly offered services since 1995 pursuant to alliance agreements. In connection with the alliance, Watson Wyatt Holdings currently holds an interest in Watson Wyatt LLP. Before the acquisition, Watson Wyatt Holdings will surrender its economic interest in Watson Wyatt LLP in exchange for a trust interest in certain assets of Watson Wyatt LLP. For information on this transaction, see "The Business Transfer Agreement The Acquisition Distribution of Interest of Watson Wyatt Holdings in Watson Wyatt LLP" at page . After the acquisition, the trust interest will be transferred to Watson Wyatt Limited, or WW Limited, a wholly owned indirect subsidiary of Watson Wyatt Holdings. As a result of this transfer and the acquisition of assets described in this proxy statement/prospectus, WW Limited will own all beneficial and legal title to the European business. The combined business will continue to operate under the name "Watson Wyatt Worldwide."

Q: **What are Watson Wyatt Holdings' stockholders being asked to vote on at the special meeting?**

A: Watson Wyatt Holdings' stockholders are being asked to approve the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition.

Watson Wyatt Holdings' stockholders also are being asked to vote on the election of Mr. Ramamurthy to the board of directors of Watson Wyatt Holdings. Mr. Ramamurthy currently is the Managing Partner of Watson Wyatt LLP. The election of Mr. Ramamurthy is contingent upon consummation of the acquisition.

The stockholders of Watson Wyatt Holdings may be asked to vote in favor of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the proposals.

Q: **What is the position of the Watson Wyatt Holdings' board of directors regarding these proposals?**

A: The Watson Wyatt Holdings' board of directors unanimously recommends that Watson Wyatt Holdings' stockholders vote FOR the proposals (with Mr. Paul N. Thornton, a member of the board of directors of Watson Wyatt Holdings' who also is the Senior Partner of Watson Wyatt LLP, not participating in the recommendation).

Q: **Why should Watson Wyatt Holdings' stockholders vote for the proposal to approve the issuance of Watson Wyatt Holdings' shares in connection with the acquisition?**

A: We believe that Watson Wyatt Holdings' stockholders will benefit from the global infrastructure that will result from the acquisition and from the improved ability to respond to client needs efficiently and nimbly; the enhanced strategic and market position; and increased scale, scope and diversity of services and clients that we expect to achieve as a result of the acquisition of the European business.

Q: **What Watson Wyatt Holdings' stockholder approvals are needed?**

A: The only Watson Wyatt Holdings' stockholder approval needed for the acquisition is the approval, as required by the New York Stock Exchange, of the issuance of Watson Wyatt Holdings' shares to Watson Wyatt LLP in connection with the acquisition. On the proposal to issue Watson Wyatt Holdings' common stock to Watson Wyatt LLP in connection with the acquisition, the rules of the New York Stock Exchange require that holders of a majority of the votes cast vote in favor (provided that the total vote cast on the proposal represents over 50% in interest of the outstanding votes entitled to vote on the proposal).

On the proposal to elect Mr. Ramamurthy to Watson Wyatt Holdings' board, approval of a plurality of the voting power present in person or represented by proxy and entitled to vote at the special meeting is required.

Q: **What approvals are needed from the Watson Wyatt LLP members?**

A: Pursuant to Watson Wyatt LLP's membership agreement, at least 75% of the Watson Wyatt LLP voting members must approve the acquisition. At the meeting of Watson Wyatt LLP members, the Watson Wyatt LLP voting members will be asked to vote to approve the acquisition. Watson Wyatt LLP voting members are not being asked for proxies.

Q: **Will Watson Wyatt Holdings vote on this transaction as a member of Watson Wyatt LLP?**

A: Watson Wyatt Holdings will not vote in the meeting of voting members of Watson Wyatt LLP convened to approve the acquisition. Except where specifically noted, references to members in this proxy statement/prospectus do not include Watson Wyatt Holdings.

Q: **Are there risks associated with the acquisition?**

A: Yes. Watson Wyatt Holdings may not realize the expected benefits of the acquisition because of the risks and uncertainties discussed in the section entitled "Risk Factors" at page and the section entitled "Special Note Regarding Forward-Looking Statements" at page . Those risks include, among others, risks relating to uncertainties relating to integration of the European business and the performance of Watson Wyatt Holdings after the closing of the acquisition, uncertainties relating to the retention of key Watson Wyatt LLP members as employees of WW Limited after the closing and additional debt to be incurred by Watson Wyatt Holdings in connection with the acquisition. In addition, sales of Watson Wyatt Holdings' common stock after the acquisition may adversely affect the market price of Watson Wyatt Holdings' common stock.

Q: **When is the acquisition expected to be consummated?**

A: If the Watson Wyatt Holdings' stockholders approve the share issuance proposal and the Watson Wyatt LLP voting members approve the acquisition, we expect to close the acquisition as soon as possible after the satisfaction or waiver of the other conditions to the acquisition. We currently anticipate that the acquisition will be closed during the fiscal quarter ended , 2005.

Q: **What do Watson Wyatt Holdings' stockholders need to do now?**

A: After carefully reading and considering the information contained in this proxy statement/prospectus, Watson Wyatt Holdings' stockholders should complete and mail their signed and dated proxy cards in the enclosed return envelope as soon as possible so that their shares will be represented at the special meeting. Watson Wyatt Holdings' stockholders also may provide their proxies by accessing the Internet site listed on the Watson Wyatt Holdings' proxy card or by calling the toll-free number listed on the Watson Wyatt Holdings' proxy card.

Q: **If my shares are held in street name by my broker, will my broker automatically vote my shares for me?**

A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

Q: **What if I abstain from voting or fail to instruct my broker?**

A: If you are a Watson Wyatt Holdings' stockholder and you abstain from voting or fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, the resulting "broker non-vote" will be counted toward a quorum at the Watson Wyatt Holdings special meeting, but will not be counted as a vote for the proposals, and will have the effect of a vote against the proposal relating to issuance of common stock in connection with the acquisition. For the election of the director, withheld votes will not affect whether the nominee has received sufficient votes to be elected.

Q:

What if I do not indicate how to vote on my proxy card?

A:

If you sign and send your proxy card and do not indicate how you want to vote, your proxy will be counted as a vote for the proposals.

Q:

May I attend the special meeting and vote my shares in person?

A:

Yes. All holders of Watson Wyatt Holdings' common stock as of the applicable record date, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record are invited to attend the special meeting, and holders of Watson Wyatt Holdings' common stock may vote in person at the special meeting. If you are not a stockholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership, and you must bring a form of personal photo identification with you in order to be admitted. Watson Wyatt Holdings reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

Q:

May I change my vote?

A:

Yes. You may revoke your signed proxy card or preliminary vote card at any time before it is voted by:

- signing and returning a proxy card or preliminary vote card with a later date;
- delivering a written revocation letter to Walter W. Bardenwerper, Secretary of Watson Wyatt Holdings; or
- attending the special meeting in person, notifying Mr. Bardenwerper, Secretary of Watson Wyatt Holdings, and voting by ballot at the special meeting.

The mailing address for Watson Wyatt Holdings' Secretary is 1717 H Street, N.W., Washington, D.C. 20006-3900. If you are a Watson Wyatt Holdings stockholder and you have voted your shares by telephone or through the Internet, you may revoke your prior telephone or Internet vote by recording a different vote using telephone or Internet voting, or by signing and returning a proxy card or preliminary vote card dated as of a date that is later than your last telephone or Internet vote.

Any stockholder entitled to vote in person at the special meeting may vote in person whether or not a proxy has been previously given, but the mere presence (without notifying Watson Wyatt Holdings' Secretary) of a stockholder at the special meeting will not constitute revocation of a previously given proxy.

Q:

Whom should I call with questions?

A:

Watson Wyatt Holdings' stockholders should call the Watson Wyatt Holdings Investor Relations Department at (202) 715-7000.

The Companies (Pages and)

Watson Wyatt & Company Holdings
1717 H Street, N.W.
Washington, DC 20006-3900
(202) 715-7000

Watson Wyatt & Company Holdings is a global human capital consulting firm. Watson Wyatt & Company Holdings helps its clients enhance business performance by improving their ability to attract, retain and motivate qualified employees. Watson Wyatt & Company Holdings focuses on delivering value-added consulting services that help its clients anticipate, identify and capitalize on emerging opportunities in human capital management. We design, develop and implement human resources strategies and programs through three closely-interrelated practice areas: Benefits Group, Technology Solutions Group and Human Capital Group. Watson Wyatt & Company Holdings' common stock is currently traded on the New York Stock Exchange (symbol: "WW"). Watson Wyatt & Company Holdings is a Delaware corporation and conducts business through its principal operating subsidiary, Watson Wyatt & Company.

Watson Wyatt LLP
Watson House, London Road
Reigate, Surrey RH2 9PQ
England
+44 1737 241 144

Watson Wyatt LLP, a privately held limited liability partnership registered in England, is one of the leading actuarial, benefits and human capital consulting businesses operating in Europe. Watson Wyatt LLP is the successor in business to a general partnership that operated under the names R. Watson & Sons and Watson Wyatt Partners.

Watson Wyatt (UK) Acquisitions 2 Limited
c/o Watson Wyatt & Company Holdings
1717 H Street, N.W.
Washington, DC 20006-3900
(202) 715-7000

Watson Wyatt (UK) Acquisitions 2 Limited, a company incorporated under the laws of England, is a newly-formed, wholly owned subsidiary of Watson Wyatt Holdings. In the acquisition, Watson Wyatt (UK) Acquisitions 2 Limited will acquire the European business. After the acquisition, Watson Wyatt (UK) Acquisitions 2 Limited will transfer the European business to WW Limited.

Watson Wyatt Limited
c/o Watson Wyatt & Company Holdings
1717 H Street, N.W.
Washington, DC 20006-3900
(202) 715-7000

WW Limited, a company incorporated under the laws of England, is a wholly owned indirect subsidiary of Watson Wyatt Holdings. WW Limited will own all beneficial and legal title to the European business after the acquisition.

Watson Wyatt Worldwide

Watson Wyatt Holdings and Watson Wyatt LLP currently jointly market services worldwide under the Watson Wyatt Worldwide brand as part of an alliance arrangement. Watson Wyatt Holdings and its subsidiaries will continue to operate under this brand after the acquisition. See "Material Relationships Between Watson Wyatt Holdings and Watson Wyatt LLP" at page .

The Acquisition (Page)

Watson Wyatt Holdings has agreed to acquire the European business from Watson Wyatt LLP. The European business consists of substantially all of the assets of, and most liabilities relating to, Watson Wyatt LLP's business.

The European business includes:

- specified contracts with Watson Wyatt LLP clients;
- the stock of all of the Watson Wyatt LLP subsidiaries;
- Watson Wyatt LLP's cash on hand, less reserves for excluded liabilities and certain other obligations retained by Watson Wyatt LLP;
- accounts receivable and other debts owing to Watson Wyatt LLP relating to operation of the European business before closing;
- intellectual property and all books and records;
- goodwill relating to the European business;
- all information relating to the European business, except for information relating to excluded liabilities;
- business property, furniture, fixtures and equipment relating to the European business;
- all of Watson Wyatt LLP's rights against third parties relating to the European business; and
- all other rights and assets used in the European business and owned by Watson Wyatt LLP at the closing date, except for specified excluded assets.

The European business does not include the following liabilities, which are referred to as excluded liabilities:

- any liabilities for claims relating to services performed by Watson Wyatt LLP, its members and former members or certain of Watson Wyatt LLP's indirect subsidiaries before the acquisition;
- any obligations to make annuity or retirement payments to former members or former partners of Watson Wyatt LLP or its predecessor partnership (or related cash accounts);
- any obligations of Watson Wyatt LLP to make payments to former partners or voting members relating to partnership accounts;

- tax liabilities of members and former members of Watson Wyatt LLP or partners or former partners in the predecessor partnership;

- liabilities of Watson Wyatt LLP for fees and expenses incurred in connection with the acquisition; or

- any liabilities under some contracts.

The European business includes all liabilities of certain direct and indirect subsidiaries of Watson Wyatt LLP whose shares will be acquired by Watson Wyatt Holdings in the acquisition and which will be held as indirect subsidiaries of Watson Wyatt Holdings after the acquisition.

Following the acquisition, the European business will be held by WW Limited, an indirect wholly owned subsidiary of Watson Wyatt Holdings.

Following the acquisition, we understand that Watson Wyatt LLP will not hold any operating assets and will not engage in any activities other than an orderly winding down of its business. As part of the acquisition, the alliance agreements will be amended to eliminate, among other things, our right to receive distributions from Watson Wyatt LLP.

A copy of the business transfer agreement, the legal document that governs the acquisition, is attached to this document as Annex A. We encourage you to read the business transfer agreement carefully.

Acquisition Consideration (Page)

Total Consideration. If the acquisition is completed, in addition to the assumption by Watson Wyatt Holdings of liabilities of Watson Wyatt LLP as described above, Watson Wyatt Holdings will pay Watson Wyatt LLP total consideration comprised of:

- approximately £88.3 million in cash in pounds sterling (approximately US$168.4 million based on exchange rates on April 29, 2005); and

- 11,040,571 shares of Watson Wyatt Holdings' common stock, consisting of 9,090,571 shares to be delivered at closing and up to an additional 1,950,000 shares to be issued after June 30, 2007, contingent upon the achievement by the European business of financial performance goals. The market value of the stock consideration will depend upon the market price for the common stock on the date of closing. Based on the NYSE closing price on April 29, 2005, the market value of the stock consideration was US$291.5 million, of which US$51.5 million represents the contingent stock consideration. The ultimate number of shares of common stock to be issued as contingent consideration will not be determinable until after June 30, 2007, when achievement of the financial performance goals is assessed.

The liabilities to be assumed by Watson Wyatt Holdings consist of:

- all obligations of Watson Wyatt LLP, its members and former members relating to:

  - some contracts in respect of the European business;

  - leases for properties used by Watson Wyatt LLP;

  - the Watson Wyatt LLP pension plan and certain obligations to spouses and dependents of specified members of Watson Wyatt LLP;

  - salary, bonus and other obligations to employees of the European business;

  - tax liabilities relating to the European business of Watson Wyatt LLP other than personal tax liabilities of Watson Wyatt LLP members; and

  - all other obligations relating to or arising out of the European business, except for the excluded liabilities;

- professional liability claims relating to pre-April 1995 operation of business by Watson Wyatt Holdings in Europe; and

- all liabilities of subsidiaries of Watson Wyatt LLP.

Existing Watson Wyatt Holdings' stockholders (other than Watson Wyatt LLP members who are also existing stockholders) will not receive any additional shares in the acquisition and will continue to hold their existing shares of Watson Wyatt Holdings' common stock.

Cash Consideration. Watson Wyatt Holdings will pay for the cash portion of the acquisition consideration out of existing cash reserves and borrowings from a new revolving credit facility, which is being negotiated to replace its current US$50 million revolving credit facility in connection with the acquisition.

Stock Consideration. After the acquisition of the European business and Watson Wyatt LLP's distribution of consideration paid in the acquisition (without taking into account any contingent stock consideration), Watson Wyatt LLP members and retired members will own approximately 22% of the outstanding common stock of Watson Wyatt Holdings. A total of 4,370,774 shares of common stock issued in the acquisition will be freely tradable immediately after the acquisition, representing approximately 10% of the outstanding common stock of Watson Wyatt Holdings.

Distribution of Consideration. Watson Wyatt LLP has advised us that immediately after the acquisition, pursuant to the plan of distribution adopted by Watson Wyatt LLP, Watson Wyatt LLP will distribute to, or at the direction of, its voting members 8,988,071 shares of Watson Wyatt Holdings' common stock received at closing. Similarly, we understand that Watson Wyatt LLP will distribute to voting members most of the cash proceeds received in the acquisition. The distribution to each voting member of cash and common stock will be based on a pro-rata agreed share reflecting prospective entitlements of each voting member that would otherwise have come due from Watson Wyatt LLP.

We also understand that pursuant to the plan of distribution, the voting members will direct that 1,258,000 shares of Watson Wyatt Holdings' common stock be deposited in two trusts for the benefit of non-voting members, including certain senior employees of Watson Wyatt LLP's subsidiaries who are treated as having status equivalent to non-voting members. We understand that the non-voting members will have an immediate beneficial entitlement to the shares in the trusts regardless of subsequent employment and that these shares will be paid out from the trusts over a three-year period.

Pursuant to Watson Wyatt LLP's plan of distribution, the voting members will distribute acquisition consideration of up to £20 million in cash (approximately US$38.1 million based on exchange rates on April 29, 2005) and up to 900,000 shares of common stock of Watson Wyatt Holdings to retired members of Watson Wyatt LLP. The distribution to each retired member will be conditional upon a waiver of existing contractual rights to annuity payments.

See "The Business Transfer Agreement Distribution of Proceeds" at page for a more detailed description of how the acquisition proceeds will be distributed.

Conditions to the Acquisition (Page)

The respective obligations of Watson Wyatt Holdings and Watson Wyatt LLP to complete the acquisition are subject to the satisfaction or waiver of a number of conditions, including:

- approval by Watson Wyatt Holdings' stockholders of the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition;
- approval of the acquisition by the voting members of Watson Wyatt LLP;
- receipt of various regulatory and governmental approvals;
- receipt of consents from specified clients and vendors with fixed- or indefinite-term contracts with the European business to the transfer of their contracts with Watson Wyatt LLP to WW Limited; and
- receipt of certain consents relating to Watson Wyatt LLP's pension plan.

Watson Wyatt Holdings may waive, in its sole discretion, the conditions relating to regulatory approvals, pension-related consents and client and vendor consents.

The acquisition is not subject to a financing condition.

Termination of the Business Transfer Agreement (Page)

Watson Wyatt Holdings and Watson Wyatt LLP may terminate the business transfer agreement by mutual written consent. The business transfer agreement automatically terminates if the acquisition is not completed by September 30, 2005.

Watson Wyatt Holdings' Board of Directors' Recommendation to Watson Wyatt Holdings' Stockholders (Page)

The Watson Wyatt Holdings board of directors has unanimously determined that the acquisition is in the best interests of Watson Wyatt Holdings and its stockholders and recommends that Watson Wyatt Holdings' stockholders vote FOR the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition. In addition, the Watson Wyatt Holdings board of directors has unanimously determined that the election of Mr. Ramamurthy to the board is in the best interests of Watson Wyatt Holdings and its stockholders and recommends that Watson Wyatt Holdings' stockholders vote FOR the election of Mr. Ramamurthy to the board of directors, subject to consummation of the acquisition. Mr. Thornton, the Senior Partner of Watson Wyatt LLP, who also serves on the Watson Wyatt Holdings board of directors, did not participate in any discussions or votes of the Watson Wyatt Holdings board of directors relating to the acquisition, and does not join in the recommendation of the board.

Opinion of Watson Wyatt Holdings' Financial Advisor (Page)

In connection with the acquisition, the Watson Wyatt Holdings board of directors received a written opinion of CIBC World Markets Corp., Watson Wyatt Holdings' financial advisor, as to the fairness, from a financial point of view, to Watson Wyatt Holdings of the aggregate consideration provided for in the acquisition. The full text of CIBC World Markets' written opinion, dated April 15, 2005, is attached to this proxy statement/prospectus as Annex B. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **CIBC World Markets provided its opinion to the Watson Wyatt Holdings board of directors in connection with the board's evaluation of the aggregate consideration provided for in the acquisition. The opinion does not address any other aspect of the acquisition and does not constitute a recommendation as to how any stockholder should vote or act with respect to any matters relating to the acquisition.**

Interests of Certain Persons in the Acquisition (Page)

When considering the recommendation of Watson Wyatt Holdings' board of directors with respect to the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition, Watson Wyatt Holdings' stockholders should be aware that some inside directors on Watson Wyatt Holdings' board of directors have interests in the acquisition that may be different from, or in addition to, the interests of Watson Wyatt Holdings' stockholders. These interests exist because:

- some inside directors on Watson Wyatt Holdings' board of directors and some executive officers will serve on the Global Matrix, which will be the principal management committee of the worldwide business after the acquisition, and on other committees relating to integration of the businesses; and

- Mr. John J. Haley, President and Chief Executive Officer of Watson Wyatt Holdings, is a member of the Watson Wyatt LLP partnership board.

In addition, some Watson Wyatt LLP voting members have interests in the acquisition that may be different from, or in addition to, the interests of other Watson Wyatt LLP voting members and Watson Wyatt Holdings' stockholders. These interests exist because:

- some voting members of Watson Wyatt LLP will serve on the Global Matrix, which will be the principal management committee of the worldwide business after the acquisition, and other committees relating to integration of the businesses;
- some voting members of Watson Wyatt LLP are currently stockholders of Watson Wyatt Holdings;
- Mr. Thornton, Senior Partner of Watson Wyatt LLP, is a member of the Watson Wyatt Holdings board of directors;
- Mr. Alan K. Whalley, a Watson Wyatt LLP voting member, is the Regional Manager (US Region) of Watson Wyatt Holdings, an executive officer position; and
- Mr. Ramamurthy, a current Watson Wyatt LLP voting member, has been nominated for election to the board of directors of Watson Wyatt Holdings.

As of , 2005, Watson Wyatt Holdings' directors, executive officers and their affiliates as a group beneficially owned shares of Watson Wyatt Holdings' common stock (excluding options to purchase shares of Watson Wyatt Holdings' common stock), which represented approximately % of all outstanding shares of Watson Wyatt Holdings' common stock entitled to vote at the Watson Wyatt Holdings special meeting.

As of , 2005, Watson Wyatt LLP members and their affiliates, as a group, beneficially owned shares of Watson Wyatt Holdings' common stock, representing approximately % of all outstanding shares of Watson Wyatt Holdings' common stock entitled to vote at the Watson Wyatt Holdings special meeting. In addition, as of , 2005, the Watson Wyatt LLP partnership board, as a group, beneficially owned % of the Watson Wyatt LLP membership interests, representing % of all membership interests entitled to vote at the Watson Wyatt LLP special meeting.

Certain Tax Consequences (Page)

Tax consequences to holders of Watson Wyatt Holdings' common stock. No gain or loss will generally be recognized in connection with the acquisition by an existing Watson Wyatt Holdings stockholder.

However, if you are an existing Watson Wyatt Holdings stockholder and also a member of Watson Wyatt LLP, then the acquisition may be taxable. You should read the section of this proxy statement/prospectus titled "Certain Tax Consequences." Stockholders should consult their individual tax advisors about their tax consequences from any transactions involving their shares.

Tax consequences to Watson Wyatt Holdings and its affiliates. Watson Wyatt Holdings and its affiliates will pay approximately US$1 million of tax on the acquisition of Watson Wyatt LLP. This tax includes stamp duties and Irish and UK income tax on the acquisition of certain assets of Watson Wyatt LLP.

UK tax consequences to Watson Wyatt LLP and its members. For UK tax purposes, Watson Wyatt LLP is treated as a tax-transparent entity, and tax liabilities arising out of this transaction will be tax liabilities of the voting members individually rather than of Watson Wyatt LLP. Pursuant to the Watson Wyatt LLP membership agreement, the voting members have the right to receive proceeds of a disposal of Watson Wyatt LLP's business and are able to determine how any surpluses, or proceeds less book value, are allocated in such event. Accordingly, for UK tax purposes, the acquisition consideration will be allocated only among the voting members. The precise allocation of the acquisition consideration is reflected in the plan of distribution adopted by the voting members.

Each voting member will be individually liable for UK capital gains tax on the chargeable gains arising on the member's allocated portion of the acquisition consideration.

Non-voting members, retired members and those subject to taxation outside of the UK are subject to different tax treatments.

You should read the section of this proxy statement/prospectus titled "Certain Tax Consequences." Members should consult their individual tax advisors about their tax consequences from this transaction.

Regulatory Approvals (Page)

Watson Wyatt Holdings and Watson Wyatt LLP are not required to file notifications with the Antitrust Division of the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Authorization of the Financial Services Authority in the United Kingdom will be required for the post-closing conduct of the European business by WW Limited. Additional regulatory approvals also will be required by some local jurisdictions in which the European business is conducted.

Agreements Relating to the Acquisition (Page)

In addition to the business transfer agreement, Watson Wyatt Holdings and Watson Wyatt LLP or their affiliates have entered into, or will enter into, various agreements in connection with the acquisition and related transactions and various ongoing relationships among them. These agreements include:

- an agreement distributing Watson Wyatt Holdings' economic interest in Watson Wyatt LLP;
- an agreement terminating the alliance between Watson Wyatt Holdings and Watson Wyatt LLP;
- a professional liability claims agreement;
- an agreement relating to payment of employee bonuses; and
- an agreement relating to set off rights against the contingent stock consideration in the event of uninsured professional liability claims.

Each voting member other than Mr. Whalley has entered into an employment agreement with WW Limited or an appropriate subsidiary, to be effective at the time of the acquisition. Each voting member also will enter into a non-competition agreement on or before the closing date with WW Limited or an appropriate subsidiary. Each voting member will, as a condition to receiving stock consideration, enter into a stock transfer agreement. Each non-voting member who is employed by the European business after the acquisition will enter into an employment agreement with WW Limited or an appropriate subsidiary.

Market Price Information of Watson Wyatt Holdings' Common Stock

Shares of Watson Wyatt Holdings' common stock are listed on the New York Stock Exchange, and will continue to be traded after the acquisition, on the New York Stock Exchange under the symbol "WW." On January 14, 2005, the last full trading day before the public announcement of the proposed acquisition, the last sale price per share of Watson Wyatt Holdings' common stock on the New York Stock Exchange Composite Tape was US$26.13. On April 29, 2005, the most recent date for which prices were practicably available, the last sale price per share of Watson Wyatt Holdings' common stock on the New York Stock Exchange Composite Tape was US$26.40.

Comparison of Rights of Stockholders of Watson Wyatt Holdings and Members of Watson Wyatt LLP (Page)

After the acquisition, each recipient of stock consideration (including members of Watson Wyatt LLP to whom stock consideration is distributed) will become a Watson Wyatt Holdings stockholder. The rights of Watson Wyatt LLP members as stockholders of Watson Wyatt Holdings will be significantly different from their rights as members of Watson Wyatt LLP and will be governed by the certificate of incorporation and bylaws of Watson Wyatt Holdings, and by New York Stock Exchange listing standards and the Delaware General Corporation Law.

As stockholders of Watson Wyatt Holdings, the Watson Wyatt LLP members will have a right to vote only on those matters presented to stockholders pursuant to Watson Wyatt Holdings' certificate of incorporation and bylaws, exchange listing standards and applicable law. The Watson Wyatt LLP members will not, in their capacity as stockholders, exercise the management and oversight functions performed by Watson Wyatt Holdings' board of directors, or the day-to-day operational functions performed by officers and employees of Watson Wyatt Holdings. See "Comparison of Rights of Stockholders of Watson Wyatt Holdings and Members of Watson Wyatt LLP" at page .

No Dissenters' Appraisal Rights (Page)

Neither the Watson Wyatt Holdings stockholders nor the Watson Wyatt LLP members are entitled to dissenters' appraisal rights in connection with the acquisition.

Selected Historical Financial Data of Watson Wyatt Holdings

The following selected historical financial data for the five fiscal years ended June 30, 2004, which are presented in accordance with US GAAP, have been derived from Watson Wyatt Holdings' audited annual financial statements and should be read in conjunction with the audited annual financial statements and notes thereto incorporated herein by reference. The following interim selected financial data for the six month periods ended December 31, 2004 and 2003 have been derived from our unaudited interim financial statements, and should be read in conjunction with the unaudited interim financial statements and notes thereto incorporated herein by reference. The unaudited interim financial data presented below for the six month periods ended December 31, 2004 and 2003 reflect all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our results of operations and financial position.

Watson Wyatt Holdings
(in thousands of US dollars, except per share data)

	For the six months ended December 31,		For the year ended June 30,				
	2004	**2003**	**2004**	**2003**	**2002**	**2001**	**2000**
Consolidated Statements of Operations Data:							
Revenue	$ 351,240	$ 341,336	$ 702,005	$ 709,616	$ 710,480	$ 700,189	$ 624,583
Operating income	37,584	30,113	68,470	77,856	72,205	72,568	30,780
Income from continuing operations	24,806	23,299	49,939	50,380	47,084	44,436	18,533
Discontinued operations(1)	8	26	654	6,786			
Net income	$ 24,814	$ 23,325	$ 50,593	$ 57,166	$ 47,084	$ 44,436	$ 18,533
Earnings Per Share Data:							
Earnings per share, continuing operations:							
Basic	$ 0.76	$ 0.70	$ 1.52	$ 1.52	$ 1.43	$ 1.39	$ 0.62
Diluted	$ 0.76	$ 0.70	$ 1.50	$ 1.51	$ 1.41	$ 1.37	$ 0.62
Earnings per share, discontinued operations:							
Basic	$	$	$	$ 0.02	$ 0.21	$	$
Diluted	$	$	$	$ 0.02	$ 0.21	$	$
Earnings per share, net income:							
Basic	$ 0.76	$ 0.70	$ 1.54	$ 1.73	$ 1.43	$ 1.39	$ 0.62
Diluted	$ 0.76	$ 0.70	$ 1.52	$ 1.72	$ 1.41	$ 1.37	$ 0.62
Dividends declared per share	$ 0.15	$	$ 0.075	$	$	$	$
Weighted average shares:							
Basic	32,437	33,111	32,866	32,962	32,985	32,068	30,000
Diluted	32,737	33,453	33,207	33,287	33,421	32,363	30,000

	As at December 31,		As at June 30,				
	2004	**2003**	**2004**	**2003**	**2002**	**2001**	**2000**
Balance Sheet Data:							
Cash and cash equivalents	$ 135,082	$ 131,613	$ 156,940	$ 144,374	$ 95,974	$ 81,735	$ 41,410
Current assets	327,271	284,819	333,214	298,629	272,758	257,933	195,853
Total assets	519,300	496,503	512,168	514,462	436,817	392,016	334,520
Current liabilities	100,330	82,702	125,759	129,321	149,587	161,762	179,676
Long-term obligations(2)	144,664	235,535	141,225	233,404	128,009	118,369	109,073
Total stockholders' equity	$ 274,306	$ 178,266	$ 245,184	$ 151,737	$ 159,221	$ 111,885	$ (81,109)

(1)

During fiscal year 1998, Watson Wyatt Holdings discontinued its benefits administration outsourcing business, including its investment in its affiliate, Wellspring Resources LLC, or Wellspring. In connection with the restructuring, Watson Wyatt Holdings agreed to guarantee three leases for office premises for Wellspring. In

1998, Watson Wyatt Holdings recorded an accrual for completion of these obligations. As a result of small positive cash flows that began in the second quarter of fiscal year 2003 related to these leases, Watson Wyatt Holdings reevaluated its accrual for the estimated remaining future obligations and costs related to the exit from Wellspring. As a result of the analysis performed during fiscal years 2003 and 2004, Watson Wyatt Holdings reduced its accrual by US$11.4 million and US$1.0 million, respectively, less the associated income tax expenses.

(2)

Watson Wyatt Holdings has no long-term debt. Long-term obligations include primarily accrued retirement and post-employment benefits and the accrual for Incurred But Not yet Reported claims (IBNR). Long-term obligations for the fiscal year ended June 30, 2004 and for the interim period ended December 31, 2004 include an additional minimum pension liability of US$9.6 million. Long-term obligations for the fiscal year ended June 30, 2003 and for the interim period ended December 31, 2003 include an additional minimum pension liability of US$113.4 million.

Selected Historical Financial Data of the European Business

The following selected historical financial data for the three fiscal years ended April 30, 2004 is presented in accordance with UK GAAP and in thousands of pounds sterling and should be read in conjunction with the audited annual financial statements and notes thereto included in this proxy statement/prospectus. The data have been derived from Watson Wyatt LLP's audited annual financial statements for the years ended April 30, 2004 and April 30, 2003 and from Watson Wyatt Partners' audited annual financial statements for the year ended April 30, 2002. Financial statements for the fiscal years ended April 30, 2004 and April 30, 2003 include a reconciliation to US GAAP. The opening balance sheet of Watson Wyatt LLP at May 1, 2002 was prepared under UK GAAP, which has allowed for the production of UK GAAP financial statements for the year ended April 30, 2002. For prior years, the accounts of Watson Wyatt Partners were not audited under UK GAAP.

The following selected financial data for the years ended April 30, 2001 and 2000, which are also presented in accordance with UK GAAP and in thousands of pounds sterling, have been derived from unaudited financial statements of Watson Wyatt Partners.

Except for the balance sheet as at October 31, 2003, which has been extracted from unaudited management financial statements, the following selected interim financial data for the six month periods ended October 31, 2004 and 2003, which are presented in accordance with UK GAAP and in thousands of pounds sterling, have been derived from Watson Wyatt LLP's unaudited interim financial statements, including the reconciliation to US GAAP contained therein, and should be read in conjunction with the unaudited interim financial statements and notes thereto included in this proxy statement/prospectus.

The unaudited interim financial data presented below for the six month periods ended October 31, 2004 and 2003 reflect all normal and recurring adjustments which, in the opinion of the management of Watson Wyatt LLP, are necessary for a fair presentation of Watson Wyatt LLP's results of operations and financial position. Historical earnings per share data are not presented below as there are no relevant ownership measures, such as common stock, that would result in meaningful information for stockholders.

The corresponding US GAAP financial data are shown in a table below the UK GAAP table. See UK to US GAAP reconciliations and related explanatory notes included in the "Unaudited Pro Forma Combined Financial Information" section of this proxy statement/prospectus. See also Note 26 to the Watson Wyatt LLP Consolidated Financial Statements and Note 14 to the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements included in this proxy statement/prospectus.

Watson Wyatt LLP UK GAAP Basis

(in thousands of pounds sterling)

	For the six months ended October 31,		For the year ended April 30,				
	2004	2003	2004	2003	2002	2001	2000
	(Derived from Unaudited)		(Derived from Audited)			(Derived from Unaudited)	
Consolidated Profit and Loss Account Data:							
Revenue	£123,754	£122,073	£242,252	£224,058	£193,753	£169,060	£139,545
Operating profit	36,289	34,332	68,714	59,438	48,496	44,457	38,376
Profit for the financial year before members' remuneration and profit shares	36,540	34,180	68,492	59,327	49,757	42,733	37,231

	As at October 31,		As at April 30,				
	2004	2003	2004	2003	2002	2001	2000
	(Derived from Unaudited)		(Derived from Audited)		(Derived from Unaudited)		
Balance Sheet Data:							
Cash and cash equivalents(A)	£ 27,888	£ 20,072	£ 37,798	£ 28,161	£ 4,166	£ 4,500	£ 7,684
Current assets	111,062	94,777	116,260	100,191	78,599	63,405	57,576
Current liabilities	(65,189)	(56,471)	(51,744)	(50,987)	(35,524)	(33,764)	(29,089)
Long-term creditors(B)	(14,257)	(13,196)	(13,714)	(12,698)	(11,949)	(11,169)	(9,752)
Provisions for liabilities and charges	(6,765)	(5,051)	(6,468)	(4,787)	(23,964)	(27,599)	(21,012)
Total assets(C)	123,518	109,560	129,737	117,839	96,746	90,787	73,137
Total equity	£ 37,307	£ 34,842	£ 57,811	£ 49,367	£ 25,308	£ 18,256	£ 13,284

Watson Wyatt LLP US GAAP Basis

(in thousands of pounds sterling)

	For the six months ended October 31,		For the year ended April 30,	
	2004	2003	2004	2003
	(Derived from Unaudited)		(Derived from Audited)	
Consolidated Profit and Loss Account Data:				
Revenue	£ 123,946	£ 122,064	£ 242,370	£ 223,959
Operating profit	36,736	32,570	65,753	57,351
Profit for the financial year before members' remuneration and profit shares	36,920	32,454	65,829	57,203

	As at October 31,		As at April 30,	
	2004	2003	2004	2003
	(Derived from Unaudited)		(Derived from Audited)	
Balance Sheet Data:				
Cash and cash equivalents(A)	£ 27,888	£ 20,072	£ 37,798	£ 28,161
Current assets	104,432	90,557	109,074	99,371
Current liabilities	(82,423)	(73,131)	(69,786)	(65,567)
Long-term creditors(B)	(14,257)	(13,196)	(13,714)	(12,698)
Provisions for liabilities and charges and other non-current liabilities	(20,965)	(19,551)	(20,168)	(18,587)
Total assets	119,298	100,670	125,457	110,596
Total equity	£ 1,592	£ (5,299)	£ 21,721	£ 13,592

(A) Cash and cash equivalents comprises "Cash at bank and in hand" and "Investments: short-term deposits," as shown in the Watson Wyatt LLP Consolidated Financial Statements.

(B) Long-term creditors comprises a loan from Watson Wyatt Holdings, as shown in Note 14 to the Watson Wyatt LLP Consolidated Financial Statements and Note 5 to the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements included in this proxy statement/prospectus.

(C) Total assets comprises "Fixed assets" and "Current assets," as shown in the Watson Wyatt LLP Consolidated Financial Statements.

Selected Unaudited Combined Pro Forma Financial Data of Watson Wyatt Holdings

The following summary selected unaudited combined pro forma financial information, which is presented in accordance with US GAAP, gives effect to the proposed acquisition using the purchase method of accounting for acquisitions. The pro forma financial statements are based on the historical financial statements of Watson Wyatt Holdings and Watson Wyatt LLP and should be read in conjunction with the historical financial statements, including footnotes.

The unaudited combined pro forma balance sheet data as at December 31, 2004 are presented as if the acquisition had been completed as of the balance sheet date. The unaudited condensed combined pro forma statements of income (loss) data for the year ended June 30, 2004 and the six months ended December 31, 2004 are presented as if the acquisition had been completed on July 1, 2003, the beginning of Watson Wyatt Holdings' fiscal year 2004.

The following summary selected unaudited combined pro forma financial data have been derived from, and should be read in conjunction with, the "Unaudited Pro Forma Combined Financial Data of Watson Wyatt Holdings" and related explanatory notes included in this proxy statement/prospectus. You should not rely on the summary selected unaudited condensed combined pro forma financial data as being indicative of the historical results that would have occurred had Watson Wyatt Holdings owned the European business during these time periods or the future results that may be achieved following the proposed acquisition.

Watson Wyatt Holdings Pro Forma
(in thousands of US dollars, except per share data)

	For the six months ended December 31, 2004	For the year ended June 30, 2004
Consolidated Statements of Operations Data:		
Revenue	$ 574,043	$ 1,112,419
Costs of providing services:		
Salaries and employee benefits	324,373	638,543
Professional and subcontracted services	27,206	58,754
Occupancy, communications and other	85,833	163,885
General and administrative expenses	61,941	115,904
Depreciation and amortization	19,008	37,951
	518,361	1,015,037
Income from operations	55,682	97,382
Income from affiliates	581	2,234
Interest income (expense), net	(1,498)	(3,263)
Other non-operating income	(28)	6,222
Income from continuing operations before income taxes	54,737	102,575
Provision for income taxes	21,800	42,236
Income from continuing operations	$ 32,937	$ 60,339
Earnings per Share Data:		
Basic earnings per share:	$ 0.79	$ 1.44
Diluted earnings per share:	$ 0.79	$ 1.43
Weighted average shares of common stock, basic (000)	41,528	41,957
Weighted average shares of common stock, diluted (000)	41,828	42,298

	As at December 31, 2004
Balance Sheet Data:	
Cash and cash equivalents	$ 68,446
Net working capital	161,268
Total assets	1,040,678
Note payable	
Total stockholders' equity	513,024
Shares outstanding	41,828

Exchange Rate Information

The financial statements of Watson Wyatt LLP are prepared in pounds sterling. The following table sets forth, for the periods indicated, information concerning the exchange rate as reported in *The Financial Times* for fiscal years 2000 and 2001 and as reported on oanda.com for all subsequent periods, expressed in US dollars per pound sterling. The annual average rates are calculated from the closing rates for each month across the relevant period. As of April 29, 2005, the exchange rate was £1.9071 per $1.00.

	High	Low	End	Average Rate
April 2005	1.9216	1.8669	1.9082	1.8957
March 2005	1.9324	1.8592	1.8895	1.9062
February 2005	1.9198	1.8506	1.9220	1.8873
January 2005	1.9352	1.8523	1.8829	1.8820
December 2004	1.9550	1.8865	1.9193	1.9302
November 2004	1.9037	1.8295	1.9110	1.8603
October 2004	1.8449	1.7743	1.8387	1.8083
Six months ended October 31, 2004	1.8772	1.7479	1.8387	1.8187

	High	Low	End	Average Rate
Year ended April 30,				
2004	1.9141	1.5606	1.7772	1.7211
2003	1.6573	1.4465	1.5985	1.5686
2002	1.4845	1.3677	1.4583	1.4355
2001	1.5668	1.3945	1.4367	1.4680
2000	1.6793	1.5470	1.5648	1.6040

RISK FACTORS

In addition to the other information included in this document, including the matters addressed in "Special Note Regarding Forward-Looking Statements" beginning on page , you should carefully consider the matters described below. You also should review carefully the risks associated with the business of Watson Wyatt Holdings because these risks will continue to affect us after the acquisition. These risks are described in Item 1 of Watson Wyatt Holdings' Annual Report on Form 10-K for the year ended June 30, 2004 under the caption "Risk Factors," and are incorporated by reference into this proxy statement/prospectus.

Risks Relating to the Acquisition

Risks to Watson Wyatt Holdings' Stockholders

Failure to complete the acquisition could adversely affect the market price of Watson Wyatt Holdings' common stock as well as our business and operating results and those of the alliance.

If the acquisition is not completed for any reason, the price of Watson Wyatt Holdings' common stock may decline to the extent that the current market price of Watson Wyatt Holdings' common stock reflects a positive market assumption that the acquisition will be completed. We may also be subject to additional risks if the acquisition is not completed, including:

- many costs related to the acquisition, such as legal, accounting and financial printing fees, must be paid regardless of whether the acquisition is completed;
- potential disruption to the businesses of Watson Wyatt Holdings and distraction of our management team;
- the benefits expected from acquiring the European business, including a potentially enhanced financial and competitive position, will not be realized; and
- potential disruption to the alliance and the Watson Wyatt Worldwide brand.

Watson Wyatt Holdings will have more indebtedness after the acquisition, which could adversely affect our cash flows and business.

In connection with the acquisition, we expect to negotiate a new revolving credit facility. We expect that the new revolving credit facility, which will replace our current US$50 million revolving facility, will be for the amount of US$200 million. As compared to our current credit facility, we expect that the new revolving credit facility will extend the termination date from June 30, 2009 to approximately June 30, 2010, and will involve additional participating banks. We expect that borrowings from the new credit facility will be used to fund approximately 53% of the approximately £88.3 million to be paid to Watson Wyatt LLP in cash (approximately US$168.4 million based on exchange rates on April 29, 2005), with the balance to be obtained from existing cash reserves.

We did not have any amounts outstanding under our current revolving credit facility at December 31, 2004. Giving effect to the acquisition, Watson Wyatt Holdings' pro forma total debt outstanding at December 31, 2004 would have been approximately US$90 million. As a result of this increase in debt, demands on Watson Wyatt Holdings' cash resources will increase after the consummation of the acquisition. The increased levels of debt could, among other things:

- require Watson Wyatt Holdings to dedicate a portion of its cash flow from operations to payments on debt, thereby reducing funds available for working capital, capital expenditures, dividends, acquisitions and other purposes;
- increase Watson Wyatt Holdings' vulnerability to, and limit flexibility in planning for, adverse economic and industry conditions;

increase Watson Wyatt Holdings' vulnerability to fluctuations in market interest rates; and

limit Watson Wyatt Holdings' operational flexibility due to the covenants contained in its credit facility.

The cash portion of the acquisition consideration to be paid to Watson Wyatt LLP is based on a fixed amount of pounds sterling and, therefore, Watson Wyatt Holdings is subject to the risk of currency fluctuations through the closing date, which may result in a higher effective purchase price.

Because Watson Wyatt Holdings will pay the cash portion of the acquisition consideration to Watson Wyatt LLP as a fixed amount of pounds sterling, the actual amount of US dollars that Watson Wyatt Holdings will pay as cash consideration will depend upon the exchange rate prevailing on the business day on which the funds are made available by Watson Wyatt Holdings. Therefore, Watson Wyatt Holdings is subject to the risk of fluctuations in the dollar/pound sterling exchange rate through the closing date. If the value of the dollar relative to pounds sterling declines, the dollar value of the cash consideration to be paid by Watson Wyatt Holdings will increase.

Watson Wyatt Holdings may not adjust the amount of consideration to be paid or terminate the acquisition based on changes in the market price of Watson Wyatt Holdings' common stock or changes in the performance of the European business.

The amount of acquisition consideration will not be adjusted for changes in market price of the common stock or for changes in performance of the European business. As a result, if the market price of the common stock increases, Watson Wyatt Holdings will be conveying consideration having a greater value, effectively paying a higher price for the European business. If the European business experiences a material adverse change, Watson Wyatt Holdings may not adjust the consideration to be paid downward. Watson Wyatt Holdings may not terminate the business transfer agreement because of changes in the market price of Watson Wyatt Holdings' common stock or in the event of adverse developments in the European business.

Watson Wyatt Holdings may become responsible for professional liability obligations of Watson Wyatt LLP not expressly assumed in the transaction.

The transaction has been structured so that under applicable law Watson Wyatt LLP will remain responsible for, and Watson Wyatt Holdings will not assume, liability for professional liability claims with respect to services provided by Watson Wyatt LLP before the closing date. WW Limited is assuming responsibility for professional liability claims with respect to services provided by subsidiaries of Watson Wyatt LLP. The subsidiaries for which WW Limited is assuming responsibility represented approximately 17.6% of Watson Wyatt LLP's revenues during the fiscal year ended April 30, 2004. Watson Wyatt LLP has agreed to indemnify Watson Wyatt Holdings, including WW Limited, against liability for professional liability claims that have not been assumed and against professional liability claims arising from subsidiaries providing insurance and financial services consulting.

After the closing of the acquisition, Watson Wyatt LLP will distribute a substantial portion of the acquisition consideration to its members. Thereafter Watson Wyatt LLP will have limited assets and will rely primarily on insurance to respond to the retained liability for professional liability claims and to indemnity obligations to Watson Wyatt Holdings. The insurance will be provided through WW Limited's insurance program for at least the first three years following closing. Until June 30, 2006, Watson Wyatt LLP will have insurance comparable to the amount of insurance maintained during the last fiscal year before the closing, and it is intended that insurance at a comparable level will be maintained for a further twelve years. While the intention is that a comparable level of insurance will be maintained for subsequent periods, there can be no assuranc that such insurance will be available, or that insurance will be available at a commercially reasonable cost. See " Insurance may become more difficult or expensive to obtain," below. If the insurance available is insufficient to meet professional liability claims against Watson Wyatt LLP, including indemnity claims by Watson Wyatt Holdings, Watson Wyatt LLP may not have assets to cover such claims. In addition, to the extent that Watson Wyatt LLP's insurance is provided through WW Limited's insurance program, insurance that is used to pay claims against Watson Wyatt LLP may not be available to cover claims against WW Limited.

Notwithstanding the structure of the transaction and the allocation between the parties of responsibility for professional liability claims, Watson Wyatt Holdings may become responsible for liability for professional liability claims against Watson Wyatt LLP. This might occur, for example, because a claimant succeeds in establishing a novel legal theory of liability, because such liabilities are deemed to have been assumed through contracts assumed or performed by WW Limited, or because Watson Wyatt Holdings chooses to assume such liability for business reasons.

In addition, if it is subsequently determined that Watson Wyatt LLP was insolvent at the time proceeds of the transaction were distributed to the members of Watson Wyatt LLP, including the beneficial interest distributed to Watson Wyatt Holdings pursuant to the Distribution Agreement, a liquidator would be able to recover such proceeds from the recipients.

Watson Wyatt Holdings will remain responsible for a share of Watson Wyatt LLP's professional liability obligations.

Through its existing interest in Watson Wyatt LLP and predecessors, Watson Wyatt Holdings is already exposed to a share of the liability for professional liability obligations of Watson Wyatt LLP and its predecessors in business. The proposed acquisition will not reduce the exposure of Watson Wyatt Holdings to these liabilities.

Watson Wyatt Holdings will also remain responsible for professional liability claims arising from work performed by subsidiaries that Watson Wyatt Holdings owned in 1995 and sold to Watson Wyatt LLP or its subsidiaries in connection with the alliance arrangements in 1995 and 1998. Watson Wyatt Holdings will also remain responsible for professional liability relating to work performed by Watson Wyatt Holdings and provided to clients by Watson Wyatt LLP as part of the alliance arrangements.

Sales of Watson Wyatt Holdings' common stock after the acquisition by Watson Wyatt LLP members may negatively affect the market price of Watson Wyatt Holdings' common stock.

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after the acquisition, or the perception that these sales could occur. After the acquisition of the European business and Watson Wyatt LLP's distribution of consideration paid in the acquisition, Watson Wyatt LLP members and retired members will hold approximately 22% of Watson Wyatt Holdings' outstanding common stock (without taking into account shares that may be issued as part of the contingent stock consideration). The Watson Wyatt Holdings common stock to be transferred to voting members in connection with the acquisition that are not subsequently distributed to non-voting members will be subject to contractual restrictions on transfer.

Common stock distributed to non-voting members is expected to be distributed over time through two trusts in four equal installments at closing and on the first, second and third anniversaries of closing. However, the timing and amount of distributions from the trusts to non-voting members are matters for the trustees and cannot be enforced by Watson Wyatt Holdings or Watson Wyatt LLP. We understand that the non-voting members will have an immediate beneficial entitlement to the shares in the trusts regardless of subsequent employment and that these shares will be paid out from the trusts over a three-year period. Common stock to be transferred to retired members will not be subject to any transfer restrictions.

Assuming execution by voting members of stock transfer agreements and distribution of shares to non-voting members over time, of the 11,040,571 total shares that may be issued in connection with the acquisition (including contingent stock consideration), 4,370,774 shares, or approximately 10% of outstanding common stock, will be freely transferable immediately after the closing of the acquisition. Of the remaining shares, 2,329,761 will be transferable after the first anniversary of the acquisition, and 2,390,036 will be transferable after the second anniversary. Any shares issued as contingent consideration will be transferable after the fourth anniversary of the acquisition; up to 1,950,000 shares of common stock are potentially payable as contingent consideration.

In addition, in the event of a change in control of Watson Wyatt Holdings, all stock transfer restrictions relating to the acquisition will expire.

We understand that Watson Wyatt LLP members who will hold a significant portion of the shares that will be freely transferable after closing have indicated a desire to sell shares of common stock shortly after closing.

Some inside directors and executive officers of Watson Wyatt Holdings may have interests in the acquisition that are different from, or in addition to, the interests of other Watson Wyatt Holdings' stockholders.

In considering the recommendation of the Watson Wyatt Holdings board of directors to vote to approve the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition, you should be aware of potential conflicts of interest of, and of the benefits available to, some inside directors and executive officers of Watson Wyatt Holdings. These directors and executive officers and these members may have interests in the acquisition that are different from, or in addition to, your interests as a Watson Wyatt Holdings stockholder.

You should read "The Acquisition Interests of Certain Persons in the Acquisition" for a more complete description of the interests and benefits listed above.

After the acquisition, Watson Wyatt LLP voting members will continue to be members of Watson Wyatt LLP while serving as employees of Watson Wyatt Holdings, creating possible conflicts of interest that may adversely affect our business as a whole.

All voting members of Watson Wyatt LLP are expected to be employees of Watson Wyatt Holdings after the acquisition, and we anticipate that substantially all Watson Wyatt LLP non-voting members will become employees of Watson Wyatt Holdings after the acquisition. Although Watson Wyatt LLP will not have an operating business after the acquisition, each Watson Wyatt LLP voting member also will continue to be a voting member of Watson Wyatt LLP after the acquisition. The dual status of such individuals as both Watson Wyatt LLP voting members and Watson Wyatt Holdings employees may present conflicts of interest that may create conflicting obligations and incentives. Such conflicts may arise in the event of disputes between Watson Wyatt Holdings, on the one hand, and Watson Wyatt LLP, on the other hand, including disputes regarding the acquisition or the terms of the business transfer agreement. Conflicts also may arise with respect to the operation of the European business after closing and attainment of the performance targets for contingent stock consideration. For example, to maximize contingent consideration, a Watson Wyatt LLP member may have the personal incentive to pursue business opportunities for the European business which may be to the detriment of other lines of Watson Wyatt Holdings' business.

Furthermore, under applicable English law, members of an English limited liability partnership potentially could be deemed to have fiduciary obligations to the limited liability partnership. In contrast, a US corporation's employees generally are not held to fiduciary standards. As a result, voting members may, after the acquisition, have fiduciary duties to Watson Wyatt LLP which conflict with the duties they may owe to Watson Wyatt Holdings. Actions in the interests of the limited liability partnership may be contrary to the interests of Watson Wyatt Holdings. For instance, asserting a warranty claim against Watson Wyatt LLP on behalf of Watson Wyatt Holdings may conflict with a Watson Wyatt LLP member's incentive and obligation to act in the limited liability partnership's interest, which would be to defend the claim.

If we do not successfully integrate the European business, we may not realize the expected benefits of the acquisition.

We expect that the acquisition will result in business opportunities and new prospects for growth through new and expanded client relationships and an integrated capital structure that facilitates business development on a global scale. Watson Wyatt Holdings may never realize these expected business opportunities and growth prospects. Integrating the operations of the European business and Watson Wyatt Holdings involves the integration of businesses that, while participating in a business alliance, have previously operated independently and under different governance and organizational structures. The difficulties of integrating the operations of these businesses include:

- the challenge of effecting integration while carrying on ongoing business;
- demonstrating to existing and potential clients that the acquisition will not adversely affect customer service standards or business focus;
- the necessity of coordinating what were previously geographically separate organizations;
- the potential incompatibility of the business cultures of the two companies; and
- the possibility that key managers, consultants and other personnel may not be satisfied or happy at Watson Wyatt Holdings after the acquisition and may elect to leave.

Integrating the European business may interrupt other activities of Watson Wyatt Holdings.

The process of integrating operations could cause an interruption of or loss of momentum in the activities of one or more of Watson Wyatt Holdings' businesses after the acquisition. Members of Watson Wyatt Holdings' senior management may be required to devote considerable amounts of time after the acquisition to this integration process, which will decrease the time they will have to manage the business of Watson Wyatt Holdings, service existing clients, attract new clients and attract and retain highly skilled and motivated consultants.

Watson Wyatt Holdings after the acquisition will have significantly more assets and employees than Watson Wyatt Holdings before the acquisition. The integration process will require Watson Wyatt Holdings to significantly expand the scope of its operational and financial systems, which will increase Watson Wyatt Holdings' operating complexity. Implementing uniform controls, systems and procedures may be costly and time-consuming, and there can be no assurance that our efforts to implement such controls, systems and procedures will be successful. Management's failure to effectively manage Watson Wyatt Holdings after the acquisition could have a material adverse impact on our business, financial condition and operating results as well as our ability to meet reporting requirements to the SEC and under Section 404 of the Sarbanes-Oxley Act of 2002.

Watson Wyatt Holdings' discretion to operate the European business will be restricted for at least two years after closing, which may adversely affect our ability to maximize the performance and results of operations of the European business.

Watson Wyatt Holdings has agreed to business transfer agreement covenants that restrict its discretion in operating the European business until final determination of the amount of contingent consideration. During this period, Watson Wyatt Holdings generally must operate the European business in the ordinary course in the same manner as operated before consummation of the acquisition. Additional restrictions until the contingent consideration is determined include prohibitions on material changes to the terms or conditions of any category of employment if such changes would have a material adverse effect on fiscal year 2007 staff costs of the European business, among other things. Watson Wyatt Holdings is required to appoint (in consultation with Watson Wyatt LLP), empower and maintain a management team that is required to be incentivized to deliver superior financial performance and shareholder return and increased revenues, with emphasis on meeting conditions for payment of contingent stock consideration and certain employee bonuses. Such requirements and prohibitions will limit our discretion in operating the European business for at least two years after closing, and may adversely affect our ability to maximize the performance of the European business or to achieve all of the potential benefits of the acquisition.

Watson Wyatt Holdings will have limited recourse against Watson Wyatt LLP for breaches of the business transfer agreement.

Watson Wyatt Holdings entered into the business transfer agreement, among other things, in reliance upon warranties from Watson Wyatt LLP regarding the European business. These warranties include warranties regarding a variety of aspects of the European business, including the character and nature of the assets and liabilities, tax matters, employee-related matters and matters relating to accounts and financial information.

Watson Wyatt LLP's potential liability for breaches of such warranties is limited in a number of respects. The aggregate amount of such liability is limited to US$25 million. In addition, except with respect to tax-related warranty claims, claims generally must be made within 18 months after consummation of the acquisition. Significantly, Watson Wyatt Holdings' sole method of recovery for losses incurred as a result of warranty claims is through set off against the contingent stock consideration. Because contingent consideration will be payable only if certain performance thresholds are satisfied, Watson Wyatt Holdings cannot be assured of having adequate recourse against Watson Wyatt LLP for losses incurred as a result of inaccurate warranties.

Watson Wyatt Holdings also will have limited practical recourse against Watson Wyatt LLP for other breaches of the business transfer agreement or for indemnity claims under the agreement. After consummation of the acquisition and distribution of the acquisition consideration to members of Watson Wyatt LLP, Watson Wyatt LLP will not have any business operations and will have limited assets. As a result, even if Watson Wyatt Holdings were found to be entitled to indemnification or damages resulting from a breach by Watson Wyatt LLP of the business transfer agreement, Watson Wyatt Holdings cannot be assured that Watson Wyatt LLP will have adequate funds to satisfy any such claim.

Risks to Watson Wyatt LLP and Its Members

Failure to complete the acquisition could adversely affect Watson Wyatt LLP's business and operating results and those of the alliance.

If the acquisition is not completed for any reason, Watson Wyatt LLP's business and the alliance could be adversely affected as a result of a variety of factors, including:

- many costs related to the acquisition, such as legal and accounting fees, must be paid regardless of whether the acquisition is completed;
- potential disruption to the businesses of Watson Wyatt LLP and diversion of the resources of its management team;
- the benefits expected from operating the European business as part of a larger global organization, including a potentially enhanced financial and competitive position, will not be realized; and
- potential disruption to the alliance and the Watson Wyatt Worldwide brand.

Watson Wyatt LLP voting members will have significantly different and reduced ownership and voting interests in Watson Wyatt Holdings after the acquisition as compared to their position as members of Watson Wyatt LLP before the acquisition.

After completion of the acquisition and the distribution by Watson Wyatt LLP of acquisition consideration to Watson Wyatt LLP voting members and the transfer of a portion of the acquisition consideration to non-voting members and retired members, Watson Wyatt LLP members and retired members will own approximately 22% of the outstanding Watson Wyatt Holdings common stock (without taking into account contingent stock consideration). Watson Wyatt Holdings' common stock has rights that differ significantly from the rights and obligations associated with Watson Wyatt LLP membership interests. As a result, Watson Wyatt LLP members will not, in their capacity as stockholders of a corporation, be able to exercise as much influence over the management and policies of Watson Wyatt Holdings after the acquisition as they currently exercise over Watson Wyatt LLP.

Watson Wyatt LLP may not adjust the amount of consideration to be paid or terminate the business transfer agreement based on changes in the market price of Watson Wyatt Holdings' common stock or changes in the performance of the European business.

In the acquisition, Watson Wyatt LLP will receive 9,090,571 shares of Watson Wyatt Holdings' common stock, plus up to an additional 1,950,000 shares of contingent stock consideration. The amount of stock consideration will not be adjusted for changes in market price of the Watson Wyatt Holdings common stock or for changes in performance of the European business. Watson Wyatt LLP does not have an express right to terminate the business transfer agreement because of changes in the market price of Watson Wyatt Holdings' common stock or in the event of positive developments in the European business or adverse developments in Watson Wyatt Holdings' business. As a result, if the market price of the common stock decreases, Watson Wyatt LLP will receive consideration having a lesser value, effectively receiving a lower price for the European business. If the European business experiences a material positive change, Watson Wyatt LLP may not adjust the consideration to be paid upward. Although the business transfer agreement does not provide an express right of termination in the event of market or business performance changes, consummation of the acquisition is dependent upon final approval by the voting members.

Watson Wyatt Holdings' common stock may trade at lower or higher than expected prices before or after the acquisition, which will affect the value of the stock received by Watson Wyatt LLP.

The dollar value of Watson Wyatt Holdings' common stock to be issued to Watson Wyatt LLP in the acquisition may increase or decrease from the date of this proxy statement/prospectus. You should obtain recent market quotations for Watson Wyatt Holdings' common stock. We cannot predict or give any assurances as to the market price of Watson Wyatt Holdings' common stock at any time before or after the acquisition. The price of Watson Wyatt Holdings' common stock may vary due to a number of factors such as:

- changes in the business, operating results or prospects of Watson Wyatt Holdings or the European business;
- market assessments of the likelihood that the acquisition will be completed and that the European business will be integrated effectively into Watson Wyatt Holdings;
- greater than anticipated costs and expenses relating to the acquisition;
- the assumption of unanticipated liabilities in connection with the acquisition;
- market assessments of the prospects of post-acquisition operations and synergies;
- failure to meet securities analysts' or investors' expectations of performance;

fluctuations in the size and scope of client engagements;

changes in key management personnel;

anticipated post-closing sales of common stock distributed as acquisition consideration; and

general market and economic conditions.

Some Watson Wyatt LLP voting members may have interests in the acquisition that are different from, or in addition to, the interests of other Watson Wyatt LLP voting members.

In considering your vote to approve the acquisition, you should be aware of potential conflicts of interest of, and of the benefits available to, some Watson Wyatt LLP voting members. These members may have interests in the acquisition that are different from, or in addition to, your interests as a Watson Wyatt LLP voting member. These interests exist because, among other things:

some voting members of Watson Wyatt LLP will serve on the Global Matrix, which will be the principal management committee of the worldwide business after the acquisition and also will serve on other committees relating to integration of the post-acquisition businesses;

some voting members of Watson Wyatt LLP are currently stockholders of Watson Wyatt Holdings;

Mr. Thornton, Senior Partner of Watson Wyatt LLP, is a member of the Watson Wyatt Holdings board of directors;

Mr. Whalley, a Watson Wyatt LLP voting member, is the Regional Manager (US Region) of Watson Wyatt Holdings, an executive officer position; and

Mr. Ramamurthy, a Watson Wyatt LLP voting member, has been nominated for election to the board of directors of Watson Wyatt Holdings.

You should read "The Acquisition Interests of Certain Persons in the Acquisition" for a more complete description of the interests and benefits listed above.

Contingent stock consideration will be issued to Watson Wyatt LLP only if the European business meets specified financial performance goals.

1,950,000 shares, or approximately US$51.5 million based on the NYSE closing price on April 29, 2005, in contingent stock consideration has been reserved for issuance by the Watson Wyatt Holdings board of directors, but will be issued to Watson Wyatt LLP only if, and to the extent, the European business achieves certain specified financial performance goals for the fiscal year ending June 30, 2007. The European business's ability to achieve necessary revenue levels and cost reductions may depend on factors outside of Watson Wyatt Holdings' or WW Limited's control, including general economic conditions, competitive activity and regulatory, legislative and technological developments. Failure to integrate the European business into Watson Wyatt Holdings also could negatively affect the European business's ability to satisfy the conditions for payment of contingent stock consideration. The amount of any future contingent payment, if any, cannot presently be determined.

Future contingent payments may be reduced by the value of claims made by Watson Wyatt Holdings or WW Limited that can be offset against the contingent stock consideration.

The contingent stock consideration reserved for issuance and potential payment to Watson Wyatt LLP as acquisition consideration will serve as security for claims that may be pursued by Watson Wyatt Holdings or WW Limited under the business transfer agreement and the deed of contribution, which authorize set off of claims against the contingent stock consideration. Watson Wyatt LLP's maximum liability for warranty claims under the business transfer agreement is US$25 million, but no limitation

applies to claims under the deed of contribution. As a result, all of the contingent stock consideration potentially payable in the acquisition is subject to set off.

Existing indemnities for the benefit of Watson Wyatt LLP members may not provide practical protection after the distribution of acquisition proceeds by Watson Wyatt LLP.

Members of Watson Wyatt LLP, including Watson Wyatt Holdings, are indemnified by Watson Wyatt LLP for liabilities that they may incur in the operation of the European business. In addition, those individuals and entities (including the entities representing Watson Wyatt Holdings) who were partners in the general partnership that operated the business prior to Watson Wyatt LLP have the benefit of an indemnity from Watson Wyatt LLP under which, as part of the consideration for the transfer of the European business, Watson Wyatt LLP agreed to indemnify the predecessor partnership from liabilities arising through the conduct of the European business. After the proposed acquisition and Watson Wyatt LLP's distribution of acquisition proceeds, Watson Wyatt LLP will have limited assets with which to satisfy any of these indemnity obligations that may arise.

Voting members will pay tax on consideration to be transferred to non-voting members and on contingent consideration even though proceeds will not be retained or, with respect to contingent consideration, received at the time of tax payment.

Voting members of Watson Wyatt LLP will pay UK capital gains tax on the total acquisition proceeds including the amount of the proceeds that is to be subsequently directed to non-voting members and retired members.

Voting members will also pay UK capital gains tax on the amount of the total acquisition proceeds that relates to the right to receive the contingent consideration. If the contingency is not met and the contingent acquisition consideration is not received, then the voting members will be able to offset their losses against the gains returned and receive a repayment of any overpaid capital gains tax. If the value of the contingent consideration actually received is greater than the value included as acquisition consideration, the excess will be chargeable as a capital gain when received.

Risks Relating to Watson Wyatt Holdings' Business After the Acquisition

Watson Wyatt Holdings' success will continue to depend on its ability to recruit and retain qualified consultants generally as well as Watson Wyatt LLP members and key personnel; our failure to do so after the acquisition could adversely affect our ability to integrate the European business and generally to compete successfully.

Watson Wyatt Holdings' success depends on its ability to attract, retain and motivate qualified personnel generally, including executive officers, key management personnel and consultants. After the acquisition, the performance of the global business will continue to be subject to Watson Wyatt Holdings' ability to retain qualified personnel. We cannot assure you that we will be able to attract and retain qualified consultants, management and other personnel necessary for the delivery of our sophisticated and technical services to clients.

With respect to the European business in particular, Watson Wyatt Holdings' ongoing success also will be subject to Watson Wyatt Holdings' ability to retain Watson Wyatt LLP members and key personnel. We cannot assure you that Watson Wyatt LLP members and other personnel will remain employees of Watson Wyatt Holdings after the acquisition. If Watson Wyatt LLP members and other personnel choose not to join, or to stay with, Watson Wyatt Holdings after the acquisition, we may experience substantial disruption in our efforts to integrate the European business, which could adversely affect our performance. In addition, if any key personnel or Watson Wyatt LLP members were to join an existing competitor or form a competing company, some clients could choose to use the services of that competitor instead of our services.

Watson Wyatt LLP members who do not join Watson Wyatt Holdings after the acquisition may be able to compete with Watson Wyatt Holdings and to solicit employees and clients of Watson Wyatt Holdings.

Members of Watson Wyatt LLP are prohibited by restrictive covenants from soliciting employees and clients of Watson Wyatt LLP for their own benefit. Those members who become employees of WW Limited will be subject to similar restrictions. All voting members have signed employment agreements, and all voting members will be required to sign non-competition agreements. Each of the non-voting members who remains with the European business will sign an employment agreement that will contain non-solicitation covenants. Any non-voting members of Watson Wyatt LLP who do not become employees of WW Limited will not be bound by such covenants. In addition, WW Limited and Watson Wyatt LLP may not be able to enforce the existing restrictive covenants between Watson Wyatt LLP and its members after the acquisition.

We will continue to face significant competition after the acquisition, including significant competition in markets where the European business operates, which could reduce our profitability and result in loss of post-acquisition market share.

The markets in which we will compete after the acquisition are highly competitive. We compete against other human capital consulting and actuarial firms, as well as the human capital consulting divisions of diversified professional services and insurance firms and accounting firms. Several of our competitors have greater financial, technical and marketing resources than we have, which could enhance their ability to respond more quickly to technological changes and price their services more aggressively, compete for skilled professionals, finance acquisitions and fund internal growth. New competitors or alliances among competitors could emerge and gain significant market share. In order to respond to increased competition and pricing pressure, we may have to lower our prices, which would have an adverse effect on our revenues and profit margin.

We will be subject to increased risks of doing business internationally after the acquisition.

After the acquisition, an increased portion of Watson Wyatt Holdings' business will be located outside of the United States. As a result, a significantly larger portion of our business operations after the acquisition will be subject to foreign financial and business risks, which could arise in the event of:

- currency exchange rate fluctuations;
- unexpected increases in taxes;
- new regulatory requirements and/or changes in policies and local laws that materially affect the demand for our services or directly affect our foreign operations;
- local economic and political conditions, including unusual severe or protracted recessions in foreign economies;
- unusual and unexpected monetary exchange controls; or
- civil disturbance or other catastrophic events that reduce business activity in other parts of the world.

These factors may lead to decreased sales or profits and therefore may have a material adverse effect on our business, financial condition and operating results after the acquisition.

Acceleration of the shift by employers from defined benefit plans to defined contribution plans would adversely affect our business and our operating results.

Watson Wyatt Holdings currently provides clients with actuarial and consulting services relating to both defined benefit and defined contribution plans. Defined benefit plans generally require more

actuarial services than defined contribution plans because defined benefit plans typically involve large asset pools, complex calculations to determine employer costs, funding requirements and sophisticated analysis to match liabilities and assets over long periods of time. The trend is toward increased use of defined contribution plans, and Watson Wyatt Holdings has adjusted its business planning accordingly. If organizations shift to defined contribution plans more rapidly than we anticipate, the performance and results of operation of our business and our overall operating results could be adversely affected.

Insurance may become more difficult or expensive to obtain.

Insurance markets have hardened over recent years for most classes of professional liability risk. As the number of claims has increased against professionals and against actuaries in particular, the cost of malpractice insurance has been increasing substantially, and the deductible or self-insured retention has been increasing. Availability and price of insurance are subject to many variables, including general market conditions, loss experience in related industries and in the actuarial and benefits consulting industry, and the specific claims experience of an individual firm. As a result of the acquisition, Watson Wyatt Holdings will be a larger organization that operates in a wider geographic market, and may be exposed to a greater number of claims arising from its expanded operations. After the acquisition, there can be no assurance that Watson Wyatt Holdings will continue to be able to obtain insurance on comparable terms to what it has obtained in the past. Increases in the cost of insurance could affect the profitability of Watson Wyatt Holdings after the acquisition, and the unavailability of insurance to cover certain levels of risk could have an adverse effect on our financial condition, particularly in a specific period.

After the acquisition, we will be engaged, through subsidiaries, in the insurance and financial services consulting business, which may carry greater risk of liability than our current lines of business.

Watson Wyatt Holdings intends to carry on and grow the business of providing consulting services to insurance and financial services companies now conducted by Watson Wyatt LLP. Watson Wyatt Holdings withdrew from this business in 1998. The risk of malpractice claims from this line of business may be greater than from some of our current lines of business and claims may be for significant amounts.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including information incorporated by reference into this document, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are subject to the "safe harbor" created by those sections. Some of the forward-looking statements in this document can be identified by the use of forward-looking terms such as "believes", "intends", "expects", "may", "will", "estimates", "should", "could", "anticipates", "plans" or other comparable terms. Forward-looking statements, such as projected operating results, are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance, or achievements expressed or implied by the forward-looking statements.

You should understand that the following important factors and assumptions could affect the future results of Watson Wyatt Holdings after the acquisition and could cause actual results to differ materially from those expressed in the forward-looking statements:

- the successful integration of the European business with Watson Wyatt Holdings' business, processes and systems;
- continued ability to recruit and retain highly qualified associates;
- the success of our marketing, client development and sales programs after the acquisition;
- competitive activity;
- a decrease in the demand for the consulting, actuarial and other services that we offer as a result of changing economic conditions or other factors;
- regulatory, legislative and technological developments that may affect the demand for or costs of our services;
- our ability to maintain client relationships and to attract new clients after the acquisition;
- declines in demand for our services as a result of increased use of defined contribution plans rather than defined benefit plans;
- outcomes of litigation;
- our ability to obtain professional liability insurance;
- our ability to achieve cost reductions after the acquisition;
- foreign currency exchange and interest rate fluctuations;
- exposure to Watson Wyatt LLP liabilities that have not been expressly assumed;
- general economic and business conditions that adversely affect us or our clients after the acquisition;
- the level of capital resources required for future acquisitions; and

other risks and uncertainties, including those set forth in this document and those described from time to time in Watson Wyatt Holdings' filings with the Securities and Exchange Commission.

All forward-looking statements in this document are qualified by these cautionary statements and are made only as of the date of this document. We do not undertake any obligation, other than as required by law, to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

MATERIAL RELATIONSHIPS BETWEEN WATSON WYATT HOLDINGS AND WATSON WYATT LLP

Formation of the Alliance. In 1995, The Wyatt Company, our predecessor company, entered into alliance agreements with R. Watson & Sons (which subsequently changed its name to Watson Wyatt Partners), a predecessor in business to Watson Wyatt LLP (together referred to as Watson Wyatt LLP). Since entering into the alliance, Watson Wyatt Holdings and Watson Wyatt LLP have marketed services globally under the Watson Wyatt Worldwide brand, sharing resources, technologies, processes and business referrals.

In forming the alliance, we transferred our UK operations to Watson Wyatt LLP and received a 10% beneficial interest in a defined profit pool of Watson Wyatt LLP. Generally, this interest equates to a 20% interest in the profit distributions of Watson Wyatt LLP. (This interest is, however, subject to adjustment as provided in the alliance agreements, and Watson Wyatt Holdings' interest in the profits on disposal of Watson Wyatt LLP has been calculated at approximately 18% of Watson Wyatt LLP's assets.) We also received one seat on Watson Wyatt LLP's partnership board. We share, to the extent of our interest in Watson Wyatt LLP, in liabilities (including contingent liabilities) of Watson Wyatt LLP. Our interest in Watson Wyatt LLP under the alliance cannot change unless agreed upon by both parties.

Under the alliance agreements, Watson Wyatt Holdings generally is not permitted to operate in the United Kingdom, Ireland, Continental Europe, Africa or the Caribbean, and Watson Wyatt LLP generally is not permitted to operate in North America, Latin America or Asia-Pacific.

Distribution of Interest of Watson Wyatt Holdings in Watson Wyatt LLP. For a description of the trust arrangement pursuant to which Watson Wyatt Holdings will hold its interest in Watson Wyatt LLP, see "The Business Transfer Agreement The Acquisition Distribution of Interest of Watson Wyatt Holdings in Watson Wyatt LLP."

Termination of the Alliance. The alliance arrangements generally will be terminated at the time of the acquisition. Certain indemnity obligations of Watson Wyatt Holdings and Watson Wyatt LLP, respectively, will survive. For a description of the termination of the alliance, see "Agreements Relating to the Acquisition Variation and Termination of Watson Wyatt Worldwide Alliance Arrangements."

Transfer of Former European Operations and Loan. At the time that the alliance was established, we transferred our Continental European operations to Watson Wyatt Holdings (Europe) Limited, a newly-formed holding company jointly owned and controlled by Watson Wyatt Holdings and Watson Wyatt LLP. In exchange, we received 50.1% of the outstanding shares of Watson Wyatt Holdings (Europe) Limited and a note in the principal amount of £7 million payable in 2020 and bearing interest at a variable rate based on the UK retail price index. The outstanding principal on the note was £14.3 million at October 31, 2004. The terms of the note provide that interest is to be paid to the extent of Watson Wyatt Holdings (Europe) Limited's profits and that interest not paid is to be added to principal. To date no interest payments have been made on the note. Watson Wyatt Holdings has not accrued interest income on the note due to concerns over collectibility stemming from continued losses experienced by Watson Wyatt Holdings (Europe) Limited.

Effective July 1, 1998, Watson Wyatt Holdings sold one-half of its investment in Watson Wyatt Holdings (Europe) Limited to Watson Wyatt LLP in exchange for nominal consideration.

Currently, Watson Wyatt Holdings (Europe) Limited is jointly owned by Watson Wyatt Holdings, which holds a 25% ownership interest, and Watson Wyatt LLP, which holds a 75% ownership interest. In the acquisition, Watson Wyatt Holdings (Europe) Limited will become a wholly owned indirect subsidiary of Watson Wyatt Holdings. The note will become an intercompany obligation after the acquisition.

Transfer of Asian Insurance and Financial Services Consulting Business. In 1999, Watson Wyatt Holdings sold its insurance and financial services consulting practice in Asia to Watson Wyatt LLP for a capital sum and a service fee. As part of the sale of this Asian practice to Watson Wyatt LLP, Watson Wyatt Holdings and Watson Wyatt LLP amended the alliance arrangement to allow Watson Wyatt LLP to operate an insurance and financial services consulting practice throughout the world, except in Canada and Argentina. The Asian practice will be transferred to Watson Wyatt Holdings in the acquisition, as part of the European business.

Netherlands Operations. With effect from July 1, 1999, Watson Wyatt Holdings and Watson Wyatt LLP entered into an alliance arrangement with KPMG Brans & Co. under which KPMG Brans agreed to operate under the name Watson Wyatt Brans & Co. in the Netherlands and to pay certain royalty fees to Watson Wyatt LLP. In addition, Watson Wyatt LLP acquired the insurance and financial services consulting business conducted by Watson Wyatt Brans effective January 1, 2003. Watson Wyatt Holdings and Watson Wyatt LLP are restricted under the alliance arrangement from doing business in the Netherlands, except for the insurance and financial services line of business. In the acquisition, Watson Wyatt Holdings will assume Watson Wyatt LLP's obligations under the agreement with Watson Wyatt Brans.

Watson Wyatt LLP Ownership of Watson Wyatt Holdings' Common Stock. Pursuant to the alliance agreements, Watson Wyatt LLP is required to maintain an ownership interest in Watson Wyatt Holdings of 100,000 shares of Watson Wyatt Holdings' common stock. As of , 2005, Watson Wyatt LLP continued to own 100,000 shares of Watson Wyatt Holdings' common stock. Watson Wyatt LLP is required under the business transfer agreement to sell its 100,000 shares of common stock on the open market before the acquisition, and the proceeds of the sale will be treated in the acquisition as cash assets of Watson Wyatt LLP.

In addition, as of , 2005, the Watson Wyatt LLP pension plan beneficially owned 12,825 shares of Watson Wyatt Holdings' common stock.

Provision of Services under the Alliance. In the normal course of serving clients and other aspects of the alliance arrangement, Watson Wyatt Holdings and Watson Wyatt LLP provide services to each other or to clients of the other or otherwise incur costs on behalf of the other. These accounts are paid monthly and are current.

Interlocking Board Memberships. Mr. Haley, President and Chief Executive Officer of Watson Wyatt Holdings, is a member of the Watson Wyatt LLP partnership board. Mr. Thornton, Senior Partner of Watson Wyatt LLP, is a member of the Watson Wyatt Holdings board of directors.

Management of the Alliance. Mr. Roger C. Urwin, a Watson Wyatt LLP voting member, currently serves as Global Head of Investment Consulting of Watson Wyatt Worldwide. In addition, Mr. Gene H. Wickes, a Vice President of Watson Wyatt Holdings and a member of the Watson Wyatt Holdings board of directors, currently serves as Global Director of the Benefits Practice of Watson Wyatt Worldwide.

Mr. Whalley, a Watson Wyatt LLP voting member, is an executive officer of Watson Wyatt Holdings. Since May 1, 2004, Mr. Whalley has served as Regional Manager (US Region) of Watson Wyatt Holdings. During Mr. Whalley's term of employment with Watson Wyatt Holdings, he has received payments relating to his share of partnership profits for the period preceding his employment with Watson Wyatt Holdings. Mr. Whalley will be entitled to his share of acquisition consideration as a voting member of Watson Wyatt LLP.

Software Services. Watson Wyatt Holdings is developing a new generation of proprietary software to support its actuarial services. In 2004, Watson Wyatt Holdings and Watson Wyatt LLP agreed in principle that the software would be modified to include a version applicable to certain jurisdictions where Watson Wyatt LLP does business and that Watson Wyatt LLP would pay the direct costs of such modifications and a prorated portion of the future amortization of capital costs associated with the base system. We anticipate that WW Limited will go forward with the plan to use the new software and to pay the costs of such development as previously agreed with Watson Wyatt LLP.

Office Leases. In connection with the establishment of the alliance in 1995, the lease of Watson Wyatt Holdings' London office was assigned to Watson Wyatt LLP. At that time, Watson Wyatt Holdings provided a guaranty for payments on this lease. Watson Wyatt Holdings will assume the lease in the acquisition.

A subsidiary of Watson Wyatt LLP subleases a small amount of office space from Watson Wyatt Holdings in New York. The sublease requires the Watson Wyatt LLP subsidiary to pay the fully allocated costs of the space occupied. After the acquisition, the sublease will remain in place, and Watson Wyatt Holdings will assume the obligations of Watson Wyatt LLP under the sublease.

In addition, pursuant to the service arrangement related to the divestiture of the Asian insurance and financial services consulting practice to Watson Wyatt LLP in 1999, discussed above, Watson Wyatt LLP occupies space in the offices of Watson Wyatt Holdings' subsidiaries in Hong Kong, Singapore and Tokyo. The costs of occupying this space are reflected in the service fee owed pursuant to the service arrangement.

Joint Defense Arrangements. Since the establishment of the alliance in 1995, Watson Wyatt Holdings and Watson Wyatt LLP have cooperated in defending claims brought against the parties in connection with the alliance. In at least one instance, which related to a professional liability claim, Watson Wyatt Holdings and Watson Wyatt LLP entered into a joint defense arrangement.

THE WATSON WYATT HOLDINGS SPECIAL MEETING

This proxy statement/prospectus, notice of the special meeting and accompanying proxy are being furnished to you as a stockholder of Watson Wyatt Holdings, a Delaware corporation, on or about , 2005, in connection with the special meeting of stockholders to be held on , 2005, at the time and place and for the purposes set forth below and in the accompanying notice of the meeting.

Solicitation of Proxies

Watson Wyatt Holdings' board of directors is making this proxy solicitation. All shares of Watson Wyatt Holdings' common stock that are represented by properly executed and unrevoked proxies received by ADP Investor Communication Services, the vendor selected by Watson Wyatt Holdings to tabulate the vote, prior to the special meeting will be voted. The deadline for receiving proxy voting instructions by telephone (1-800-690-6903) or Internet (www.proxyvote.com) is 11:59 p.m., Eastern time, on , , 2005.

Purpose, Time and Place

This proxy statement/prospectus is furnished in connection with the solicitation of proxies of Watson Wyatt Holdings' stockholders by Watson Wyatt Holdings' board of directors for use at the special meeting of Watson Wyatt Holdings' stockholders to be held at [place], [address], at [time], and at any adjournment(s) or postponement(s) thereof.

At the special meeting of Watson Wyatt Holdings' stockholders, Watson Wyatt Holdings' board of directors will ask Watson Wyatt Holdings' stockholders to consider and vote on the following proposals, as more fully described in this proxy statement/prospectus:

I. To consider and vote on a proposal to approve the issuance of Watson Wyatt Holdings' Class A common stock in connection with the acquisition of assets and assumption of liabilities from Watson Wyatt LLP as contemplated by the business transfer agreement, dated as of April 15, 2005, among Watson Wyatt Holdings, Watson Wyatt (UK) Acquisitions 2 Limited, The Wyatt Company Holdings Limited, both wholly owned subsidiaries of Watson Wyatt Holdings, and Watson Wyatt LLP.

II. To elect Mr. Ramamurthy to Class III of the board of directors of Watson Wyatt Holdings to serve for a term expiring at the 2006 Annual Meeting of Stockholders, or until the election and qualification of his successor. The election of Mr. Ramamurthy is contingent upon consummation of the acquisition.

III. To vote on adjournment(s) or postponement(s) of the special meeting, including adjournment(s) or postponement(s) to solicit additional votes to approve the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition.

IV. To transact such other business that may properly come before the special meeting or any adjournment(s) or postponement(s) thereof.

Record Date; Voting Information; Required Votes

Stockholders of record at the close of business on , 2005 are entitled to notice of and to vote the shares of common stock held by them on such date, at the special meeting and at any adjournment(s) or postponement(s) thereof. On , 2005, there were shares of common stock outstanding and entitled to vote at the special meeting. The common stock is Watson Wyatt Holdings' only class of outstanding voting securities and will vote as a single class on all matters to be presented at the special meeting. Each share of common stock entitles the holder thereof to one vote on each matter to be considered.

If the accompanying proxy card is properly signed and returned in the enclosed envelope (available to stockholders who have received their proxy materials by mail), or voted via telephone or Internet, and not revoked, it will be voted. Unless contrary instructions are given, the persons designated as proxy holders on the accompanying proxy will vote in favor of Proposal I, the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition of assets and assumption of liabilities from Watson Wyatt LLP; in favor of Proposal II, the board of directors' nominee for director; in favor of any proposed adjournment(s) or postponement(s) of the special meeting, including to solicit additional votes; and will vote in their own discretion as to any other matters that may properly come before the special meeting.

The presence at the special meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding at the close of business on , 2005 will constitute a quorum.

Submitted proxies reflecting broker non-votes or abstentions will be deemed present at the special meeting in determining the presence of a quorum. Broker non-votes occur when a person holding shares through a bank or brokerage account does not provide instructions as to how his shares should be voted, and the broker does not exercise discretion to vote those shares on a particular matter.

The affirmative vote of the majority of the votes cast on the matter is required to approve the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition from Watson Wyatt LLP, provided that stockholders holding a majority of the shares outstanding on the record date actually cast votes on this matter. Abstentions are considered votes cast for this purpose, but broker non-votes are not. If a stockholder abstains from voting or directs the stockholder's proxy to abstain from voting on the matter, the shares are considered to have been cast at the meeting with respect to such matter, but since they are not affirmative votes for the matter, they will have the same effect as votes against the matter. On the other hand, shares resulting in broker non-votes are not considered to have been cast at the meeting with respect to such matter and, therefore, have the practical effect of reducing the number of affirmative votes required to achieve a majority for such matter by reducing the total number of shares from which the majority is calculated.

A plurality of the voting power present in person or represented by proxy and entitled to vote at the special meeting is required for the election of a director. Thus, the nominee for election as a director who receives the most votes "for" election will be elected. Only shares that are voted in favor of a nominee will be counted towards such nominee's achievement of a plurality. Shares present at the special meeting that are not voted for a particular nominee, shares present in person or represented by proxy where the stockholder properly withholds authority to vote for such nominee, and broker non-votes, if any, will not affect whether a nominee has received sufficient votes to be elected.

Expenses

The cost of soliciting proxies will be borne by Watson Wyatt Holdings. Officers and regular associates of Watson Wyatt Holdings may, but without compensation other than their regular compensation, solicit proxies by additional mailings, personal conversations, telephone, facsimile or electronically. Watson Wyatt Holdings has hired InvestorCom, Inc., a proxy solicitation firm, to assist in soliciting proxies for a fee of $7,500 plus reasonable expenses. Watson Wyatt Holdings will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of Watson Wyatt Holdings' common stock. Other proxy solicitation expenses that Watson Wyatt Holdings will pay include those for preparation, mailing and tabulating the proxies.

Revocation of Proxies

You may revoke your proxy at any time before it is exercised by filing a revocation notice or a duly executed proxy to vote your shares bearing a later date with the Secretary of Watson Wyatt Holdings at 1717 H Street, N.W., Washington, D.C. 20006-3900. If you are a stockholder of record, and you attend the special meeting and vote in person, your vote will supersede any proxy that you previously executed.

A list of stockholders will be available for inspection at least ten days prior to the special meeting at the Office of the Secretary of Watson Wyatt & Company Holdings, 1717 H Street, N.W., Washington, D.C. 20006-3900.

Share Ownership of Management and Certain Stockholders

As of the record date, directors and executive officers of Watson Wyatt Holdings and their affiliates beneficially owned an aggregate of shares of Watson Wyatt Holdings' common stock entitled to vote at the Watson Wyatt Holdings special meeting, or approximately % of the shares of Watson Wyatt Holdings' common stock outstanding and entitled to vote as of the record date.

Recommendation of the Watson Wyatt Holdings Board of Directors

The Watson Wyatt Holdings board of directors believes that the proposal to issue shares of common stock in connection with the acquisition is advisable, fair to and in the best interests of Watson Wyatt Holdings and the stockholders of Watson Wyatt Holdings. The Watson Wyatt Holdings board of directors also believes that the proposal to elect Mr. Ramamurthy to the Watson Wyatt Holdings board of directors is advisable, fair to and in the best interests of Watson Wyatt Holdings and the stockholders of Watson Wyatt Holdings. The members of Watson Wyatt Holdings' board of directors have approved each of the proposals and recommend that Watson Wyatt Holdings' stockholders vote "FOR" the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition and "FOR" the election of Mr. Ramamurthy to the board of directors (with Mr. Thornton, a member of the board of directors of Watson Wyatt Holdings who also is the Senior Partner of Watson Wyatt LLP, not participating in the recommendations).

No Dissenters' Appraisal Rights

Watson Wyatt Holdings' stockholders are not entitled to dissenters' appraisal rights in connection with the acquisition.

Other Matters

The Watson Wyatt Holdings board of directors is not aware of any other business to be brought before the Watson Wyatt Holdings special meeting or any adjournment or postponement of the meeting. If, however, other matters are properly brought before the Watson Wyatt Holdings special meeting or an adjournment or postponement thereof, the persons appointed as proxies will have discretionary authority to vote the Watson Wyatt Holdings shares represented by duly executed proxies in accordance with their discretion and judgment.

APPROVAL BY WATSON WYATT LLP VOTING MEMBERS

A meeting of the voting members of Watson Wyatt LLP will be convened on or about , 2005 to consider the acquisition. Watson Wyatt LLP is not soliciting proxies from the voting members with respect to the meeting.

1. ISSUANCE OF SHARES AS CONSIDERATION FOR THE ACQUISITION

At the special meeting, Watson Wyatt Holdings' stockholders will be asked to vote to approve the issuance of Watson Wyatt Holdings' common stock as provided in the business transfer agreement.

THE ACQUISITION

Background of the Acquisition

In 1995, The Wyatt Company, our predecessor company, entered into alliance agreements with R. Watson & Sons, a predecessor in business to Watson Wyatt LLP. At the time of the alliance, we became Watson Wyatt & Company and R. Watson & Sons became Watson Wyatt Partners. For a description of the alliance arrangement, see "Material Relationships Between Watson Wyatt Holdings and Watson Wyatt LLP Formation of the Alliance."

In 2000, Watson Wyatt & Company carried out an initial public offering through which a new parent company, Watson Wyatt Holdings, became a publicly held company, listed on the New York Stock Exchange. In 2002, the business carried on by Watson Wyatt Partners was established as a limited liability partnership under the laws of England and became known as Watson Wyatt LLP.

Since entering into the alliance, representatives of Watson Wyatt Holdings and Watson Wyatt LLP have discussed intermittently the possibility of more formally combining their respective businesses. Watson Wyatt Holdings and Watson Wyatt LLP have increasingly managed the business in a coordinated manner through formal governance mechanisms, such as the Global Matrix and the Alliance Coordinating Committee, and through cooperation among their respective consulting staffs. Until early 2004, however, the parties considered the benefits of the existing alliance relationship to outweigh the potential benefits of combining the firms.

Beginning in late 2003, the partnership board began internal consideration and evaluation of various strategic issues, including the potentially growing benefits of a full combination of Watson Wyatt Holdings and Watson Wyatt LLP. A task force of voting members was established as a result to analyze the potential benefits of such a combination and other strategic options. That task force reached its preliminary conclusions in early 2004. Among the factors which the task force took into account in reaching its conclusions were the alliance's attributes in terms of global reach, commonality of service lines, ability to meet the needs of an increasingly global target market, consistency across practices and territories, integration of technology platforms, operational efficiency, and the future competitive posture of the alliance compared to its principal competitors, some of which had greater size and scale, or greater depth of capital resources. It also concluded that the potential for growth of Watson Wyatt LLP's Insurance & Financial Services practice would be significantly enhanced, and that an improved capital position through a combination with Watson Wyatt Holdings would enhance a combined firm in taking advantage of growth opportunities in its core human resources consulting practices in European markets, including emerging markets, and in other parts of the world.

In April 2004, in a conference call with Watson Wyatt Holdings' Chief Executive Officer and in a subsequent meeting of the Alliance Coordinating Committee, the Senior Partner and the Managing Partner of Watson Wyatt LLP advised their committee counterparts, the Chief Executive Officer and the Vice President and General Counsel of Watson Wyatt Holdings, of their interest in pursuing preliminary discussions of potential collaborative arrangements and strategic transactions involving the two companies. The possibilities included possible modifications of the alliance agreements between Watson Wyatt Holdings and Watson Wyatt LLP, possible public flotation of Watson Wyatt LLP or a potential acquisition of the European business and its affiliates by Watson Wyatt Holdings. Both parties agreed that there might be potential merits in pursuing such preliminary discussions and in evaluating the potential advantages of combining the organizations. These communications by the Senior Partner and the Managing Partner were made with the concurrence of the Watson Wyatt LLP partnership board and the voting members. Another Alliance Coordinating Committee meeting was held on May 26, 2004, at which these four individuals explored the topics of these preliminary conversations further.

During this period, the group involved in the preliminary discussions within Watson Wyatt Holdings was expanded to include the Chief Financial Officer, the Global Retirement Practice Director (currently the Global Director of the Benefits Practice) and the retired Manager of the US Region, who was retained on a consulting basis during the spring and summer to assist in determining whether a financial deal could meet the objectives of both parties to a possible transaction or acquisition.

Various conversations took place during June and July 2004 between members of the groups mentioned above relating to the strategic considerations, as well as initial conceptual issues regarding the form of a possible combination, and the potential consideration which might appropriately be paid. In addition, each party continued to carry on various internal evaluations of strategic, financial and transactional issues. During this period, Watson Wyatt Holdings retained its longtime English counsel Baker & McKenzie, to assist in the transactional aspects of a potential combination. Baker & McKenzie had participated in the negotiation and development of the alliance in 1995. In addition, Watson Wyatt Holdings requested that its regular US securities counsel, Gibson Dunn & Crutcher LLP, begin consideration of various potential issues which could become germane to a transaction, especially one which could ultimately involve the issuance of Watson Wyatt Holdings' common stock. Watson Wyatt Holdings also retained CIBC World Markets to act as its financial advisor for the transaction.

During June 2004, Watson Wyatt Holdings began due diligence review of information provided by Watson Wyatt LLP at Watson Wyatt Holdings' request.

Additional meetings or conference calls involving the Alliance Coordinating Committee took place on June 11, June 25 (at which the Global Retirement Practice Director attended in part), July 7, July 29 and September 20, 2004 involving Watson Wyatt Holdings' Chief Executive Officer and its General Counsel and Watson Wyatt LLP's Senior Partner and its Managing Partner. Although a potential combination was not the only item on the agenda at all of these meetings, the Alliance Coordinating Committee continued to discuss the developing conceptual bases for a combination, as well as the processes for determining critical matters, including consideration, form of transaction and future business integration.

The task force from Watson Wyatt LLP selected two of its members to be the principal negotiating team in respect of the proposed combination. The two were (i) the former Head of Operations at Watson Wyatt LLP and (ii) the chairman of the Finance Committee of Watson Wyatt LLP. In due course the latter individual had alternative commitments that meant his place was taken by the Global Head of the Insurance & Financial Services practice.

On July 1, 2004, a meeting took place in New York. The retired Manager of the US Region, the Global Retirement Practice Director, the former Head of Operations, the Chairman of the Finance Committee, Watson Wyatt LLP's Head of Finance and Business Services (who attended by telephone), KPMG Corporate Finance, Watson Wyatt LLP's financial advisor, and CIBC World Markets attended this meeting to discuss the potential combination.

On July 14, 2004, there was a telephone briefing of the Presiding Director/Chair of the Nominating and Governance Committee and the Chair of the Audit Committee on the status of the proposed transaction. A thorough discussion was held. Included on the call were the Chief Executive Officer, the Chief Financial Officer, the Global Retirement Practice Director and the retired Manager of the US Region.

On August 20, 2004 the Watson Wyatt Holdings board of directors held a regularly scheduled meeting. At this meeting, the Chief Executive Officer reviewed the subject of a possible acquisition or other strategic transaction involving Watson Wyatt LLP on a preliminary basis with the board of directors. Mr. Thornton, Senior Partner of Watson Wyatt LLP, and a member of the board of directors of Watson Wyatt Holdings, excused himself from this portion of the meeting. Mr. Thornton did not attend any of the board meetings or calls associated with this matter, or excused himself from such meetings which he did attend during the portions of such meetings where this matter was discussed. The Chief Executive Officer stated that negotiations were to be handled in a manner which would not erode current alliance relationships. Upon reviewing this presentation and discussion, the board agreed that discussions should continue, with the board to be kept informed.

On September 9, 2004, a meeting was held in the UK at which Watson Wyatt Holdings' retired Manager of the US Region, the Global Retirement Practice Director, Watson Wyatt LLP's former Head of Operations and Global Head of Insurance & Financial Services, CIBC World Markets and KPMG Corporate Finance attended and discussed developments related to the potential combination.

On September 20, 2004, Watson Wyatt Holdings' Chief Executive Officer and its General Counsel held a meeting with the Watson Wyatt LLP voting members at which the Chief Executive Officer made a presentation conveying Watson Wyatt Holdings' interest in a combination of the firms and answered questions from the voting members.

On September 29, 2004, the Chief Executive Officer, the General Counsel, the Chief Financial Officer, the Global Retirement Practice Director, the retired Manager of the US Region and representatives of CIBC World Markets met with the Presiding Director/Chair of the Nominating and Governance Committee and the Chair of the Audit Committee and briefed them on the progress of the discussions with Watson Wyatt LLP, including financial aspects of a potential transaction.

In October 2004, a team from Watson Wyatt Holdings, including internal and outside counsel, traveled to London to engage in formal due diligence, reviewing documents made available by Watson Wyatt LLP on numerous aspects of their business, at the offices of Watson Wyatt LLP's counsel, Mayer Brown Rowe & Maw LLP. Mayer Brown Rowe & Maw LLP had participated in the negotiation and development of the alliance in 1995.

On October 22, 2004, Watson Wyatt Holdings and Watson Wyatt LLP entered into a confidentiality agreement. During October and November 2004, Watson Wyatt Holdings' representatives, including its outside advisors, conducted additional business and financial due diligence. In addition, between October and late December 2004, Watson Wyatt Holdings and Watson Wyatt LLP shared business information and engaged in detailed discussions concerning a potential acquisition, including how such a transaction would be structured, the value of the European business and its affiliates, and various critical terms which would need to be incorporated into a non-binding letter of intent, or Heads of Agreement. These meetings took place in London and Reigate, England, in Washington, D.C., in Northern Virginia and in New York, as well as via conference call. Watson Wyatt Holdings' participants in these meetings included the Chief Executive Officer, the General Counsel, the Chief Financial Officer, the Treasurer, the Tax Director, the Global Retirement Practice Director, internal and outside counsel, representatives of CIBC World Markets, representatives of Watson Wyatt Holdings' auditors, PricewaterhouseCoopers, Watson Wyatt Holdings' tax advisors, Ernst & Young, and selected other employees whose involvement was necessitated with respect to certain matters. Watson Wyatt LLP's participants in these discussions included the former Head of Operations, the Global Head of the Insurance & Financial Services practice, the Head of Finance and Business Services, the Head of Legal Affairs (Europe), the Head of Tax, and internal and outside counsel.

On November 19, 2004, the Watson Wyatt Holdings board of directors held a regularly scheduled meeting, at which management again provided a presentation regarding the potential combination of the firms. Management reviewed the history of the alliance relationship, the revenues and growth rates of the respective firms, the current ownership structure, and the current strategic and operational coordination between the firms. Once again, management reviewed the rationale for a possible combination, including potential improvements in decision-making, operational integration and efficiency, better utilization of common tools and knowledge-sharing, improved responsiveness to global client needs, and the benefits of a combined capital structure in taking advantage of global growth opportunities, particularly in Europe and in the Insurance & Financial Services practice. Representatives of CIBC World Markets attended the meeting and discussed with the board certain valuation considerations. After discussion by the board of certain benefits, risks and valuation matters, the board authorized the continuation of discussions between management and Watson Wyatt LLP.

There was a series of meetings in Washington D.C. during the week of November 22, 2004 that were attended by Watson Wyatt Holdings' General Counsel, the Global Retirement Practice Director, the Tax Director and Treasurer, Baker & McKenzie, outside tax advisors Ernst & Young and Watson Wyatt LLP's former Head of Operations, Global Head of Insurance & Financial Services and the Head of Legal Affairs (Europe). The participants in those meetings discussed tax, valuation, legal and structural matters.

Watson Wyatt Holdings' Treasurer and its Global Retirement Practice Director and Watson Wyatt LLP's former Head of Operations and Global Head of Insurance & Financial Services attended meetings and phone conferences in late November and early December 2004 to discuss valuation and structure. On November 26, 2004, Watson Wyatt Holdings' Chief Executive Officer made a presentation to the voting members regarding governance and other issues.

Between November 29, 2004 and December 23, 2004 additional meetings or conference calls were held with the Presiding Director/Chair of the Nominating and Governance Committee and with the Chair of the Audit Committee of Watson Wyatt Holdings.

On December 11, 2004, Watson Wyatt Holdings' Chief Executive Officer, Global Retirement Practice Director and Treasurer held a meeting in Northern Virginia with Watson Wyatt LLP's Managing Partner, Global Head of Insurance & Financial Services and former Head of Operations. Representatives of CIBC World Markets and KPMG Corporate Finance also participated in the meeting. On December 14, 2004, Watson Wyatt Holdings' Chief Executive Officer, Global Retirement Practice Director and Treasurer held a conference call with Watson Wyatt LLP's Managing Partner, Global Head of Insurance & Financial Services and former Head of Operations, in which representatives of CIBC World Markets also participated. Subsequent telephone conversations took place among Watson Wyatt Holdings' Chief Executive Officer and Global Retirement Practice Director and Watson Wyatt LLP's Managing Partner later that day and on December 15, 2004.

On December 20, 2004, a meeting of voting members of Watson Wyatt LLP was convened for the purpose of discussing the status of the transaction. The former Head of Operations and the Global Head of Insurance & Financial Services reviewed the status of the discussions and described the financial terms of the transaction. The Head of Legal Affairs (Europe) commented on a number of legal matters connected with the proposed transaction. He also noted that approval of the transaction would require an affirmative vote of 75% of the voting members of Watson Wyatt LLP. At the December 20, 2004 meeting, the voting members approved continuation of negotiations with Watson Wyatt Holdings and negotiations to conclude non-binding heads of terms that reflected those negotiations.

On December 23, 2004, Watson Wyatt Holdings delivered to Watson Wyatt LLP a preliminary draft of a non-binding Heads of Agreement, which outlined the basic terms under which the parties would be willing to pursue a transaction in which a subsidiary of Watson Wyatt Holdings would acquire the European business in what would be predominantly an asset purchase.

On December 29, 2004, the board of directors of Watson Wyatt Holdings held a special meeting by conference call. At this meeting, the Chief Executive Officer, other members of the negotiating team and representatives of CIBC World Markets again briefed the board on the developing financial terms of the proposed transaction. A draft of the proposed non-binding Heads of Agreement was provided to the directors before the meeting. Again, the benefits and key risks of the proposed combination were discussed, including the issues which had been articulated at the November board of directors meeting, with additional detail in a number of areas, including specific matters which had been addressed in the negotiations, as well as information regarding professional liability risks and a proposed contingent payment mechanism tied to future performance objectives. The board agreed that management should continue its evaluation and negotiation of the proposed transaction, and that a subsequent meeting would be held at which the board would have an opportunity to review the non-binding Heads of Agreement prior to its execution.

During late December 2004 and early January 2005, representatives of Watson Wyatt Holdings and Watson Wyatt LLP continued to discuss the terms to be reflected in the draft non-binding Heads of Agreement, particularly with respect to such matters as the contractual restrictions on transfer that would apply to the shares of Watson Wyatt Holdings' common stock that would be issued in connection with the acquisition, the liabilities of Watson Wyatt LLP that would be assumed, and would not be assumed, by Watson Wyatt Holdings, the terms of employment that would be offered to the Watson Wyatt LLP members, various tax matters, the manner in which the operations of the two companies would be integrated, and other customary matters considered in acquisition transactions.

During the week of January 3, 2005, representatives of Watson Wyatt Holdings and Watson Wyatt LLP and their respective legal advisors met in London to discuss applicable legal and other requirements. The parties also discussed the timeframe for completing the proposed acquisition. Between January 6, 2005 and January 9, 2005, representatives of Watson Wyatt Holdings and Watson Wyatt LLP continued to negotiate the terms of the transaction as reflected in a non-binding Heads of Agreement. During these discussions, representatives of Watson Wyatt Holdings responded to Watson Wyatt LLP's comments on the proposed non-binding Heads of Agreement, and addressed concerns regarding the scope of the liabilities to be assumed by Watson Wyatt Holdings in the acquisition, the nature of the representations and warranties to be made and remedies related to potential breaches of representations and warranties, among other issues. In addition, during this period, the parties discussed on several occasions provision of future professional liability insurance coverage, including consultation with insurance professionals at each party's respective insurance broker and another London professional liability insurance brokerage firm.

On January 13, 2005, the Watson Wyatt LLP voting members met to discuss transaction terms and the status of the negotiations. They had been provided with a copy of the proposed Heads of Agreement, and the Head of Legal Affairs (Europe) answered questions relating to the proposed Heads of Agreement and related matters. After discussion, the Watson Wyatt LLP voting members approved the non-binding Heads of Agreement and the negotiation of definitive documents by the necessary 75% vote.

On January 14, 2005, Watson Wyatt Holdings' board of directors reviewed the proposed transaction, including the virtually final draft of the non-binding Heads of Agreement, in detail. Prior to the meeting, the General Counsel provided the directors with a memorandum from Gibson Dunn & Crutcher on the board's fiduciary responsibilities with regard to the potential transaction, and he discussed this memorandum at the meeting. The General Counsel also described the federal securities laws filings which would need to be prepared and filed with the SEC in connection with the transaction, and discussed professional liability exposure associated with Watson Wyatt Holdings' present and future ownership interest in the business being acquired from Watson Wyatt LLP.

At the January 14 meeting, management again reviewed the business rationale for the transaction, key risks and opportunities, and provided a paragraph-by-paragraph review of the proposed non-binding Heads of Agreement. The Chief Executive Officer noted that the voting members of Watson Wyatt LLP had approved the proposed non-binding Heads of Agreement by the necessary 75% vote at a meeting held the day before. At this meeting, representatives of CIBC World Markets reviewed financial aspects of the proposed transaction with the board. The board discussed, among other things, business integration, professional liability exposure, retention and motivation of key individuals, prospects for the business in the UK, European and insurance and financial services consulting markets, client perspectives and potential market response to the proposed transaction. Following these discussions, the board voted to authorize and approve the non-binding Heads of Agreement, and authorized management to proceed with negotiation of a definitive acquisition agreement and related agreements and the drafting of appropriate securities filings.

Before the opening of the financial markets in New York on January 18, 2005, Watson Wyatt Holdings and Watson Wyatt LLP each issued a press release announcing the signing of the non-binding Heads of Agreement, and Watson Wyatt Holdings conducted a webcast to explain the proposed transaction to investors and analysts. Watson Wyatt LLP's Managing Partner participated in this webcast. Watson Wyatt Holdings also filed a Current Report on Form 8-K announcing the non-binding Heads of Agreement on the same day.

During the weeks following the announcement, the parties met in various groups, predominantly at the London offices of Baker & McKenzie, to continue to negotiate details of the transaction, and to begin preparing the definitive documents, including a business transfer agreement and exhibits, and initial drafts of documents required to be filed under US securities laws. The subject of these conversations included, among other things, the structure and terms of the transaction, including the form of purchase of the continental European operations and the non-European operations of the insurance and financial services consulting practice, tax and accounting issues involved in the proposed transaction, professional liability insurance issues, warranties to be provided by Watson Wyatt LLP, the process for transferring client relationships and contracts, employment issues, required regulatory approvals, and changes to the agreements implementing Watson Wyatt Holdings' ownership in Watson Wyatt LLP. In addition, the parties continued to conduct detailed due diligence on several matters, including financial reviews and professional liability issues. The parties' respective outside counsel held meetings relating to pending litigation claims as part of these diligence activities. The parties continued to negotiate the forms of the definitive agreements in February, March and April 2005 at meetings held in London and Washington. Drafts of the business transfer agreement and of a registration statement on Form S-4 were produced by Baker & McKenzie and Gibson Dunn & Crutcher, respectively, during this period.

On February 7, 2005, the Chief Executive Officer and the Global Retirement Practice Director met by conference call with the Presiding Director/Chair of the Nominating and Governance Committee and the Chair of the Audit Committee for a further discussion on the proposed transaction and on future integration of the firms. The Chief Executive Officer further discussed the proposed transaction with the Presiding Director/Chair of the Nominating and Governance Committee and the Chair of the Audit Committee on February 10 and February 14. The Global Retirement Practice Director joined the Chief Executive Officer in another conference call with these directors on February 23.

On March 21, 2005, Watson Wyatt Holdings' General Counsel accompanied Watson Wyatt LLP's Head of Legal Affairs (Europe) to a meeting with London underwriters which were considering Watson Wyatt LLP's application to renew its professional liability insurance coverage as of April 30, 2005 and to answer the underwriters' questions about the proposed transaction.

Also on March 21, 2005, the Chief Executive Officer and the Global Retirement Practice Director met by conference call with the Presiding Director/Chair of the Nominating and Governance Committee and the Chair of the Audit Committee to brief them on the evolution of the transaction since the approval of the non-binding Heads of Agreement. The Chief Executive Officer and these two directors held another conference call on March 23, 2005.

On April 7, 2005, Watson Wyatt Holdings' board of directors met by conference call to consider the proposed transaction. All of the directors other than Mr. Thornton were present at the meeting, as were its Chief Financial Officer, its General Counsel, a company attorney, representatives of CIBC World Markets and a partner of Baker & McKenzie. At that meeting, management reviewed discussions between the parties to date, the strategic rationale of the proposed transaction, the results of the due diligence process, and the financial and other terms of the transaction, including variations which had been negotiated from the terms of the non-binding Heads of Agreement. The board was provided with a written overview of the transaction, as well as an overview of professional liability exposures occasioned by Watson Wyatt Holdings' existing beneficial ownership interest in Watson Wyatt LLP, and such risks as they will exist following completion of the proposed transaction. The process by which the proposed transaction would be submitted for stockholder approval was also described. Thereafter, the Watson Wyatt Holdings board of directors, by unanimous vote of those present, authorized the business transfer agreement and approved the acquisition and the other transactions contemplated by the business transfer agreement, all subject to satisfactory completion of final documents consistent with the terms described to and reviewed by the board, and subject also to the absence of material changes to the business of Watson Wyatt LLP at the time of the signing of the business transfer agreement, and subject to the board of directors' subsequent approval of a registration statement on Form S-4 to be filed with the SEC.

On April 15, 2005, after the close of trading on the New York Stock Exchange Watson Wyatt Holdings and Watson Wyatt LLP entered into the business transfer agreement and related agreements.

Prior to the opening of trading on the New York Stock Exchange on the morning of April 18, 2005, Watson Wyatt Holdings and Watson Wyatt LLP each issued a press release announcing the execution of the business transfer agreement and the approval of the transaction, subject to approval of the Watson Wyatt Holdings stockholders and the Watson Wyatt LLP voting members. Watson Wyatt Holdings also filed a Current Report on 8-K with the SEC announcing the approval of the transaction, subject to approval of the Watson Wyatt Holdings stockholders and the Watson Wyatt LLP voting members. On April 27, 2005, the board of directors approved the filing of a preliminary registration statement on Form S-4 with the SEC.

Watson Wyatt Holdings' Reasons for the Acquisition; Watson Wyatt Holdings' Board of Directors' Recommendation

The Watson Wyatt Holdings board of directors unanimously determined that the acquisition, the business transfer agreement and the transactions contemplated by the business transfer agreement are advisable and in the best interests of Watson Wyatt Holdings and its stockholders and unanimously approved the business transfer agreement and the transactions contemplated by the business transfer agreement, including the acquisition and the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition. The Watson Wyatt Holdings board of directors unanimously recommends that Watson Wyatt Holdings' stockholders vote FOR approval of the issuance of Watson Wyatt Holdings' common stock in the acquisition. Mr. Thornton, a member of the Watson Wyatt Holdings board who is also the Senior Partner of Watson Wyatt LLP, did not participate in any discussions of or votes on the proposed acquisition.

In reaching its decision to approve the business transfer agreement and the acquisition, the Watson Wyatt Holdings board of directors considered the factors described below, including discussions with Watson Wyatt Holdings' management and legal and financial advisors, and considered these factors overall to be favorable to, and to support, its determination:

- the expected enhanced strategic and market position of Watson Wyatt Holdings in actuarial, benefits and human capital consulting after the acquisition;

- the opportunity to use the capital resources of a publicly traded corporation to facilitate growth in the European business;

information reviewed by management concerning the business, operations, financial condition, earnings and prospects of each of Watson Wyatt Holdings and the European business separately and of Watson Wyatt Holdings including the European business, including revenues, complementary businesses and the potential for revenue growth;

Watson Wyatt Holdings' familiarity with the European business and with the operations and prospects of the European business as a result of the ten-year alliance and related marketing and other business efforts involving Watson Wyatt Holdings and the European business;

Watson Wyatt Holdings' familiarity with the business, personnel and culture of Watson Wyatt LLP obtained through working relationships established in the course of the alliance arrangement;

the increased scale, scope and geographic diversity of operations and consulting services that could be achieved by Watson Wyatt Holdings' acquisition of the European business;

the belief that the acquisition will augment Watson Wyatt Holdings' consulting capabilities in core areas such as human capital consulting, actuarial services and benefits services;

the opportunity to expand into insurance and financial services consulting on a worldwide basis and to enter into the benefits administration business in Europe;

the belief that the acquisition will allow Watson Wyatt Holdings to expand and broaden its client base;

the opportunity to build upon Watson Wyatt Holdings' and Watson Wyatt LLP's current client relationships and business contacts;

the expansion of Watson Wyatt Holdings' global presence and opportunity to strengthen the Watson Wyatt Worldwide brand;

management's view of the compatibility of Watson Wyatt Holdings' and Watson Wyatt LLP's corporate and business values and management styles;

the likelihood that Watson Wyatt Holdings' stockholders would approve the issuance of common stock in the acquisition and the likelihood that Watson Wyatt LLP's voting members would approve the acquisition;

the opportunity to increase Watson Wyatt Holdings' operational functionality and efficiency by employing the most effective and efficient processes of both companies;

the structure of the acquisition as an acquisition of substantially all of the assets of Watson Wyatt LLP, generally excluding liabilities for professional liability claims relating to services performed by Watson Wyatt LLP before the closing of the acquisition;

the opinion of English counsel that, under English law, certain provisions of the business transfer agreement giving effect to an asset acquisition of the European business are enforceable, thereby limiting the extent to which Watson Wyatt Holdings could become responsible for liabilities of Watson Wyatt LLP (such as professional liability claims) that Watson Wyatt Holdings does not already have exposure to through its existing interest in Watson Wyatt LLP and that are not assumed in the acquisition;

the amount of consideration and the contingency of a portion of the consideration;

the opinion, dated April 15, 2005, of CIBC World Markets to the Watson Wyatt Holdings board as to the fairness, from a financial point of view and as of the date of the opinion, to Watson Wyatt Holdings of the aggregate consideration provided for in the acquisition, as more fully described below under the caption "Opinion of Watson Wyatt Holdings' Financial Advisor;" and

- the transfer restrictions that will be applicable to certain consideration stock, which will limit the number of shares that can be sold on the market after the acquisition.

The Watson Wyatt Holdings board of directors also considered a number of factors in addition to the foregoing in considering whether to approve the acquisition. The additional factors include:

- historical information concerning the results obtained through the alliance between Watson Wyatt LLP and Watson Wyatt Holdings;
- historical information about Watson Wyatt LLP's and Watson Wyatt Holdings' respective businesses;
- targets set in relation to the operation of the business after the acquisition, the successful realization of which would be a condition to the payment of the 1,950,000 shares of contingent stock consideration (approximately US$51.5 million of the purchase price offered by Watson Wyatt Holdings for the European business based on the NYSE closing price on April 29, 2005);
- the fact that Watson Wyatt Holdings expects to incur integration and retention costs and additional amortization of intangible assets as a result of the acquisition;
- due diligence reviews by management and its advisors of the European business;
- the terms and conditions of the business transfer agreement and the related agreements; and
- the determination that fixing the number of shares of Watson Wyatt Holdings' common stock to be issued in connection with the acquisition at the time the acquisition was announced, without any adjustment for subsequent changes in the market price of Watson Wyatt Holdings' common stock, fairly reflects the respective valuations of Watson Wyatt Holdings and the European business.

The Watson Wyatt Holdings board of directors also considered the potential risks of the acquisition and countervailing factors, including:

- the risk that some key personnel of the European business would not remain as employees of WW Limited after the acquisition;
- risks attendant to the European business, including the retention of Watson Wyatt LLP clients;
- changes in the UK market for actuarial services, including regarding governmental reviews and analysis;
- risk of overpayment for the European business;
- the professional liability claims history of the European business;
- the risk that Watson Wyatt Holdings could be held liable for obligations of Watson Wyatt LLP that are not explicitly assumed, such as liability for professional liability claims;
- the costs of the transaction, including legal, accounting and investment banking fees;

the challenges of integrating the operations of two major service businesses, one of which has operated as a partnership and the other as a publicly traded corporation, and the increasing competition as more human capital consulting firms enter the business;

the risk that anticipated increased revenues, earnings and operating synergies will not be achieved at all or within projected time frames;

the possible disruption of Watson Wyatt Holdings' business that might result from the acquisition and the diversion of management's attention from the Watson Wyatt Holdings business in connection with the acquisition;

- the risk that Watson Wyatt Holdings will not have sufficient resources to effectively manage a larger company after the acquisition and the challenges posed in integrating the European business with Watson Wyatt Holdings' business in the United States and elsewhere;

- the inability to adjust the consideration to be paid based upon events that may occur between signing the business transfer agreement and closing the transaction;

- the risk of currency fluctuations between signing the business transfer agreement and closing that may result in a higher effective price paid by Watson Wyatt Holdings;

- the dilution of current Watson Wyatt Holdings' stockholders' voting power that would result from the issuance of Watson Wyatt Holdings' common stock in the acquisition;

- limitations on post-closing recourse against Watson Wyatt LLP for excluded liabilities and for breaches of warranties set forth in the business transfer agreement;

- over 4.3 million shares of Watson Wyatt Holdings' common stock issued in connection with the acquisition will be immediately transferable after the closing, creating the possibility of significant sales of shares of Watson Wyatt Holdings' common stock on the market after the acquisition;

- the potential for conflicts of interest in post-closing matters involving Watson Wyatt LLP and Watson Wyatt Holdings on the part of Watson Wyatt LLP members, arising out of their dual roles as continuing members in Watson Wyatt LLP after the closing of the acquisition and employees of WW Limited; and

- management's communication regarding the possibility that structuring of the acquisition might not achieve the intended legal and tax objectives.

The factors described above include the material factors considered by Watson Wyatt Holdings' board of directors. In view of the wide variety of factors considered in connection with its evaluation of the acquisition and the complexity of these matters, the Watson Wyatt Holdings board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. Rather, the board made its determination based on the totality of the information presented to it, and the judgments of individual members of the board may have been influenced to a greater or lesser degree by different factors.

Watson Wyatt LLP's Reasons for the Acquisition

We have been advised by Watson Wyatt LLP that the voting members of Watson Wyatt LLP made a preliminary determination that pursuing the acquisition was in the best interests of Watson Wyatt LLP and its members. In reaching this preliminary determination, the voting members considered the factors described below. After discussing the matter and taking into consideration advice of Watson Wyatt LLP's management and legal advisors, the voting members considered these factors overall to be favorable to, and to support, its determination:

- the successful operation of the global alliance between Watson Wyatt Holdings and Watson Wyatt LLP since 1995;

- the further strengthening of the global position of Watson Wyatt Worldwide it is believed will be achieved through the acquisition;

- the ability to manage and operate the European business globally and by a single management team;

the ability to continue to attract and retain high caliber employees to the business through the provision of more diverse and more challenging career opportunities on an international basis that it is believed will appeal to talented individuals;

the belief that the consideration to be paid by Watson Wyatt Holdings in the acquisition provides Watson Wyatt LLP members with an attractive valuation for their interest in the. business of Watson Wyatt LLP and offers superior and more certain value than available alternatives;

the strength of Watson Wyatt Holdings and the belief that Watson Wyatt Holdings after the acquisition will have increased growth potential;

the potential benefits of a global infrastructure, including enhanced ability to respond efficiently to client needs on a global basis;

information concerning the business, operations, financial condition, earnings and prospects of each of Watson Wyatt Holdings and Watson Wyatt LLP as separate entities and of Watson Wyatt Holdings including the business of Watson Wyatt LLP, including their revenues, their complementary businesses and the potential for revenue growth, operating efficiencies and cost savings;

information concerning recent market developments and current and expected trends in the human capital, actuarial and benefits consulting industries, including increased competition, technology investments and the likely trend toward consolidation;

the importance of capital resources and operating scale in Watson Wyatt LLP's business;

the anticipated reaction of Watson Wyatt LLP's existing clients and potential clients to the acquisition;

the risks to Watson Wyatt LLP and the Watson Wyatt LLP members of ongoing stand-alone operations, including vulnerability to adverse events and the uncertainty of reaching or sustaining target revenue growth and margins;

changes in the defined benefits pension business;

the structure of the acquisition and the terms of the business transfer agreement, including the fixed number of shares of Watson Wyatt Holdings' common stock to be issued in the acquisition and the absence of any adjustment to consideration based on adverse developments before closing or otherwise;

the likelihood of the issuance of common stock in the acquisition being approved by Watson Wyatt Holdings' stockholders and the acquisition being approved by Watson Wyatt LLP's voting members; and

the tax consequences to Watson Wyatt LLP members.

A number of countervailing factors were also considered and balanced against the potential benefits of the acquisition, including the following:

the potential for growth and increased value for the Watson Wyatt LLP members if Watson Wyatt LLP were to remain independent;

the loss of control and influence that the Watson Wyatt LLP members will have with respect to the European business and Watson Wyatt Holdings after the acquisition, as opposed to the control and influence that such members may exercise with respect to Watson Wyatt LLP as a stand-alone entity;

- the possibility that the expected benefits from the acquisition might not be fully realized, and the challenges of integrating the management teams, cultures and organizations of the two companies;

- the possible disruption of Watson Wyatt LLP's business that might result from the announcement of the acquisition;

- the possibility that the acquisition may not be completed and the potential adverse consequences resulting from the failure to close;

- the risk that the per share value of Watson Wyatt Holdings' common stock paid in the acquisition could decrease from the value determined at the time of announcing the acquisition;

- the possibility of unanticipated tax consequences;

- the possibility of exposure to claims from non-voting members or retired members arising out of the acquisition;

- the possible lack of, or reduced, motivation of some non-voting members and employees of Watson Wyatt LLP who place a high value on the partnership structure and culture, particularly those with aspirations for promotion to voting or non-voting membership in Watson Wyatt LLP;

- risks relating to the distribution of proceeds to members, discharge of continuing liabilities and eventual liquidation of Watson Wyatt LLP; and

- concern over future management of professional liability claims and potential loss of control over management of residual risks.

We understand that the factors described above were the material factors that were considered and that, in view of the numerous considerations involved, these factors were considered as a whole and were not individually quantified or otherwise assigned relative weights. In addition, individual voting members of Watson Wyatt LLP may have given different weights to different factors.

Opinion of Watson Wyatt Holdings' Financial Advisor

Watson Wyatt Holdings engaged CIBC World Markets to act as its financial advisor in connection with the acquisition. In connection with this engagement, the Watson Wyatt Holdings board of directors requested that CIBC World Markets evaluate the fairness, from a financial point of view, to Watson Wyatt Holdings of the aggregate consideration provided for in the acquisition. On April 15, 2005, the date on which the business transfer agreement was executed, CIBC World Markets rendered to the Watson Wyatt Holdings board of directors a written opinion to the effect that, as of that date and based on and subject to the matters described in its opinion, the aggregate consideration was fair, from a financial point of view, to Watson Wyatt Holdings.

The full text of CIBC World Markets' written opinion, dated April 15, 2005, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this proxy statement/prospectus as Annex B. **CIBC World Markets' opinion was provided to the Watson Wyatt Holdings board of directors in connection with its evaluation of the aggregate consideration and relates only to the fairness, from a financial point of view, to Watson Wyatt Holdings of the aggregate consideration. The opinion does not address any other aspect of the acquisition and does not constitute a recommendation as to how any stockholder should vote or act with respect to any matters relating to the acquisition. The summary of CIBC World Markets' opinion described below is qualified in its entirety by reference to the full text of its opinion. Holders of Watson Wyatt Holdings' common stock are encouraged to read the opinion carefully in its entirety.**

In arriving at its opinion, CIBC World Markets:

- reviewed drafts provided to CIBC World Markets on April 14, 2005 of the business transfer agreement and certain related documents;
- reviewed audited financial statements of Watson Wyatt Holdings for the fiscal years ended June 30, 2002, June 30, 2003 and June 30, 2004, and unaudited financial statements of Watson Wyatt Holdings for the six months ended December 31, 2004;
- reviewed audited financial statements of Watson Wyatt LLP for the fiscal years ended April 30, 2002, April 30, 2003 and April 30, 2004 together with a reconciliation with internal financial reports and certain adjustments prepared by Watson Wyatt LLP management, and reviewed unaudited financial statements of Watson Wyatt LLP for the nine months ended January 31, 2005;
- reviewed financial forecasts and estimates relating to Watson Wyatt Holdings and Watson Wyatt LLP which were prepared by the managements of Watson Wyatt Holdings and Watson Wyatt LLP (including adjustments to the financial forecasts and estimates relating to Watson Wyatt LLP provided to or discussed with CIBC World Markets by Watson Wyatt Holdings' management);
- held discussions with the senior managements of Watson Wyatt Holdings and Watson Wyatt LLP with respect to the businesses and prospects of Watson Wyatt Holdings and Watson Wyatt LLP;
- reviewed and analyzed publicly available financial data for companies that CIBC World Markets deemed generally comparable to Watson Wyatt Holdings and Watson Wyatt LLP;
- reviewed and analyzed publicly available information for transactions that CIBC World Markets deemed relevant in evaluating the acquisition;
- analyzed the estimated net present value of the unlevered, after-tax free cash flows of Watson Wyatt Holdings and Watson Wyatt LLP using financial forecasts and estimates prepared by the managements of Watson Wyatt Holdings and Watson Wyatt LLP (including adjustments to the financial forecasts and estimates relating to Watson Wyatt LLP provided to or discussed with CIBC World Markets by the management of Watson Wyatt Holdings);
- reviewed potential pro forma financial effect of the acquisition on Watson Wyatt Holdings' earnings per share based on financial forecasts and estimates prepared by the managements of Watson Wyatt Holdings and Watson Wyatt LLP (including adjustments to the financial forecasts and estimates relating to Watson Wyatt LLP provided to or discussed with CIBC World Markets by the management of Watson Wyatt Holdings);
- reviewed historical market prices for Watson Wyatt Holdings' common stock;
- reviewed public information concerning Watson Wyatt Holdings and Watson Wyatt LLP; and
- performed other analyses and reviewed other information as CIBC World Markets deemed appropriate.

In rendering its opinion, CIBC World Markets relied on and assumed, without independent verification or investigation, the accuracy and completeness of all of the financial and other information provided to or discussed with it by Watson Wyatt Holdings, Watson Wyatt LLP and their respective employees, representatives and affiliates or otherwise reviewed by CIBC World Markets. With respect to financial forecasts and estimates referred to above, CIBC World Markets assumed, at the direction of the managements of Watson Wyatt Holdings and Watson Wyatt LLP, without independent verification or investigation, that the financial forecasts and estimates (as adjusted, in the case of the financial forecasts and estimates relating to Watson Wyatt LLP, by Watson Wyatt Holdings' management) were reasonably prepared on bases reflecting the best available information, estimates and judgments of the managements of Watson Wyatt Holdings and Watson Wyatt LLP as to the future financial condition and operating results of Watson Wyatt Holdings and Watson Wyatt LLP and that the financial results reflected in the financial forecasts and estimates would be achieved at the times and in the amounts projected. At the direction of Watson Wyatt Holdings' management, CIBC World Markets assumed in connection with its evaluation of the aggregate consideration that the events resulting in the payment of the contingent stock consideration would occur. CIBC World Markets relied, at Watson Wyatt Holdings' direction, without independent verification or investigation, on the assessment of Watson Wyatt Holdings' management as to Watson Wyatt Holdings' ability to retain key employees of Watson Wyatt LLP. CIBC World Markets also assumed, with Watson Wyatt Holdings' consent, that the acquisition and related transactions (including the distribution of 18% of the beneficial interest in Watson Wyatt LLP's assets to The Wyatt Company Holdings Limited pursuant to a trust to be declared prior to the consummation of the acquisition) would be consummated in accordance with their respective terms without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the acquisition and related transactions (including the distribution referred to above), no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Watson Wyatt Holdings, Watson Wyatt LLP or the acquisition. In addition, representatives of Watson Wyatt Holdings advised CIBC World Markets, and CIBC World Markets therefore assumed, that the final terms of the business transfer agreement and related documents would not vary materially from the terms contained in the drafts of such documents provided to CIBC World Markets on April 14, 2005.

CIBC World Markets did not make or obtain any independent evaluations or appraisals of the assets or liabilities, contingent or otherwise, of Watson Wyatt Holdings or Watson Wyatt LLP. CIBC World Markets expressed no opinion as to Watson Wyatt Holdings' or Watson Wyatt LLP's underlying valuation, future performance or long-term viability, or the price at which Watson Wyatt Holdings' common stock would trade at any time. CIBC World Markets' opinion did not address any terms or other aspects of the acquisition (other than the aggregate consideration to the extent expressly specified in its opinion), including, without limitation, the distribution of the 18% beneficial interest in Watson Wyatt LLP's assets referred to above or any aspect or implication of any agreements or arrangements entered into in connection with, or contemplated by, the acquisition. CIBC World Markets expressed no view as to, and its opinion did not address, Watson Wyatt Holdings' underlying business decision to effect the acquisition, and its opinion also did not address the relative merits of the acquisition as compared to any alternative business strategies that might exist for Watson Wyatt Holdings or the effect of any other transaction in which Watson Wyatt Holdings might engage. CIBC World Markets' opinion was necessarily based on the information available to CIBC World Markets and general economic, financial and stock market conditions and circumstances (including exchange rates) as they existed and could be evaluated by CIBC World Markets as of the date of its opinion. Although subsequent developments may affect its opinion, CIBC World Markets does not have any obligation to update, revise or reaffirm its opinion.

Except as described above, Watson Wyatt Holdings imposed no other instructions or limitations on CIBC World Markets with respect to the investigations made or the procedures followed by it in rendering its opinion. This summary is not a complete description of CIBC World Markets' opinion or the financial analyses performed and factors considered by CIBC World Markets in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. CIBC World Markets believes that its analyses and this summary must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying CIBC World Markets' analyses and opinion.

In performing its analyses, CIBC World Markets considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond Watson Wyatt Holdings' and Watson Wyatt LLP's control. No company, business or transaction used in the analyses as a comparison is identical to Watson Wyatt Holdings, Watson Wyatt LLP or the acquisition, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in CIBC World Markets' analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, CIBC World Markets' analyses are inherently subject to substantial uncertainty.

The type and amount of consideration payable in the acquisition was determined through negotiation between Watson Wyatt Holdings and Watson Wyatt LLP and the decision to enter into the acquisition was solely that of the Watson Wyatt Holdings board of directors. CIBC World Markets' opinion was only one of many factors considered by the Watson Wyatt Holdings board of directors in its evaluation of the acquisition and should not be viewed as determinative of the views of Watson Wyatt Holdings' board of directors or management with respect to the acquisition or the aggregate consideration provided for in the acquisition.

The following is a summary of the material financial analyses presented to the Watson Wyatt Holdings board of directors in connection with CIBC World Markets' opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand CIBC World Markets' financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of CIBC World Markets' financial analyses.** For purposes of the summary of CIBC World Markets' financial analyses of Watson Wyatt LLP, the term "implied net equity reference range" refers to the implied value of the 82% beneficial interest in Watson Wyatt LLP's assets not distributed to Watson Wyatt Holdings prior to the closing of the acquisition and the "implied value of the aggregate consideration" of $467.5 million reflects the aggregate amount derived from the aggregate cash consideration payable in the acquisition of $167.2 million (calculated using a UK pounds sterling-to-US dollars spot exchange rate of 1.894 on April 14, 2005) and the implied value of the stock consideration issuable in the acquisition based on 11,040,571 shares of Watson Wyatt Holdings' common stock issuable in the acquisition (including shares issuable upon full payment of the contingent stock consideration) and the closing price of Watson Wyatt Holdings' common stock on April 14, 2005 of $27.20 per share.

Selected Companies Analysis

CIBC World Markets performed separate selected companies analyses of Watson Wyatt Holdings and Watson Wyatt LLP in which CIBC World Markets reviewed the trading multiples of selected publicly held companies in businesses similar to those of Watson Wyatt Holdings and Watson Wyatt LLP. Trading multiples were based on closing stock prices on April 14, 2005. Estimated financial data for the selected companies were based on public filings, publicly available research analysts' estimates and First Call estimates as of April 14, 2005. Estimated financial data for Watson Wyatt Holdings were based on internal estimates of Watson Wyatt Holdings' management and estimated financial data for Watson Wyatt LLP were based on internal estimates of Watson Wyatt LLP's management, adjusted by Watson Wyatt LLP's management as if Watson Wyatt LLP operated as a corporation and further adjusted by Watson Wyatt Holdings' management.

Watson Wyatt Holdings. In its selected companies analysis of Watson Wyatt Holdings, CIBC World Markets compared financial and stock market information for Watson Wyatt Holdings and the following eight selected publicly held companies in the consulting and human resources services industry:

Administaff, Inc.

Clark, Inc.

FTI Consulting, Inc.

Gevity HR, Inc.

Heidrick & Struggles International, Inc.

Hewitt Associates, Inc.

Korn/Ferry International

MAXIMUS, Inc.

CIBC World Markets reviewed enterprise values, calculated as market value of equity, plus net debt, minority interests and preferred stock, less investments in unconsolidated affiliates, as a multiple of, among other things, latest 12 months and calendar year 2005 estimated earnings before interest, taxes, depreciation and amortization, referred to as EBITDA. CIBC World Markets reviewed per share equity values as a multiple of, among other things, calendar years 2004 and 2005 estimated earnings per share, commonly referred to as EPS. CIBC World Markets then applied a range of selected multiples of latest 12 months and calendar year 2005 estimated EBITDA and calendar years 2004 and 2005 estimated EPS derived from the selected companies to calendar years 2004 and 2005 estimated EBITDA and EPS of Watson Wyatt Holdings. This analysis indicated the following implied per share equity reference range for Watson Wyatt Holdings, as compared to the per share closing price of Watson Wyatt Holdings' common stock on April 14, 2005:

Implied Per Share Equity Reference Range for Watson Wyatt Holdings	Per Share Closing Price of Watson Wyatt Holdings' Common Stock on 4/14/05
$27.90 - $33.54	$27.20

Watson Wyatt LLP. In its selected companies analysis of Watson Wyatt LLP, CIBC World Markets compared selected financial information and operating statistics for Watson Wyatt LLP and the following nine selected publicly held companies in the consulting and human resources services industry:

Administaff, Inc.

Clark, Inc.

FTI Consulting, Inc.

Gevity HR, Inc.

Heidrick & Struggles International, Inc.

Hewitt Associates, Inc.

Korn/Ferry International

MAXIMUS, Inc.

Watson Wyatt Holdings

CIBC World Markets reviewed enterprise values as a multiple of, among other things, latest 12 months and calendar year 2005 estimated EBITDA. CIBC World Markets reviewed per share equity values as a multiple of calendar years 2004 and 2005 estimated EPS. CIBC World Markets then applied a range of selected multiples of latest 12 months and calendar year 2005 estimated EBITDA and calendar years 2004 and 2005 estimated EPS derived from the selected companies to calendar years 2004 and 2005 estimated EBITDA and net income of Watson Wyatt LLP. This analysis indicated the following implied net equity reference range for Watson Wyatt LLP, as compared to the implied value of the aggregate consideration:

Implied Net Equity Reference Range for Watson Wyatt LLP	Implied Value of Aggregate Consideration Payable in Acquisition
$396.9 million - $487.5 million	$467.5 million

Selected Precedent Transactions Analysis

CIBC World Markets performed a precedent transactions analysis of Watson Wyatt LLP in which CIBC World Markets reviewed the enterprise values and implied transaction multiples in selected transactions in the consulting and human resources services industry. In this analysis, CIBC World Markets reviewed the following 24 selected transactions:

Acquiror	Target
Affiliated Computer Services, Inc.	Mellon Human Resources and Investor Solutions, Inc. (a subsidiary of Mellon Financial Corporation)
Electronic Data Systems Corporation	Towers Perrin (HR-Outsourcing Unit)
Affiliated Computer Services, Inc.	Superior Consultant Holdings Corporation
WPP Group plc	Grey Global Group Inc.
Digitas Inc.	Modem Media, Inc.
Hewitt Associates, Inc.	Exult, Inc.
Marsh & McLennan Companies, Inc.	Kroll Inc.
Manpower Inc.	Right Management Consultants, Inc.
FTI Consulting, Inc.	Lexecon Inc.
Taylor Nelson Sofres Plc	NFO Worldgroup Inc.
Automatic Data Processing, Inc.	ProBusiness Services, Inc.
Paychex, Inc.	Advantage Payroll Services, Inc.
Kroll, Inc.	Zolfo Cooper, LLC
International Business Machines Corporation	PwC Consulting
FTI Consulting, Inc.	PwC US Business Recovery Services Division
Atos Origin SA	KPMG Consulting UK and Dutch Businesses
Right Management Consultants, Inc.	Coutts Consulting Group Plc
Manpower Inc.	Jefferson Wells International
Mellon Financial Corporation	Unifi Network (PwC Subsidiary)
Aon Corporation	ASI Solutions Incorporated
Securicor plc	AHL Services, Inc. (Aviation & Facility Services Businesses)
Hewitt Associates, Inc.	Bacon & Woodrow Financial Services Ltd.
Securitas AB	Burns International Services Corp.
Cap Gemini SA	Ernst & Young Consulting Business

CIBC World Markets reviewed, among other things, transaction enterprise values, calculated as the equity value implied for the target company based on the consideration offered in the selected transaction, plus net debt, minority interests and preferred stock, less investments in unconsolidated affiliates, as a multiple of, among other things, latest 12 months EBITDA. Estimated financial data for the selected transactions were based on Thomson Financial SDC Platinum and public filings. Estimated financial data for Watson Wyatt LLP were based on internal estimates of Watson Wyatt LLP management, adjusted by Watson Wyatt LLP's management as if Watson Wyatt LLP operated as a corporation and further adjusted by Watson Wyatt Holdings' management. CIBC World Markets then applied a range of selected multiples of latest 12 months EBITDA derived from the selected transactions to the latest 12 months EBITDA of Watson Wyatt LLP as of January 31, 2005. This analysis indicated the following implied net equity reference range for Watson Wyatt LLP, as compared to the implied value of the aggregate consideration:

Implied Net Equity Reference Range for Watson Wyatt LLP	Implied Value of Aggregate Consideration Payable in Acquisition
$398.1 million - $491.5 million	$467.5 million

Discounted Cash Flow Analysis

CIBC World Markets performed separate discounted cash flow analyses of Watson Wyatt Holdings and Watson Wyatt LLP in which CIBC World Markets reviewed the projected free cash flows that Watson Wyatt Holdings and Watson Wyatt LLP could each generate over specified periods. Estimated financial data for Watson Wyatt Holdings were based on internal estimates of Watson Wyatt Holdings' management and estimated financial data for Watson Wyatt LLP were based on internal estimates of Watson Wyatt LLP management, adjusted by Watson Wyatt LLP management as if Watson Wyatt LLP operated as a corporation and further adjusted by Watson Wyatt Holdings' management.

Watson Wyatt Holdings. In its discounted cash flow analysis of Watson Wyatt Holdings, CIBC World Markets calculated the estimated present value of the unlevered, after-tax free cash flows that Watson Wyatt Holdings could generate for the third and fourth quarters of fiscal year 2005 through the full fiscal year 2009. CIBC World Markets calculated a range of estimated terminal values by applying EBITDA terminal value multiples ranging from 7.5x to 9.5x to Watson Wyatt Holdings' fiscal year 2009 estimated EBITDA. The present value of the cash flows and terminal values were calculated using discount rates of 12.7% to 14.7%. This analysis indicated the following implied per share equity reference range for Watson Wyatt Holdings, as compared to the per share closing price of Watson Wyatt Holdings' common stock on April 14, 2005:

Implied Per Share Equity Reference Range for Watson Wyatt Holdings	Per Share Closing Price of Watson Wyatt Holdings' Common Stock on 4/14/05
$25.91 - $31.72	$27.20

Watson Wyatt LLP. In its discounted cash flow analysis of Watson Wyatt LLP, CIBC World Markets calculated the estimated present value of the unlevered, after-tax free cash flows that Watson Wyatt LLP could generate for the fourth quarter of fiscal year 2005 through the full fiscal year 2009. CIBC World Markets calculated a range of estimated terminal values by applying EBITDA terminal value multiples ranging from 7.5x to 9.5x to Watson Wyatt LLP's fiscal year 2009 estimated EBITDA. The present value of the cash flows and terminal values were calculated using discount rates of 12.3% to 14.3%. This analysis indicated the following implied net equity reference range for Watson Wyatt LLP, as compared to the implied value of the aggregate consideration:

Implied Net Equity Reference Range for Watson Wyatt LLP	Implied Value of Aggregate Consideration Payable in Acquisition
$362.4 million - $477.1 million	$467.5 million

Pro Forma Acquisition Analysis

CIBC World Markets analyzed the potential pro forma effect of the acquisition on Watson Wyatt Holdings' estimated EPS in fiscal years 2005 and 2006 based on internal financial forecasts and estimates of the managements of Watson Wyatt Holdings and Watson Wyatt LLP as adjusted, in the case of the financial forecasts relating to Watson Wyatt LLP, by Watson Wyatt Holdings' management. Based on the implied value of the aggregate consideration, this analysis indicated that the acquisition could be accretive to Watson Wyatt Holdings' estimated EPS in fiscal years 2005 and 2006. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Other Factors

In rendering its opinion, CIBC World Markets also reviewed and considered other factors, including the historical trading prices of Watson Wyatt Holdings' common stock.

Miscellaneous

Watson Wyatt Holdings has agreed to pay CIBC World Markets customary fees for its financial advisory services in connection with the acquisition, a portion of which was payable upon delivery of its opinion and a significant portion of which is contingent upon consummation of the acquisition. In addition, Watson Wyatt Holdings has agreed to reimburse CIBC World Markets for its reasonable expenses, including reasonable fees and expenses of its legal counsel, and to indemnify CIBC World Markets and related parties against liabilities, including liabilities under the federal securities laws, relating to, or arising out of, its engagement. CIBC World Markets and its affiliates in the past have provided services to Watson Wyatt Holdings unrelated to the proposed acquisition, for which services CIBC World Markets and its affiliates have received compensation. In the ordinary course of business, CIBC World Markets and its affiliates may actively trade securities of Watson Wyatt Holdings for their own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in those securities.

Watson Wyatt Holdings selected CIBC World Markets as its financial advisor based on CIBC World Markets' reputation, experience and familiarity with Watson Wyatt Holdings and its business. CIBC World Markets is an internationally recognized investment banking firm and, as a customary part of its investment banking business, is regularly engaged in valuations of businesses and securities in connection with acquisitions and mergers, underwritings, secondary distributions of securities, private placements and valuations for other purposes.

Regulatory Approvals

US Antitrust Approvals. Watson Wyatt Holdings and Watson Wyatt LLP are not required to file notifications with the Antitrust Division of the Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

European Approvals. The completion of the acquisition is subject to:

- WW Limited and WW (UK) Acquisitions 2 Limited having obtained from the UK Financial Services Authority permissions under the Financial Services and Markets Act 2000 to conduct the same business and activities that are being conducted by Watson Wyatt LLP;

- a number of senior executives and directors having all necessary approvals, memberships and/or registrations required for the performance of governance and management functions relating to WW Limited and Watson Wyatt (UK) Acquisitions 2 Limited, consisting of approvals from the Financial Services Authority and from any relevant professional body to which the persons belong;

European subsidiaries of Watson Wyatt LLP obtaining certain authorizations required by local law to carry on insurance mediation activities;

a newly incorporated wholly owned indirect subsidiary of Watson Wyatt Holdings having obtained from the Irish Financial Services Regulatory Authority permissions to conduct the same business and activities that are being conducted by Watson Wyatt LLP through the Irish branch part of the European business; and

the Irish Financial Services Regulatory Authority approving the transactions necessary for WW Limited and Watson Wyatt (UK) Acquisitions 2 Limited and their parent undertakings to become controllers of the Irish branch part of the European business.

Watson Wyatt Holdings and Watson Wyatt LLP are not aware of any material governmental regulatory approvals or actions that are required for completion of the acquisition other than as described above. If any other governmental approval or action is required, Watson Wyatt Holdings, WW Limited and Watson Wyatt LLP will seek that additional approval or action. We cannot assure you, however, that we will be able to obtain any such additional approvals or actions.

Accounting Treatment

Watson Wyatt Holdings will use the purchase method of accounting for the acquisition of Watson Wyatt LLP assets under accounting principles generally accepted in the United States (US GAAP). Therefore, the purchase price will be allocated to assets and liabilities of the European business based on their estimated fair market values at the closing of the acquisition. Inasmuch as Watson Wyatt Holdings already owns a 20% interest in Watson Wyatt LLP, net assets acquired, exclusive of the net assets of Watson Wyatt Holdings (Europe) Limited, will be reflected at 80% of estimated fair value under the step provisions of purchase accounting. Net assets acquired in Watson Wyatt Holdings (Europe) Limited will reflect a 60% fair market value since Watson Wyatt Holdings directly owns a 25% interest and indirectly owns another 15% through its 20% interest in Watson Wyatt LLP's 75% interest in Watson Wyatt Holdings (Europe) Limited (20% of 75% equals 15%). Any excess of the purchase price over these fair market values will be accounted for as goodwill to the extent not identified as an intangible asset apart from goodwill. Once known and determinable, the impact of the contingent consideration, if any, will be recorded as additional goodwill and will not be impacted by the step provisions of purchase accounting. The reported financial condition and results of operations of Watson Wyatt Holdings issued after the acquisition will reflect Watson Wyatt Holdings' balances and results after the closing of the acquisition, but under US GAAP are not required to be restated retroactively to reflect the historical financial position or results of operations of Watson Wyatt LLP.

Interests of Certain Persons in the Acquisition

When Watson Wyatt Holdings' stockholders consider the recommendation of the Watson Wyatt Holdings board of directors regarding the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition, Watson Wyatt Holdings' stockholders should be aware of potential conflicts of interest of, and of the benefits available to, some inside directors and executive officers of Watson Wyatt Holdings. These inside directors and executive officers may have interests in the acquisition that are different from, or in addition to, the interests of other Watson Wyatt Holdings' stockholders. Similarly, when Watson Wyatt LLP voting members consider whether to approve the acquisition, Watson Wyatt LLP voting members should be aware of potential conflicts of interest of, and of the benefits available to, some voting members of Watson Wyatt LLP. These voting members may have interests in the acquisition that are different from, or in addition to, the interests of other Watson Wyatt LLP voting members or Watson Wyatt Holdings' stockholders.

The Watson Wyatt Holdings board of directors was aware of these matters and considered them in recommending and approving the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition.

Global Matrix and Other Management Committees. The Global Matrix, an existing committee that manages the Watson Wyatt Worldwide alliance, will become the principal management committee of the worldwide business after the acquisition. Some inside directors and executive officers of Watson Wyatt Holdings and some voting members of Watson Wyatt LLP will serve on the Global Matrix. The members of the Global Matrix will be Messrs. John Haley, Carl Mautz, Alan Whalley and Gene Wickes and Ms. Chuly Lee from Watson Wyatt Holdings, and Messrs. Philip Brook, David Dow, Babloo Ramamurthy, Paul Thornton and Roger Urwin, from Watson Wyatt LLP.

Two additional groups have been formed to assist in the integration of the European business: the Global Strategy Group, which will review strategy on a global basis, and the Global Integration Committee, which will address integration of the global business. Mr. Thornton and associates from Watson Wyatt LLP, and Watson Wyatt Holdings' Eastern Division Manager, Mr. John Caldarella, and associates from Watson Wyatt Holdings will serve as members of the Global Strategy Group. The members of the Global Integration Group are Messrs. John Haley and Gene Wickes from Watson Wyatt Holdings, and Messrs. Paul Thornton and Babloo Ramamurthy, from Watson Wyatt LLP.

As a result, these inside directors and executive officers of Watson Wyatt Holdings and these Watson Wyatt LLP members may have a greater voice in the integration of the European business with the business and operations of Watson Wyatt Holdings, and could therefore have a greater role in determining the future direction of Watson Wyatt Holdings after the acquisition.

Ownership of Watson Wyatt Holdings' Common Stock. Some voting members of Watson Wyatt LLP are currently stockholders of Watson Wyatt Holdings.

Interlocking Board Memberships. Mr. Haley, President and Chief Executive Officer of Watson Wyatt Holdings, is a member of the Watson Wyatt LLP partnership board. Mr. Thornton, Senior Partner of Watson Wyatt LLP, is a member of the Watson Wyatt Holdings board of directors.

Board of Directors. Mr. Ramamurthy, a Watson Wyatt LLP voting member and the current Managing Partner of Watson Wyatt LLP, has been nominated for election to the board of directors of Watson Wyatt Holdings. The election of Mr. Ramamurthy is contingent upon consummation of the acquisition.

Management. Mr. Whalley, a Watson Wyatt LLP voting member, is the Regional Manager (US Region) of Watson Wyatt Holdings, an executive officer position. For a description of Mr. Whalley's relationship with Watson Wyatt Holdings, see "Material Relationships Between Watson Wyatt Holdings and Watson Wyatt LLP Management of the Alliance."

Transaction Costs

Watson Wyatt Holdings estimates that its total costs for legal, accounting and financial advisory services will be approximately US$8 million.

Federal Securities Law Consequences

The shares of Watson Wyatt Holdings' common stock issued in connection with the acquisition are being registered under the Securities Act of 1933. These Watson Wyatt Holdings shares will be freely transferable under the Securities Act, except for Watson Wyatt Holdings shares issued to any person who is deemed to be an "affiliate" (as that term is used in Rule 145 under the Securities Act) of

Watson Wyatt LLP and any person who is or becomes an affiliate of Watson Wyatt Holdings. Affiliates may not sell their Watson Wyatt Holdings shares acquired in the acquisition, except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares; or
- an exemption from registration under the Securities Act, including any applicable exemption under Rule 144 and Rule 145 of the Securities Act.

The registration statement of which this proxy statement/prospectus forms a part will cover the resale of the number of shares of Watson Wyatt Holdings' common stock acquired by certain voting members of Watson Wyatt LLP. See "Selling Stockholders" at page . This registration for resale will permit those individuals to sell immediately the shares of Watson Wyatt Holdings' common stock they receive as a result of the acquisition without restrictions imposed by federal securities laws, except during periods in which Watson Wyatt Holdings has suspended the effectiveness or use of, or trading under, this registration statement. See "Selling Stockholders Plan of Distribution." Such selling stockholders, however, will continue to be subject to contractual restrictions on the transfer of such Watson Wyatt Holdings' common stock. In addition, such selling stockholders, to the extent they are affiliates of Watson Wyatt Holdings, will be subject to Watson Wyatt Holdings' internal insider trading guidelines. See "The Business Transfer Agreement Distribution of Proceeds" at page .

THE BUSINESS TRANSFER AGREEMENT

The following summary of the material terms and provisions of the business transfer agreement is qualified in its entirety by reference to the business transfer agreement. The business transfer agreement and material schedules are attached as Annex A to this proxy statement/prospectus, and is incorporated by reference into this proxy statement/prospectus. Watson Wyatt Holdings' stockholders and Watson Wyatt LLP voting members should read the business transfer agreement in its entirety, as it is the legal document governing this acquisition, and the provisions of the business transfer agreement are complicated and not easily summarized.

The Acquisition

Assuming all the conditions to the acquisition are satisfied or waived in accordance with the business transfer agreement, the business transfer agreement provides that Watson Wyatt Holdings will purchase the European business from Watson Wyatt LLP. The acquisition will be effected through subsidiary entities of Watson Wyatt Holdings and will include the acquisition of subsidiary entities of Watson Wyatt LLP.

Acquired Assets

The European business consists of substantially all of the assets and most liabilities of Watson Wyatt LLP at closing, as follows:

- all rights and post-closing obligations under specified client agreements, equipment-related agreements, intellectual-property related agreements and licenses, supplier agreements and the alliance agreement with Watson Wyatt Brans & Co;
- all information and records relating to the European business, except for information relating to professional liability claims, excluded liabilities, the personal tax affairs of the members of Watson Wyatt LLP and Watson Wyatt LLP's minutes;
- all intellectual property owned and used by Watson Wyatt LLP in the European business;
- all goodwill and intangible assets relating to the European business;
- all cash and cash equivalents held by Watson Wyatt LLP, except for certain excluded cash, as described below;
- accounts receivable and other debts owing to Watson Wyatt LLP arising from the operation of the European business before closing;
- plant, machinery, furniture, fixtures and equipment used in or in connection with the European business;
- the benefit of prepayments made by Watson Wyatt LLP before closing;
- Watson Wyatt LLP's properties;
- sales publications, advertising and promotional materials, business forms, instructional material and other sales and technical materials relating to the European business;
- rights and claims of Watson Wyatt LLP against third parties arising before closing in connection with the European business (other than rights and claims relating to assets and liabilities that are excluded from the European business);
- all outstanding shares of Watson Wyatt Holdings Limited and Watson Wyatt Trustees Limited, both of which are subsidiaries of Watson Wyatt LLP; and

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all other rights and assets used in the European business except for excluded assets, which are described below.

Inclusion of the outstanding shares of Watson Wyatt Holdings Limited and Watson Wyatt Trustees Limited in the European business will result in the acquisition by Watson Wyatt Holdings of all of the direct and indirect subsidiaries of Watson Wyatt LLP.

The European business does not include:

some excluded contracts, including the original alliance agreements between Watson Wyatt LLP and Watson Wyatt Holdings;

information relating to professional liability claims, excluded liabilities that are not being assumed by Watson Wyatt Holdings, personal tax affairs of the Watson Wyatt LLP members or minutes of member meetings relating to the acquisition and the original alliance agreements, except to the extent any information relates to liabilities to be assumed by Watson Wyatt Holdings; and

cash equal to the total of:

cash relating to reserves for professional liability claims;

cash sufficient to pay annuity payments due but not then paid to former members of Watson Wyatt LLP and any of their spouses and dependents;

amounts owed by Watson Wyatt LLP to former members for sums credited to their accounts with Watson Wyatt LLP;

amounts credited to the capital accounts of the voting members at closing (except any amounts representing acquisition consideration); and

the aggregate amount of any checks drawn on the account of Watson Wyatt LLP that have not been presented for payment at closing.

The amount of cash to be excluded from the European business will depend on the applicable balances at closing. We have estimated, for purposes of preparing the pro forma financial statements in this proxy statement/prospectus, that the excluded cash would as at October 31, 2004 have totaled approximately $38 million.

Assumed Liabilities

Watson Wyatt Holdings will assume all liabilities and obligations of Watson Wyatt LLP except for specified excluded liabilities. The liabilities to be assumed by Watson Wyatt Holdings include:

all obligations of Watson Wyatt LLP, its members and former members relating to:

specified client agreements, equipment-related agreements, intellectual property related agreements and licenses, supplier agreements and the alliance agreement with Watson Wyatt Brans & Co.;

leases for properties used by Watson Wyatt LLP;

the Watson Wyatt LLP pension plan;

pensions in payment to spouses and dependents of deceased members and the obligation to pay pensions of this nature to the spouses and dependents of certain retired members;

certain pension augmentation rights of some non-voting members;

- salary, bonus and other obligations to employees of the European business to the extent such obligations arise directly or indirectly from employment with the European business;

- tax liabilities of Watson Wyatt LLP relating to the European business, other than personal tax liabilities of members; and

- all other obligations relating to or arising out of the European business, except for the excluded liabilities;

  - professional liability claims relating to pre-April 1995 operation of business by Watson Wyatt Holdings in Europe; and

  - all liabilities of subsidiaries of Watson Wyatt LLP.

Watson Wyatt Holdings has agreed to indemnify Watson Wyatt LLP, the voting and non-voting members and retired members with respect to the liabilities being assumed by Watson Wyatt Holdings. Watson Wyatt LLP has agreed to indemnify Watson Wyatt Holdings with respect to professional liability claims arising from services provided by insurance and financial services subsidiaries before the closing date.

The liabilities to be assumed by Watson Wyatt Holdings will not include:

- any liabilities for professional liability claims from clients or third parties relating to services provided by Watson Wyatt LLP before the closing of the acquisition, other than as described above;

- any liability or obligation of Watson Wyatt LLP arising out of the business transfer agreement and other agreements related to the acquisition;

- liabilities and obligations of Watson Wyatt LLP under some excluded contracts, including the original alliance agreements between Watson Wyatt LLP and Watson Wyatt Holdings and some client agreements of Watson Wyatt LLP;

- any obligations to make annuity payments to members or former members of Watson Wyatt LLP or any of their spouses or dependents, other than as described above;

- any obligations to make payments to former members of Watson Wyatt LLP in respect of any amounts in their accounts with Watson Wyatt LLP;

- any obligations to make payments to voting members of Watson Wyatt LLP in respect of any amounts in their capital accounts with Watson Wyatt LLP;

- any obligations to make payments to members of Watson Wyatt LLP in respect of any amounts in their drawings accounts with Watson Wyatt LLP;

- any tax liabilities of members and former members of Watson Wyatt LLP; or

- liabilities of Watson Wyatt LLP for fees and expenses incurred in connection with the acquisition.

Watson Wyatt LLP has agreed to indemnify Watson Wyatt Holdings and its subsidiaries with respect to the liabilities being retained by Watson Wyatt LLP. Watson Wyatt Holdings will return to Watson Wyatt LLP cash to meet some liabilities not assumed by Watson Wyatt Holdings. See " Post-Closing Payments" at page   .

Distribution of Interest of Watson Wyatt Holdings in Watson Wyatt LLP

Under the alliance agreements, Watson Wyatt Holdings holds a 20% interest in the profits on disposal of the business of Watson Wyatt LLP. Watson Wyatt Holdings' interest in the distribution of assets of Watson Wyatt LLP is subject to adjustment for factors set forth in the alliance agreements. Applicable adjustments included adjustments for transaction proceeds that will be distributed to non-voting members pursuant to Watson Wyatt LLP's plan of distribution. After giving effect to such adjustments, Watson Wyatt Holdings' profits on disposal interest in Watson Wyatt LLP was calculated at approximately 18% of Watson Wyatt LLP's assets. Before consummation of the acquisition, Watson Wyatt Holdings will, pursuant to a Distribution Agreement, surrender its rights and obligations as a member in Watson Wyatt LLP. In exchange, Watson Wyatt LLP will enter into a declaration of trust pursuant to which 18% of the beneficial interest in Watson Wyatt LLP's assets will be held in trust for Watson Wyatt Holdings and the remaining 82% will be held in trust for Watson Wyatt LLP. Following the novation of the business transfer agreement and a series of intercompany transfers, the entire legal and beneficial interest in the European business will be held by WW Limited. See "Agreements Relating to the Acquisition Business Transfer Agreement Deed of Novation" at page .

Acquisition Consideration

Total Consideration

If the acquisition is completed, in addition to the assumption by Watson Wyatt Holdings of liabilities of Watson Wyatt LLP (except excluded liabilities described above), Watson Wyatt Holdings will pay Watson Wyatt LLP total consideration comprised of:

- approximately £88.3 million in cash to be paid upon consummation of the acquisition in pounds sterling (approximately US$168.4 million based on exchange rates on April 29, 2005); and

- 9,090,571 shares of Watson Wyatt Holdings' common stock to be delivered upon consummation of the acquisition and up to an additional 1,950,000 shares to be issued after June 30, 2007, contingent upon the achievement by the European business of financial performance goals. The market value of the stock consideration will depend upon the market price for the common stock on the date of closing. Based on the NYSE closing price on April 29, 2005, the value of the stock consideration was US$291.5 million, of which US$51.5 million represents the contingent stock consideration. The ultimate number of shares of common stock to be issued as contingent consideration, if any, will not be determinable until after June 30, 2007, when achievement of the financial performance goals is assessed.

As contemplated by the business transfer agreement, Watson Wyatt Holdings will pay the acquisition consideration (other than contingent consideration) to Watson Wyatt LLP over a period of two business days following the closing date of the acquisition.

Cash Consideration

Cash consideration will constitute approximately 37% of the consideration paid to Watson Wyatt LLP in the acquisition (based on exchange rates on April 29, 2005). The cash consideration of approximately £88.3 million will be paid upon consummation of the acquisition in pounds sterling. Watson Wyatt Holdings expects to fund approximately 53% of the cash consideration by borrowing approximately US$90 million from its revolving line of credit, which is expected to be renegotiated in connection with the acquisition. Watson Wyatt Holdings will bear the risk of exchange rate fluctuations in paying the cash consideration in pounds sterling at closing. In an attempt to mitigate this risk, Watson Wyatt Holdings has purchased through a forward contract £88 million at a blended rate of $1.86. This contract will mature on July 29, 2005.

Stock Consideration

Stock consideration will constitute approximately 63% of the consideration paid to Watson Wyatt LLP in the acquisition (based on exchange rates on April 29, 2005). The value of the stock consideration (including potential contingent consideration) will depend upon the share price on the date of transfer. Based on the NYSE closing price on April 29, 2005, the value of the stock consideration was US$291.5 million.

9,090,571 shares of Watson Wyatt Holdings' common stock (worth approximately US$240.0 million using the closing price on April 29, 2005) will be delivered to Watson Wyatt LLP upon consummation of the acquisition; 1,950,000 shares of Watson Wyatt Holdings' common stock (worth approximately US$51.5 million using the closing price on April 29, 2005) will be issuable after June 30, 2007, contingent on the performance of the European business, as described below.

Although the shares of Watson Wyatt Holdings' common stock issued upon consummation of the acquisition will be listed on the New York Stock Exchange, approximately 48% of such shares will not be freely tradable, as described below. A total of 4,370,774 shares of common stock issued in the acquisition will be freely tradable upon consummation of the acquisition. See "The Business Transfer Agreement Distribution of Proceeds Share Transfer Restrictions."

Contingent Stock Consideration

Watson Wyatt Holdings' obligation to pay up to 1,950,000 shares of Watson Wyatt Holdings' common stock (worth approximately US$51.5 million using the closing price on April 29, 2005) is contingent upon attainment by the European business of financial performance objectives during the fiscal year ending June 30, 2007 (as compared to the baseline fiscal year ended April 30, 2004).

Whether contingent stock consideration is payable and its amount will be determined based on the relationship between net revenues ("2007 Net Revenues") and staff costs ("2007 Staff Costs") of the European business for the fiscal year ending June 30, 2007, as follows:

- if the ratio of: (x) the difference between 2007 Net Revenues and 2007 Staff Costs, to (y) 2007 Net Revenues, expressed as a percentage (the "2007 Percentage"), exceeds 47.0%, then all of the contingent stock consideration will be payable to Watson Wyatt LLP;

- if the 2007 Percentage is less than 45.7%, then none of the contingent stock consideration will be payable to Watson Wyatt LLP;

- if the 2007 Percentage is equal to or greater than 45.7% but less than 47.0%, then a portion of the contingent stock consideration will be payable to Watson Wyatt LLP, calculated on a linear sliding scale basis.

The target ratio percentages were derived from net revenues and staff costs of the European business for the fiscal year ended April 30, 2004.

Please refer to Section 4 and Schedule 7 of the business transfer agreement, which is attached at Annex A, for the specific formulas that will govern the calculation of the contingent stock consideration.

The ultimate number of shares of common stock to be issued as contingent consideration will not be determinable until after June 30, 2007, when the net revenue and staff costs of the European business for the year ending June 30, 2007 have been determined and the calculations described above have been completed. If and when determinable, such additional consideration will be valued and reflected as additional goodwill.

In addition, Watson Wyatt Holdings has the right to set off business transfer agreement-related claims against any contingent stock consideration that is payable. Claims that may offset contingent stock consideration include claims for warranty breaches and other claims that have been settled or finally determined before contingent stock must be paid. In addition, if at the date on which the contingent stock must be paid Watson Wyatt Holdings has indemnity claims against Watson Wyatt LLP relating to professional liability of Watson Wyatt LLP or the subsidiaries comprising the Insurance & Financial Services practice and such claims are not covered by available insurance, Watson Wyatt Holdings will have a right to set off such indemnity claims against the contingent stock. In this case the contingent stock will be sold and the proceeds placed in an escrow account until the liability for professional liability claims is finally determined. See "Agreements Relating to the Acquisition Deed of Contribution." Accordingly, the contingent stock consideration will not be issued to Watson Wyatt LLP until a determination has been made as to whether all or any portion of the contingent stock consideration is due and whether Watson Wyatt Holdings has claims to be set off against the contingent stock consideration.

Distribution of Proceeds

Watson Wyatt LLP has advised us that it intends to distribute substantially all of the acquisition consideration immediately after receipt to the voting members as provided in a plan of distribution set forth in resolutions adopted by Watson Wyatt LLP. The distribution to each voting member of common stock will be based on a pro-rata agreed share reflecting prospective entitlements of each voting member that would otherwise have come due from Watson Wyatt LLP.

We understand that pursuant to the plan of distribution, the voting members will direct that 1,258,000 shares of Watson Wyatt Holdings' common stock be deposited in two trusts for the benefit of and for payment to non-voting members as described under the caption " Non-Voting Members and Others" below.

Pursuant to the plan of distribution, the voting members also will distribute up to £20 million (approximately US$38.1 million based on exchange rates on April 29, 2005) in cash and up to 900,000 shares of Watson Wyatt Holdings' common stock to retired members of Watson Wyatt LLP, conditional upon a waiver of existing contractual rights to annuity payments. See " Retired Members" below.

Voting Members

Total Consideration. Pursuant to Watson Wyatt LLP's plan of distribution, acquisition consideration totaling approximately US$355.8 million (based on exchange rates on April 29, 2005) will be distributed by Watson Wyatt LLP to its voting members, to be retained by voting members and not to be subsequently transferred to non-voting members or others or retired members:

- approximately £65 million (or approximately US$124.0 million, based on exchange rates on April 29, 2005) of which will be cash; and

- 8,780,071 shares of Watson Wyatt Holdings' common stock with a value of approximately US$231.8 million based on the NYSE closing price on April 29, 2005 (including 1,950,000 shares of contingent stock consideration with a value of approximately US$51.5 million).

Only the voting members will receive contingent stock consideration. There are 47 individuals entitled to vote as voting members of Watson Wyatt LLP.

Voting Member Share Transfer Restrictions. As a condition to receiving any shares of Watson Wyatt Holdings' common stock as acquisition consideration, each voting member must agree to contractual transfer restrictions on transfer of such shares. These transfer restrictions will lapse as follows:

- *At Closing*: 2,110,274 shares, or approximately 30.9% of the stock consideration payable to voting members (not including contingent stock consideration), will be freely transferable shares of Watson Wyatt Holdings' common stock.

- *At First Anniversary of Closing*: 2,329,761 shares of Watson Wyatt Holdings' common stock, or approximately 34.1% of the stock consideration payable to the voting members (not including contingent stock consideration), will become freely transferable.

At Second Anniversary of Closing: 2,390,036 shares of Watson Wyatt Holdings' common stock, or approximately 35.0% of the stock consideration payable to the voting members (not including contingent stock consideration), will become freely transferable.

At Fourth Anniversary of Closing: Any contingent stock consideration that has been issued will become freely transferable.

Retired Members

A portion of the acquisition consideration will be transferred by the voting members to former voting members of Watson Wyatt LLP and Watson Wyatt Partners who retired from active service with those entities. There are a total of 25 retired members. Pursuant to Watson Wyatt LLP's plan of distribution, acquisition consideration totaling up to £20 million in cash (approximately US$38.1 million based on exchange rates on April 29, 2005) and 900,000 shares of common stock of Watson Wyatt Holdings will be distributed by the voting members to retired members of Watson Wyatt LLP. The distribution to each retired member will be conditional upon a waiver of existing contractual rights to annuity payments.

Retired members who do not waive their contractual rights to annuity payments will not receive acquisition consideration but will retain their contractual rights to annuity payments. We understand that, with respect to retired members who do not waive their right to annuity payments, the voting members intend to use some of the cash and liquidate some of the shares of common stock that otherwise would have been distributed to such non-waiving retired members to fund the annuity payments owed to them after the acquisition.

No Retired Member Share Transfer Restrictions. None of the shares of common stock transferred to retired members will be subject to any restrictions on transfer. As a result, retired members will be permitted to sell all of the shares of common stock that they receive in connection with the acquisition immediately after the closing of the acquisition and receipt of the shares.

Members who have been retired from active service with Watson Wyatt LLP for over ten years will receive their full portion of the acquisition consideration in cash.

Non-Voting Members and Others

Consideration. We have been advised that 1,258,000 shares of Watson Wyatt Holdings' common stock will be deposited shortly after the acquisition by the voting members in two trusts established by the voting members for the benefit of non-voting members, including certain senior (non-UK) employees who are treated under Watson Wyatt LLP's membership agreement as having status equivalent to non-voting members. We understand that the proceeds distributed to non-voting members will consist solely of shares of Watson Wyatt Holdings' common stock, as described below. The distribution of proceeds to non-voting members is not contingent upon continued employment with Watson Wyatt Holdings.

There are 183 non-voting members of Watson Wyatt LLP, including 32 employees of subsidiaries of Watson Wyatt LLP who have the status of non-voting members under Watson Wyatt LLP's membership agreement who will receive acquisition consideration through the trusts.

Distribution of Shares Over Time. We expect that the trustees will distribute stock consideration to non-voting members in four equally-sized distributions, beginning shortly after the acquisition. We understand that the non-voting members will have an immediate beneficial entitlement to the shares in the trusts regardless of subsequent employment and that these shares will be paid out from the trusts over a three-year period. Non-voting members will be free to sell Watson Wyatt Holdings common stock upon receipt from the trusts. As a result, immediately after the closing, non-voting members are expected to receive and may sell 25% of the Watson Wyatt Holdings common stock transferred to the trusts at the time of the acquisition, or 314,500 shares. We expect that the trusts subsequently will transfer to the non-voting members another 25% of such Watson Wyatt Holdings common stock on each of the first, second and third anniversaries of the closing of the acquisition.

Effective Time

The closing will take place on the last business day of the month in which the last of the conditions to closing set forth in the business transfer agreement is satisfied or waived, provided that there are at least three business days between the day on which fulfillment or waiver of the last of the conditions occurs and the last business day of that month. If there are fewer than three business days between fulfillment or waiver of the closing conditions and month-end, closing will take place on the last business day of the next calendar month. We anticipate that the acquisition will be completed during the fiscal quarter ended , 2005.

Warranties

Watson Wyatt LLP Warranties

The business transfer agreement contains a number of warranties made by Watson Wyatt LLP about itself and its subsidiaries, including the following:

- information relating to each selling entity;
- membership of Watson Wyatt LLP and the capital structure of its subsidiaries;
- absence of rights to acquire shares of capital stock of subsidiaries of Watson Wyatt LLP;
- accuracy and completeness of limited liability partnership and corporate records;
- completeness and compliance with organizational and governance documents and absence of ultra vires acts or agreements;
- corporate power and authority to enter into the business transfer agreement and authorization, execution, delivery and enforceability of the business transfer agreement;
- governmental consents and filings required for the acquisition;
- solvency of Watson Wyatt LLP and ability to pay debts;
- compliance of financial statements with applicable statutes and accounting standards, and accuracy of financial statements;
- absence of certain adverse changes or events since April 30, 2004;
- absence of defaults relating to borrowings or indebtedness;
- conduct of the business in the ordinary course since April 30, 2004;
- absence of actions relating to liquidation, winding up or receivership;

compliance in all material respects with applicable laws;

absence of terminations by certain substantial clients;

material contracts;

absence of related party transactions;

labor and employment matters, including warranties about employment agreements and transferring employees;

employee benefit plans;

- real property;
- title to assets;
- that the assets to be transferred comprise all assets currently owned or used in the conduct of the European business;
- accuracy of the information provided by Watson Wyatt LLP for inclusion in this proxy statement/prospectus;
- insurance;
- tax matters;
- intellectual property;
- computer systems; and
- pensions.

Claims for breach of business transfer agreement warranties must be asserted on or before the 18-month anniversary of the closing date, except for claims relating to tax warranties, which must be asserted no later than the date upon which the contingent stock consideration (if any) payable to Watson Wyatt LLP is finally determined. Watson Wyatt LLP will not have any liability for breach of warranties unless the amount of an individual claim exceeds US$1 million and the aggregate amount of all such individual claims exceeds US$5 million. Watson Wyatt LLP's aggregate liability for breach of warranties is limited to a maximum of US$25 million. All warranty breach claims against Watson Wyatt LLP may be satisfied only out of contingent stock consideration that is otherwise payable to Watson Wyatt LLP. Any amount paid in respect of a claim of breach will be treated as a partial reduction of the purchase price, to the extent permitted by applicable law. The business transfer agreement contains certain other standard limitations on the liability of Watson Wyatt LLP for breach of warranty.

Watson Wyatt Holdings Warranties

The business transfer agreement contains a number of warranties made by Watson Wyatt Holdings about itself and its subsidiaries, including the following:

- corporate power and authority to enter into the business transfer agreement and authorization, execution, delivery and enforceability of the business transfer agreement;
- governmental consents and filings required for the acquisition;
- solvency of Watson Wyatt Holdings and ability to pay debts;
- valid existence and good standing;
- ownership of the issued shares of subsidiary entities through which the acquisition will be effected;
- pre-closing activities of subsidiary entities through which the acquisition will be effected;

due authorization and valid issuance of all issued and outstanding Watson Wyatt Holdings common stock;

timely filing of required filings with the SEC since July 1, 2001 and absence of material misstatements or omissions therein;

absence of material misstatements or omissions in the registration statement covering the shares of common stock to be issued in connection with the acquisition; and

compliance in all material respects of the registration statement with the requirements of the Securities Act and the rules and regulations thereunder.

Conduct Pending the Acquisition

Covenants of Watson Wyatt LLP. Except as consented to by Watson Wyatt Holdings, Watson Wyatt LLP has agreed, until closing of the acquisition, to:

- conduct the European business in the ordinary and usual course and use its reasonable endeavors to maintain its trade and trade connections and client relationships;
- take all reasonable steps to preserve and protect the European business;
- promptly give Watson Wyatt Holdings full details of any material change in the European business;
- maintain in force its insurance policies using commercially reasonable efforts;
- to the extent permitted, provide Watson Wyatt Holdings with such information as Watson Wyatt Holdings may reasonably require for the purpose of assisting with the integration of the European business into the business of Watson Wyatt Holdings; and
- update Watson Wyatt Holdings with respect to the status of material professional liability claims, provide information with respect to those claims, and not make any admission of liability, agreement, settlement or compromise in relation to those claims without first consulting with Watson Wyatt Holdings.

Watson Wyatt LLP has agreed that, until closing of the acquisition, neither Watson Wyatt LLP nor any of its subsidiaries will, without Watson Wyatt Holdings' prior written consent (not to be unreasonably withheld or delayed), nor will they agree, to:

- make any payment other than routine payments in the ordinary and usual course of the European business;
- incur capital expenditures exceeding, individually, £100,000;
- acquire or dispose of any asset, including any business or entity, having a value exceeding £100,000, whether or not in the ordinary course;
- modify, terminate or assign contracts relating to the European business if doing so may result in any material change in the nature or scope of the European business;
- effect any material change in the general practices of invoicing clients, collecting debts, setting fees, providing discounts or writing off work-in-progress;
- grant or permit the imposition of any encumbrances on the assets of the European business;
- other than in the ordinary and usual course of business, grant, modify, dispose of or terminate any intellectual property rights if doing so would have a material adverse effect on the ability of Watson Wyatt LLP to operate the European business;
- other than in the ordinary and usual course of business, permit intellectual property rights to lapse;

amend, vary or withdraw any existing value added tax registration or make any election to waive any exemption from value added tax;

acquire or dispose of any real estate or grant any lease in cases where the consideration payable exceeds £100,000;

make any material change or addition to the terms and conditions of employment of any category of the European business' employees (except for the 2005 annual pay review, provided that such pay review is in the ordinary course and consistent with prior practice);

- make any payment or provide any benefit to any employees of the European business in connection with the closing of the acquisition (other than certain specified bonus payments);
- make any material change to any, or grant or create any additional, retirement, death or disability benefits plan other than those required by law;
- institute or settle any legal proceedings relating to the European business except for proceedings with respect to liabilities that are not being assumed by Watson Wyatt Holdings and except for debt collection in the ordinary and usual course not exceeding £100,000;
- declare, make or pay any dividend or other distribution other than to affiliates of Watson Wyatt LLP;
- issue any shares or securities or grant any option to subscribe for or acquire shares or securities;
- so far as it is within the power of Watson Wyatt LLP, do or allow any act or omission which would constitute a breach of certain of the warranties being repeated on the closing date; or
- issue any disclosure, communication or announcement to any of its employees relating to the existence or subject matter of the business transfer agreement.

Covenants of Watson Wyatt Holdings. Until the closing date, Watson Wyatt Holdings has agreed to:

- use reasonable endeavors to prepare and file with the SEC a registration statement covering the shares of common stock to be issued in connection with the acquisition as soon as reasonably practicable following the date of the business transfer agreement;
- use reasonable endeavors to have the registration statement declared effective under the Securities Act as promptly as possible after filing with the SEC and to have the shares of common stock to be issued in connection with the acquisition listed on the New York Stock Exchange in advance of closing, subject to official notice of issuance;
- take all action required under United States federal and applicable state laws in connection with:
  - the issuance of stock consideration in advance of closing;
  - the issuance of the contingent stock consideration on or after the final determination of the amount (if any) of contingent stock consideration payable to voting members; and
  - the public resale of the stock consideration and the contingent stock consideration by selling stockholders named in the registration statement;

Watson Wyatt Holdings has further agreed to:

- except for acquisitions and dispositions, carry on its business in the ordinary and usual course in the same manner as its business was operated prior to the date of the business transfer agreement and use its reasonable endeavors to maintain its trade and trade connections and client relationships;

take all reasonable steps to preserve and protect its business;

maintain in force its insurance policies;

to the extent permitted by law, provide Watson Wyatt LLP with such information as Watson Wyatt LLP may reasonably require for the purpose of assisting with the integration of the European business into the business of Watson Wyatt Holdings; and

consult with Watson Wyatt LLP before agreeing to (whether in legally binding form or not) the acquisition or disposition of, or granting any option in respect of, any equity interest in or assets of any business or entity or division thereof, which in each case would reasonably be expected to result in a material change in the nature or scope of the business of Watson Wyatt Holdings or other relevant member of its group;

except in each case to the extent required for Watson Wyatt Holdings and its directors to comply with applicable law.

Employment; Employee Benefits

WW Limited has offered or agreed to offer employment to all Watson Wyatt LLP members at closing who remain with the European business after the consummation of the acquisition. Voting members have executed employment agreements reflecting employment on terms as to compensation and remuneration that reflect their position as employees rather than owners of the European business. Non-voting members will be offered employment on terms as to compensation and remuneration that are broadly consistent on a total compensation approach using market-based salaries with the terms of their current employment arrangements.

In accordance with European law, the employment contracts of Watson Wyatt LLP's employees will transfer automatically to their new Watson Wyatt Holdings employer on the transfer of the European business in the acquisition, on substantially the same terms and conditions.

After the closing of the acquisition, WW Limited will replace Watson Wyatt LLP as the principal employer of Watson Wyatt LLP's pension plan and will assume all of Watson Wyatt LLP's obligations under the plan.

Post-Closing Payments

Watson Wyatt Holdings has agreed to return to Watson Wyatt LLP cash to meet certain obligations of Watson Wyatt LLP after closing, including profit distributions to members with respect to pre-acquisition periods and personal tax payments on behalf of Watson Wyatt LLP members. In addition, Watson Wyatt Holdings will pay bonuses to employees of the European business for Watson Wyatt LLP's fiscal year ended April 30, 2005 and the period from April 30, 2005 until June 30, 2005 (to the extent that these payments have not been made by Watson Wyatt LLP before closing). Watson Wyatt Holdings will also pay as part of its fiscal year end bonus in September 2006 the amount of bonuses accrued by Watson Wyatt LLP during the period from June 30, 2005 until closing. The profits of the European business for these periods, which otherwise would have been available for distribution by Watson Wyatt LLP to its voting members, will be reduced by the aggregate amount of these bonus payments. Actual payment amounts will be determined based on closing date financial statements of the European business.

Under the business transfer agreement, Watson Wyatt LLP will retain an amount of cash that is estimated to cover specified reserve amounts on the financial statements of the European business as of the closing date. Although the amount of any cash payment to Watson Wyatt LLP cannot be determined until closing, we have estimated, for purposes of preparing the pro forma financial statements in this proxy statement/prospectus, that the excluded cash would as at October 31, 2004 have totaled approximately $38 million. If the cash amounts retained by Watson Wyatt LLP are less than such reserves as reflected on the financial statements of the European business as of the closing date, Watson Wyatt Holdings has agreed to pay to Watson Wyatt LLP a cash amount equal to the shortfall.

Employee Bonus Arrangements

Watson Wyatt Holdings has agreed to fund the aggregate bonus pool in full for all employees of the European business for the fiscal years ended June 30, 2006 and 2007, respectively, if the European business meets certain net operating income targets in those fiscal years. These bonuses will be payable under Watson Wyatt Holdings' policy of paying employee bonuses from time to time. In addition, for the fiscal year ended June 30, 2008, Watson Wyatt Holdings has agreed to fund the bonus pool in full for voting members if the European business has met agreed-upon targets for net operating income in that fiscal year.

Any bonus payments would be compensation payments to employees and would not represent an increase in the consideration payable for the European business. Although Watson Wyatt Holdings is under an obligation to fund the applicable bonus pools in full if specified targets are met, there are no guarantees regarding the bonuses to be paid to any individual employee, which will be determined by the management of WW Limited and Watson Wyatt Holdings in accordance with bonus policies in effect from time to time.

Parent Company Guaranty

When the European business is transferred to WW Limited pursuant to the Business Transfer Agreement Deed of Novation, WW Limited will assume the obligations of Watson Wyatt (UK) Acquisitions 2 Limited and The Wyatt Company Holdings Limited under the business transfer agreement. Watson Wyatt Holdings has guaranteed the obligations of WW Limited and Watson Wyatt (UK) Acquisitions 2 Limited to pay acquisition consideration, to make the post-closing payments described above, and to fund the employee bonus pool described above.

Conditions to the Acquisition

The respective obligations of Watson Wyatt Holdings and Watson Wyatt LLP to complete the acquisition are subject to the satisfaction or waiver of a number of conditions, including:

- approval by Watson Wyatt Holdings' stockholders of the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition;
- approval of the acquisition by the voting members of Watson Wyatt LLP;
- receipt of various regulatory approvals described above;
- there being no legal action, suit, claim or proceedings that seeks to restrain, prohibit or delay the acquisition or any part thereof;
- execution by the trustees of Watson Wyatt LLP's pension plan of a document designating WW Limited as principal employer of that pension plan;
- confirmation by the trustees of Watson Wyatt LLP's pension plan that the termination of Watson Wyatt International Limited as a employer under the pension plan did not give rise to additional debt in the pension plan; and
- receipt of consents from specified clients and vendors with fixed- or indefinite-term contracts with the European business to the transfer of their contracts with Watson Wyatt LLP to WW Limited.

Watson Wyatt Holdings may waive, in its sole discretion, the conditions relating to regulatory approvals, pension-related consents and client and vendor consents.

The acquisition is not subject to a financing condition.

Listing on New York Stock Exchange and London Stock Exchange

It is a condition to the closing of the acquisition that shares of Watson Wyatt Holdings' common stock issuable in connection with the acquisition be approved for listing on the New York Stock Exchange, subject to official notice of issuance, before the closing of the acquisition. Watson Wyatt Holdings will file a listing application to list the shares of Watson Wyatt Holdings' common stock to be issued in the acquisition on the New York Stock Exchange. In addition, Watson Wyatt Holdings has agreed to use reasonable endeavors to effect a secondary listing of Watson Wyatt Holdings' common stock on the London Stock Exchange as soon as reasonably practicable after the closing date.

Termination

Watson Wyatt Holdings and Watson Wyatt LLP may terminate the business transfer agreement by mutual written consent. In addition, either Watson Wyatt Holdings or Watson Wyatt LLP may terminate the business transfer agreement if the other materially breaches a closing obligation. A failure to pay some or all of the cash consideration or stock consideration due to Watson Wyatt LLP at closing would be deemed for these purposes to be a material breach by Watson Wyatt Holdings.

The business transfer agreement automatically terminates if any of the conditions to closing have not been fulfilled or waived, and the acquisition has not been completed, by September 30, 2005. Watson Wyatt Holdings and Watson LLP may agree to amend the business transfer agreement to extend this deadline.

Amendments and Waiver

The parties to the business transfer agreement may amend or waive any provision or condition of the business transfer agreement in writing. Unless explicitly agreed upon by the parties, no amendment or waiver of any provision or condition of the business transfer agreement will affect the rights, obligations or liabilities of any party under the business transfer agreement that have arisen before the date of such amendment or waiver, nor will any such amendment or waiver constitute a general amendment or waiver of such provision or condition.

Fees and Expenses

In general, all fees and expenses incurred in connection with the acquisition and the business transfer agreement will be paid by the party incurring such expenses. Watson Wyatt Holdings has agreed to pay the accountancy fees of Watson Wyatt LLP incurred in connection with the preparation of this proxy statement/prospectus and fees and expenses related to the transfer of leases to WW Limited.

Governing Law and Jurisdiction

The business transfer agreement is governed by and will be construed in accordance with the laws of England. All actions or proceedings arising out of or in connection with the business transfer agreement must be exclusively brought in the courts of England.

AGREEMENTS RELATING TO THE ACQUISITION

The following is a summary of the material terms and provisions of other agreements relating to the acquisition, the forms of which have been filed with the SEC as exhibits to the registration statement of which this proxy statement/prospectus is a part. The discussion of each such related agreement is qualified in its entirety by reference to the full text of such agreement, which is incorporated by reference into this proxy statement/prospectus.

Stock Transfer Agreements

Watson Wyatt LLP and each voting member, as a condition to receiving stock consideration in the acquisition, must execute a stock transfer agreement imposing transfer restrictions on the stock consideration received. See "The Business Transfer Agreement Distribution of Proceeds."

Employment/Non-Solicitation and Non-Competition Agreements

Each Watson Wyatt LLP voting member other than Mr. Whalley has executed, and we expect that each of the employees of Watson Wyatt LLP's subsidiaries who has a status equivalent to voting members under the Watson Wyatt LLP membership agreement will execute, an employment agreement with WW Limited or an appropriate subsidiary. The employment agreements with WW Limited are conditional upon the consummation of the acquisition. The employment agreements provide, among other things, that for a period of one year after termination of employment the employee will not solicit or entice away from Watson Wyatt Holdings or its subsidiaries (including WW Limited) employees or clients of Watson Wyatt Holdings or its subsidiaries.

These individuals are required to execute non-competition agreements pursuant to which each individual will agree that:

- for a period of three years after closing the employee will not, within the United Kingdom (or the jurisdiction in which he is resident), directly or indirectly carry on or be engaged in any business that competes with the European business as carried on at closing, without the prior written consent of WW Limited; and

- for a period of three years after closing he will not directly or indirectly solicit or entice a client of the European business or solicit a client for services that are competitive with those provided by the European business at any time during the period of two years prior to closing.

Distribution Agreement

Before consummation of the acquisition, Watson Wyatt Holdings' rights and obligations as a member of Watson Wyatt LLP will be surrendered in exchange for a stake in Watson Wyatt LLP's assets. The arrangements relating to this distribution are described in further detail above. See "The Business Transfer Agreement The Acquisition Distribution of Interest of Watson Wyatt Holdings in Watson Wyatt LLP."

Watson Wyatt Worldwide Alliance Arrangements

The agreements pursuant to which Watson Wyatt Holdings and Watson Wyatt LLP provide services together as Watson Wyatt Worldwide will be terminated as of the closing date. Agreements between the parties relating to the sale of businesses in 1995 and 1999 will continue in force. In addition, some indemnities from the parties relating to the alliance agreements will survive termination of the alliance agreements.

Deed of Contribution

Watson Wyatt Holdings and Watson Wyatt LLP have entered into an agreement pursuant to which the contingent stock consideration otherwise payable to Watson Wyatt LLP can be used as security in respect of any loss suffered by Watson Wyatt Holdings as a result of uninsured professional liability claims for which Watson Wyatt LLP has agreed to indemnify Watson Wyatt Holdings under the business transfer agreement. The contingent stock will, to the extent necessary to cover 80% of any such claims, be sold and the proceeds held in escrow to be used to indemnify Watson Wyatt Holdings against such professional liability claims once available insurance has been exhausted. Watson Wyatt Holdings has agreed to contribute into the escrow account such amount as is necessary to cover 20% of any such claims. The security arrangements will apply with respect to any claim made by Watson Wyatt Holdings on or before the earlier of the date the contingent stock becomes payable to Watson Wyatt LLP or October 31, 2007.

In certain cases, funds in the escrow account other than amounts contributed by Watson Wyatt Holdings will be paid out to Watson Wyatt LLP even if Watson Wyatt Holdings' indemnity claims have not been finally determined. Such payments will be made if Watson Wyatt LLP enters insolvent liquidation or if certain claims are subsequently brought against Watson Wyatt LLP's predecessor general partnership or individual partners therein.

Once all relevant professional liability claims have been settled or determined, 80% of any remaining funds in the escrow account will be, subject to certain exceptions, distributed to Watson Wyatt LLP, and the remaining 20% will be distributed to Watson Wyatt Holdings.

Employee Bonus Agreement

Watson Wyatt Holdings has agreed to fund the aggregate bonus pool in full for all employees of the European business for the fiscal years ended June 30, 2006 and 2007 respectively, and also for voting members for the fiscal year ended June 30, 2008, if the European business meets certain profit targets in those fiscal years. See "The Business Transfer Agreement Employee Bonus Arrangements" for a more detailed description of employee bonus arrangements.

Business Transfer Agreement Deed of Novation

After the closing of the acquisition, the European business and the beneficial interest in the European business held in trust for the benefit of Watson Wyatt Holdings pursuant to the distribution agreement will be transferred to WW Limited, a wholly owned indirect subsidiary of Watson Wyatt Holdings. The European business will be held and operated by WW Limited after the closing. At the time of transfer to WW Limited, the parties to the business transfer agreement and WW Limited will enter into a novation agreement pursuant to which Watson Wyatt (UK) Acquisitions 2 Limited and The Wyatt Company Holdings Limited will be released of their obligations, and WW Limited will replace Watson Wyatt (UK) Acquisitions 2 Limited as the "Purchaser" for all purposes under the business transfer agreement and related agreements.

Professional Liability Claims Agreement

After the closing, Watson Wyatt LLP will remain responsible for most professional liability claims arising from or with respect to the conduct of Watson Wyatt LLP's business before closing. WW Limited will assume responsibility for professional liability claims arising from or with respect to services provided by subsidiaries of Watson Wyatt LLP. In order to preserve the goodwill of the business to be acquired from Watson Wyatt LLP, for a period of three years following closing, WW Limited will use efforts, consistent with those employed by Watson Wyatt LLP prior to closing, to obtain commercial insurance on terms substantially similar to, and of a quality similar to, that now held by Watson Wyatt LLP for claims made after the closing date against WW Limited or any of its subsidiaries, Watson Wyatt LLP, any of the members or former members of Watson Wyatt LLP, or Watson Wyatt LLP's predecessor general partnership or any partners therein. In obtaining such coverage, WW Limited will not be required to pay more than an amount equal to the current premiums paid by Watson Wyatt LLP for such coverage plus the applicable deductible amount, subject to adjustment. To the extent that WW Limited does not expend the entire amount obtaining the requisite insurance, the remaining funds will be made available to provide alternative cover and to fund premiums for insurance coverage relating to claims against Watson Wyatt LLP members in their individual capacities that are not otherwise satisfied. Any amounts not used for the purpose of satisfying such claims will be returned to WW Limited on the later of the twelfth anniversary of the closing date or the date of final settlement of all claims brought before the twelfth anniversary of the closing date.

WW Limited and Watson Wyatt LLP will agree on insurance requirements for insuring the liabilities of Watson Wyatt LLP after the third anniversary of the closing. If WW Limited and Watson Wyatt LLP are unable to agree to mutually acceptable proposals, then WW Limited, in order to preserve the goodwill of the business, will use efforts to purchase, for the nine year period beginning on the third anniversary of closing, annual policies covering the liability of Watson Wyatt LLP on terms substantially similar to and of a quality similar to that now held by Watson Wyatt LLP.

Under the professional liability claims agreement, Watson Wyatt Holdings or WW Limited also must maintain resources to manage claims made against WW Limited, Watson Wyatt LLP, Watson Wyatt Partners or members or partners of either in connection with third-party claims relating to professional services provided by Watson Wyatt LLP before closing.

CERTAIN TAX CONSEQUENCES

In General

The following discussion summarizes (i) the material UK tax consequences of the acquisition to the Watson Wyatt LLP members and (ii) the material UK and, in the case of non-US owners, the US income and estate tax consequences of ownership of Watson Wyatt Holdings' common stock. This summary is based on UK and US statutes, regulations, judicial authority and administrative rulings and practice, all as of the date of this document and all of which are subject to change at any time, possibly with retroactive effect. Any such change could alter the tax consequences described herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. This summary does not discuss all income or estate tax considerations that may be relevant to Watson Wyatt LLP members or retired members in light of their particular circumstances. In particular, the discussion generally does not discuss tax consequences that may be applicable to Watson Wyatt LLP members or retired members who are subject generally to tax in jurisdictions other than the UK. Watson Wyatt Holdings and Watson Wyatt LLP do not accept any responsibility for the tax position of any Watson Wyatt LLP member or retired member (whether in the UK or elsewhere) and cannot give any assurance as to any particular tax result for any Watson Wyatt LLP member or retired member. All Watson Wyatt LLP members and retired members should consult their own tax advisors concerning the tax consequences of the acquisition in light of their particular circumstances.

This summary is based on interpretations of UK tax legislation and of the Internal Revenue Code of 1986, as amended, regulations issued thereunder and rulings and decisions currently in effect, all of which are subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. The parties are not requesting a ruling from the Inland Revenue in connection with the transaction. As a result, the discussion of UK tax consequences described herein does not bind the Inland Revenue or prevent the Inland Revenue from adopting a contrary position. Accordingly, any particular investors are urged to consult their tax advisors as to the specific tax consequences of the transaction.

The tax consequences described herein assume:

- **the accuracy of the statements and facts concerning the transaction as set forth in this proxy statement/prospectus and all other agreements;**
- **that the transactions are consummated in a manner contemplated by, and in accordance with, the terms of all agreements and this proxy statement/prospectus; and**
- **the accuracy of representations made by Watson Wyatt LLP and Watson Wyatt Holdings.**

UK Tax Consequences of the Acquisition to Watson Wyatt LLP Members

For UK tax purposes, Watson Wyatt LLP is treated as a tax-transparent entity and tax liabilities arising out of this transaction will be tax liabilities of the voting members individually rather than of Watson Wyatt LLP. Under the terms of the membership agreement of Watson Wyatt LLP, the voting members have the right to receive proceeds of a disposal of Watson Wyatt LLP's business and are able to determine how any surpluses (proceeds less book value) are allocated in such event. Accordingly, for UK tax purposes, the acquisition consideration will be allocated only among the voting members. The precise allocation of the acquisition consideration is reflected in the plan of distribution adopted by the voting members.

Each voting member will be individually liable for UK capital gains tax on the chargeable gains arising on the member's allocated portion of the acquisition consideration.

In determining the amount of each voting member's chargeable gain, it is necessary to calculate the value of the gross acquisition consideration received and deduct the following:

- an allocation of the professional costs incurred on the disposal;
- an allocation of the base cost of the assets disposed of; and
- indexation relief (where applicable).

The value of the acquisition consideration allocated to a voting member will be the sum of the cash and the market value of the Watson Wyatt Holdings common stock allocated to that member. The market value for UK tax purposes may reflect a discount for trading restrictions that will apply to certain shares of Watson Wyatt Holdings' common stock acquired in connection with the transaction. See "Agreements Relating to the Acquisition Stock Transfer Agreements."

The right to receive the element of the consideration that is contingent on the future performance of the European business will be valued and included in the initial acquisition consideration amount used for UK capital gains tax purposes. If the contingency is not met and the contingent acquisition consideration is not received, then the voting members will be able to offset their losses against the gains returned and receive a repayment of any overpaid capital gains tax.

The base cost for these purposes will be the actual cost of the asset (where assets have been acquired since March 31, 1982) or the market value of the asset as at March 31, 1982.

Voting members may offset against any chargeable gain that may arise the UK capital gains tax annual exemption (£8,500 for the 2005/06 tax year) and, to the extent not used, any brought-forward or current-year capital losses.

UK capital gains tax will apply to the chargeable gain. However, the amount of the gain that is chargeable will, in some cases, be reduced by "Business Asset Taper Relief," thereby reducing the effective rate of capital gains tax on the chargeable gain.

The rate of Business Asset Taper Relief is dependent on the length of time that the voting member has owned the assets for and the nature of the underlying asset in respect of which the gain has arisen.

UK Tax Consequences of the Acquisition to UK Resident Non-Voting Members

Pursuant to Watson Wyatt LLP's membership agreement, non-voting members do not have the right to receive proceeds from a sale of Watson Wyatt LLP's business, and therefore no UK tax liability should arise on them in relation to the acquisition.

Pursuant to the voting members' plan of distribution, UK resident non-voting members will receive Watson Wyatt Holdings' common stock via a trust. Any payments/allocations of stock received by a UK resident non-voting member out of the trust should be deemed a capital receipt that is not subject to UK tax in the hands of the UK resident non-voting members.

UK Tax Consequences of the Acquisition to Retired Members

Pursuant to Watson Wyatt LLP's membership agreement, retired members do not have the right to receive proceeds of a disposal of Watson Wyatt LLP's business, and therefore no UK capital gains tax liability should arise on them in relation to the acquisition.

Pursuant to the plan of distribution adopted by Watson Wyatt LLP, retired members will receive an allocation of Watson Wyatt Holdings' common stock and cash. These allocations will be conditional upon a waiver of existing contractual annuity payments, and the Inland Revenue has confirmed that such payments will not be subject to UK capital gains tax in the hands of the retired members.

Where the existing contractual annuity payments are not waived by the retired members, then the ongoing annuity payments to be made by the voting members will not be eligible for tax relief for those voting members and the annuity receipts will not be subject to income tax in the hands of the retired members. Watson Wyatt LLP is currently in discussions with the Inland Revenue to confirm this position.

UK Tax Consequences of Owning Shares in Watson Wyatt Holdings

The following is a general discussion of the material UK income tax, capital gains tax and inheritance tax consequences of the beneficial ownership and disposition of the shares of Watson Wyatt Holdings' common stock by a stockholder who is an individual and a UK tax resident (referred to herein as a "UK holder").

Treatment of Disposition of Stock

A UK holder will be subject to UK capital gains tax on any gain realized upon the sale, exchange, redemption or other disposition of stock.

In determining the amount of a UK holder's chargeable gain, it is necessary to take the proceeds of sale of the stock and deduct the base cost of the stock. The base cost of the stock for these purposes will be the market value of the stock at the date of acquisition.

However, the amount of the gain that is chargeable will, in some cases, be reduced by "Taper Relief," thereby reducing the effective rate of capital gains tax on the chargeable gain.

The rate of Taper Relief arising on the disposal of Watson Wyatt Holdings' common stock is dependent on the length of time that the UK holder has owned the stock, the UK holder's current percentage ownership of Watson Wyatt Holdings' common stock and whether the UK holder remains an employee of WW Limited or any other Watson Wyatt Holdings group company at the time of disposal.

A UK holder may offset against any chargeable gain that may arise the UK capital gains tax annual exemption (£8,500 for the 2005/06 tax year) and, to the extent not used, any brought-forward or current-year capital losses. UK capital gains tax will apply to any residual chargeable gain.

Dividends

Dividends received by a UK holder of common stock generally will be subject to UK income tax. The gross amount of dividends received in a tax year will be included in the total amount of income subject to tax for that period.

Dividends paid to a UK holder will be subject to US withholding tax at a 30% rate unless such rate is reduced or eliminated under the terms of a tax treaty between the US and UK. Currently the tax treaty between the US and the UK provides for a reduced rate of withholding equal to 15%. Certain UK persons may be eligible for a further reduction.

For a UK holder who owns the shares directly with taxable income less than £37,295, there will be no additional UK income tax to pay on the receipt. If the UK holder's taxable income is in excess of £37,295, then UK income tax will be due at a rate of 32.5%; however, a credit will be available for the 15% (or any other rate of withholding tax suffered) to reduce the actual amount of income tax due.

Treatment of Stock for UK Inheritance Tax Purposes

A UK domiciled individual treated as the owner of, or having a lifetime interest via a trust in, stock will be required to include the value of that interest in his gross estate for UK inheritance tax purposes. Individuals should note that the definition of domiciled for the purposes of UK inheritance tax is not the same as the definition of resident for the purposes of UK income tax and capital gains tax.

US Income Tax Consequences of Owning Shares in Watson Wyatt Holdings

The following is a general discussion of the material US federal income and estate tax consequences of the purchase, beneficial ownership, and disposition of the shares of Watson Wyatt Holdings by a stockholder that is not a partnership or a US person (referred to herein as a "non-US holder"). For purposes of this discussion, any dividend income and any gain realized on the sale, redemption, or other taxable disposition of stock will be considered "US trade or business income" if such income or gain is (i) effectively connected with the conduct of a trade or business in the U. S. or (ii) in the case of a treaty resident, attributable to a permanent establishment (or in the case of an individual, to a fixed base) in the United States.

Treatment of Disposition of Stock

Subject to the discussion of backup withholding below, generally, a non-US holder will not be subject to US federal income tax (or any withholding thereof) on any gain realized upon the sale, exchange, redemption, or other disposition of stock, unless:

- such holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange, redemption, retirement or other disposition and certain other conditions are met;
- the gain is US trade or business income; or
- the rules of the Foreign Investment in Real Property Tax Act ("FIRPTA") treat the gain as effectively connected with a US trade or business.

The FIRPTA rules may apply to a sale, exchange or other disposition of stock if Watson Wyatt Holdings is, or has been within the shorter of the five-year period preceding the transaction and the period the non-US holder held the stock a US real property holding corporation ("USRPHC"). In general, Watson Wyatt Holdings would be a USRPHC if interests in US real estate equal or exceed 50% of its assets. Watson Wyatt Holdings does not believe that it is a USRPHC or that it will become one in the future.

Dividends

Dividends paid to a non-US holder on stock generally will be subject to US withholding tax at a 30% rate unless such rate is reduced or eliminated under the terms of a tax treaty between the US and the non-US holder's country of residence. Currently the tax treaty between the US and the UK provides for a reduced rate of withholding equal to 15% (certain UK persons may be eligible for a further reduction). A non-US holder must demonstrate its entitlement to treaty benefits by certifying its nonresident status by providing Watson Wyatt Holdings with an Internal Revenue Service Form W-8BEN (or successor form) or an appropriate substitute form.

Treatment of Stock for US Federal Estate Tax Purposes

If you are an individual and are treated as the owner of, or have certain lifetime transfers of, interests in stock, you will be required to include the value of that interest in your gross estate for US estate tax purposes and might be subject to US federal estate tax unless an applicable estate tax treaty provides otherwise. Individuals should note that the definition of resident for purposes of the US estate tax is not the same as the definition of resident for purposes of the US income tax.

Information Reporting and Backup Withholding

Watson Wyatt Holdings must report annually to you and the IRS the amount of dividends paid to you (and any tax withheld from those dividends) even if no withholding was required. Under the provisions of any applicable income tax treaty, copies of the information return reporting dividends and withholding might also be made available to the tax authorities in the country where you reside.

You will be subject to backup withholding on dividends paid to you unless applicable certification requirements are met. The backup withholding rate is currently 28%. Any amounts withheld under the backup withholding rules will be allowable as a refund or credit against your US federal income tax liability (if any), provided the required information is furnished to the Internal Revenue Service.

The payment of the proceeds from the disposition of common stock to or through the US office of any broker, US or foreign, will be subject to information reporting and possible backup withholding, unless you certify that you are a non-US holder in accordance with applicable US Treasury regulations or otherwise establish an exemption and the broker does not have actual knowledge or reason to know that you are a US person or that the conditions of any other exemption are not, in fact, satisfied. The payment of the proceeds from the disposition of stock to or through a foreign office or foreign broker will not be subject to information reporting or backup withholding unless the foreign broker has certain types of relationships with the US (a "US related person"). In the case of the payment of the proceeds from the disposition of stock to or through a foreign office of a broker that is either a US person or is a US related person, the Treasury regulations require information reporting (but not backup withholding) on the payment unless certain conditions are met. You should consult your own tax advisors on the application of information reporting and backup withholding to you in your particular circumstances (including upon your disposition of stock).

Taxation In Other Jurisdictions

Watson Wyatt LLP members based in or acting out of a jurisdiction other than the UK are advised to consult their own tax advisors as to the tax consequences, under the laws of such jurisdiction (or any other jurisdiction not being the UK to which they are subject), of the acquisition or their holding, sale, redemption of or any other dealing in the common stock of Watson Wyatt Holdings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF WATSON WYATT LLP

You should read the following discussion in conjunction with the audited financial statements and the unaudited interim financial statements of Watson Wyatt LLP and the notes thereto included elsewhere in this proxy statement/prospectus. Unless otherwise noted, references to the 2004, 2003 and 2002 fiscal years are to Watson Wyatt LLP's fiscal years ended April 30, 2004 and 2003 and to Watson Wyatt Partners' fiscal year ended April 30, 2002. This Management's Discussion and Analysis of Financial Condition and Results of Operations of Watson Wyatt LLP contains forward-looking statements. See "Risk Factors" at page and "Special Note Regarding Forward-Looking Statements" at page for a discussion of the uncertainties, risks and assumptions associated with these statements.

The financial information set forth in the following discussion is presented in accordance with UK GAAP. See Note 26 to the Watson Wyatt LLP Consolidated Financial Statements for a reconciliation of Watson Wyatt LLP's financial information presented in accordance with UK GAAP to US GAAP. Differences between UK and US GAAP are discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations as appropriate.

Overview

Watson Wyatt LLP, a privately held limited liability partnership registered in England, is one of the leading actuarial, benefits and human capital consulting businesses operating in Europe. The firm was founded in 1878 as R. Watson & Sons and was renamed Watson Wyatt Partners in 1995 in connection with the formation of the Watson Wyatt Worldwide alliance. In 2002, Watson Wyatt Partners converted to a limited liability partnership under English law and became known as Watson Wyatt LLP.

The two principal effects of the conversion to a limited liability partnership were that the UK and the Irish business of Watson Wyatt LLP were conducted through a corporate rather than an unincorporated entity, and that financial statements, prepared and audited in accordance with UK GAAP, had to be published.

Watson Wyatt LLP markets its services under the Watson Wyatt Worldwide brand, sharing resources, technologies, processes and business referrals with its alliance partners, Watson Wyatt Holdings and Watson Wyatt Brans & Co. See "Material Relationships Between Watson Wyatt Holdings and Watson Wyatt LLP" for a discussion of the alliance.

Watson Wyatt LLP provides services in five broad practice areas operating from 28 offices in 18 countries in Europe, Asia-Pacific and the USA:

- benefits consulting,
- investment consulting,
- insurance and financial services consulting,
- human capital consulting, and
- benefits administration.

Watson Wyatt LLP derives most of its revenues from fees for consulting services that are generally billed at standard hourly rates or on a fixed-fee basis. Clients are typically invoiced on a monthly basis, and revenue is recognized as services are performed.

Watson Wyatt LLP's services are managed along practice lines as follows:

Benefits

Watson Wyatt LLP provides actuarial and consulting services for defined benefit, defined contribution and hybrid pension plans.

The Benefits practice advises companies and trustees on the design, implementation, communication and management of benefit programs. The core business provides actuarial advice to companies and/or trustees on the financial management of defined benefit pension plans. In addition, the practice advises on defined contribution pension plans, healthcare and other group "risk" benefits (life assurance and income replacement programs) and flexible benefits programs. The practice also provides communications consultancy to help clients design and deliver benefits communication programs.

As of January 31, 2005, the Benefits practice served as consulting actuary to 53 of the 100 largest corporate pension funds in the UK.

Major revenue growth drivers in this practice include changes in regulations and guidelines, particularly those affecting pension plans, increased market share and the level of merger and acquisition activity. In the UK, which comprised over 80% of the Benefits practice revenue in fiscal year 2004, there has been an increasing trend towards firms closing their defined benefit pension plans to new members. These plans will remain in place for many years to come and will continue to require the services provided by the Benefits practice, but there is some uncertainty around the level of demand for these services as more plans close to new members. New pension regulations have recently come into force that have led to an increased demand for services by a number of clients.

The recent review of the actuarial profession in the UK by Sir Derek Morris (discussed further under "Recent Developments" below) has suggested that pension fund trustees should more regularly evaluate their actuarial advisors which is likely to result in increased competitive bidding. This may also result in an increased tendency to separate the source of advice for plan sponsoring employers and pension fund trustees that may lead to greater demand for the Benefit practice's services.

In the rest of Europe, changes in benefits regulations are expected to provide growth opportunities for Watson Wyatt LLP's services

Investment

Through the Investment practice, Watson Wyatt LLP provides practical investment advice to pension funds and other institutional investors across a broad range of issues.

Watson Wyatt LLP works with clients to maximize the return on their retirement plan assets, develop governance policies and strategies and design investment structures intended to manage financial liabilities within the context of their overall business objectives.

The Investment practice has been affected by an increasing trend for trustees to issue competitive bids for their business as a result of the Myners review, a government-commissioned independent review into investment consulting services. There will also be an impact on the practice from the review conducted by Sir Derek Morris (discussed further under "Recent Developments" below) that has suggested that trustees issue separate competitive bids for strategic investment and fund manager selection advice. Future results will also be affected by the ending of a subscription-based conference and research program (the Global Asset Study) in Europe and Asia-Pacific. In the fiscal year ended April 30, 2004, revenues from this program amounted to £1.3 million net of direct conference expenses. Savings in other associated direct costs will reduce the impact on short-term profitability. Major revenue growth drivers in the Investments practice include increased market share, changes in investment conditions and changes in guidelines for trustees of pension plans.

Insurance & Financial Services

Watson Wyatt LLP offers independent actuarial and strategic advice on all aspects of life and general insurance to financial service providers, including banks, building societies, insurance companies and fund managers. The practice has internally developed software products that are sold to clients.

This is Watson Wyatt LLP's only practice area with a direct global presence. The Insurance & Financial Services practice maintains offices in the Asia-Pacific region and the United States as well as across Europe.

Major revenue growth drivers in this practice include increased market share, merger and acquisition activity in the insurance and financial services sector, and changes in regulations.

Human Capital

The Human Capital practice works in partnership with clients to design and deliver integrated people-focused business solutions designed to drive organizational performance and shareholder value.

This practice combines skills in strategic business management and human resource management to develop an understanding of clients' issues and business goals. In particular, the Human Capital practice focuses on designing people and reward strategies, advising executives and boards of directors on the composition of executive pay programs, assisting clients in matching their organization's structures and remuneration policies with their business needs and reinforcing the desired behavior of employees.

Major revenue growth drivers include increased market share and an improving economy which would tend to increase discretionary spending on some of these services. In the case of executive compensation consulting, changes in regulations and guidelines also influence demand as does the market reputation of the senior members of the team.

Benefits Administration Solutions

The Benefits Administration Solutions practice aims to provide a high quality and cost-effective service to assist clients with the smooth running of a pension plan's administration. The practice services over 500,000 pension plan members through benefits calculations, record-keeping, communications and helplines and pays over 150,000 pensioners a month. Services include establishing and providing web-based services and systems support to help run pension plans efficiently, managing client teams, supplying accounting, treasury and payroll services, and providing specialist advice, project management and information technology development to enable clients to adapt to changing client needs and requirements.

This practice operates in the U.K market primarily and covers all UK plan types defined benefit, defined contribution and hybrid plans.

The practice charges clients depending on a number of factors including the number of plan members, activity levels, complexity and technology requirements. In the UK, many defined benefit pension plans have closed to new members in recent years, leading to the number of active participants declining thereby reducing the workloads and revenues earned from those particular pension plans accordingly. This revenue reduction from mature existing clients has been largely offset by revenue from new clients with strong growth in the services provided for complex or high technology dependent defined contribution arrangements. Other services areas include flexible benefit plan administration and a newly created area responsible for Human Resource administration and technology.

Members' Remuneration

Members of Watson Wyatt LLP receive their remuneration from two sources. First, they receive a fixed monthly amount which is referred to in the financial statements as "Salaried remuneration of members." Second, members share in the profit of Watson Wyatt LLP. Voting members are required to contribute capital to Watson Wyatt LLP and capital calls are made as appropriate according to the financing needs of the business.

For additional information about Watson Wyatt LLP's business, see "Information About the European Business" on page .

Recent Developments

On March 16, 2005, the Morris Review of the Actuarial Profession delivered its Final Report. This review made a number of recommendations designed to encourage trustees of pension funds to consider conflicts of interest in having one advisor advise both sponsoring employer and trustees in relation to pension matters and also to encourage trustees to review appointments of advisors on a regular basis. These recommendations may lead to an increase in the incidence of one or more trustees selecting alternate advisors and lead to increased competition. For additional information about the Morris Review of the Actuarial Profession, please see "Information About the European Business Other Partnership Matters."

Results of Operations

Fiscal Year Ended April 30, 2004 versus Fiscal Year Ended April 30, 2003

Revenues

Revenues for fiscal year 2004 were £242.3 million, an increase of 8% from £224.1 million in the prior fiscal year. The table below shows the revenues and revenue growth by practice over the fiscal year from the management financial statements (being the unaudited internal financial statements used by management to manage the European business), with a reconciliation to consolidated group revenue (denoted as "turnover" in the Watson Wyatt LLP Consolidated Financial Statements, audited under UK GAAP).

The Watson Wyatt LLP Consolidated Financial Statements, included in this proxy statement/prospectus, show revenues by geographic region as required by UK GAAP. The analysis provided below, however, shows revenue by practice in line with the way the business is managed and internal management information is presented.

Revenue

	Year ended April 30, 2004 £m	2003 £m	Growth %
Practice			
Benefits	124.2	115.2	8
Investment	23.0	19.9	15
Insurance & Financial Services	39.1	34.1	15
Human Capital	21.4	23.1	(8)
Benefits Administration Solutions	29.6	29.1	2
Other	0.6	0.9	(33)
Management Financial Statement Revenue	**237.9**	**222.3**	**7**
Revenues of Associates	(2.3)	(3.6)	
Bad Debt Provision Movement	0.3	(0.2)	
Disbursements / Pass-throughs	4.9	4.7	
Related Party Cross Charges	1.6	1.3	
Other	(0.1)	(0.4)	
Consolidated Group Revenue	**242.3**	**224.1**	**8**

The largest contribution to this growth came from the Benefits practice, which increased revenues by 8% to £124.2 million (52% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2004. The increased revenue was due to both new clients and increased work from existing clients resulting from concerns over pension funding levels and changes in accounting rules.

Watson Wyatt LLP's Investment practice increased revenues by 15% to £23.0 million (10% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2004 due primarily to an enhanced service offering in the area of investment strategy and a decision to focus on core business areas.

Watson Wyatt LLP's Insurance & Financial Services practice increased revenues by 15% to £39.1 million (16% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2004. The increase was due to the impact of the first full-year contribution from the IBM acquisition (£2.2 million), described below, and an improved market for the Insurance & Financial Services practice, particularly in the UK where revenue growth of 11% (£2.7 million) was achieved mainly as a result of increased mergers and acquisitions activity in the second half of the year and regulatory change in the UK including the introduction of the Integrated Prudential Source Book for Insurers which changed the regulatory regime for life assurance companies prompting increased demands for consultancy services.

Revenues of the Human Capital practice declined by 8% to £21.4 million (9% of Watson Wyatt LLP's total management financial statement revenues) during the fiscal year 2004. These revenues depend on the discretionary spending patterns of Watson Wyatt LLP's clients, and market conditions for this practice were difficult during the 2004 fiscal year. Below expected performance in the first half of the 2004 fiscal year led to a board level review of strategy which recommended a restructuring to give an increased focus on the key service lines of executive compensation, strategic reward and data services. As a result, headcount was reduced by 56 across the practice, reducing total revenues, but improving bottom line profitability as a result of the associated staff cost savings during the second half of the fiscal year.

Revenues for the Benefits Administration Solutions practice increased by 2% to £29.6 million (12% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2004. Although new business totaled £1.6 million during fiscal year 2004, revenue growth was reduced by the declining number of active members in the defined benefit pension plans that Watson Wyatt LLP advises, reducing related fee income, and more competitive pricing for closed-defined benefit clients.

Staff Costs

Staff costs increased by 6% (£6.0 million) to £103.4 million during fiscal year 2004 compared to fiscal year 2003. Wages and salaries increased by 6% (£5.0 million) to £86.5 million as a result of a 2% increase in the average number of associates and an average annual pay rise of 6%. Bonus costs decreased by 3% (£4.6 million) in fiscal year 2004 compared to fiscal year 2003. The amount of bonus paid depends on the overall profitability of the business compared to the budget set at the beginning of the year. In fiscal year 2004, the profitability of the business was close to budget, whereas in fiscal year 2003 profitability of the business exceeded budget. Social security costs increased by 9% (£0.9 million) to £9.9 million, reflecting the increased rate imposed by legislation changes, and other pension costs increased by 2% (£0.1 million) to £7.0 million. The increases were partially offset by the severance program that reduced headcount by 56 within the Human Capital practice.

Depreciation and Amortization

Depreciation and amortization charges increased by 6% (£0.3 million) to £6.5 million during fiscal year 2004 compared to fiscal year 2003. Amortization charges increased to £0.8 million (a £0.7 million increase) reflecting the revision of the useful economic life of goodwill to 7 years from 20 years and the first full year amortization charge for the software licenses acquired as part of the IBM acquisition (£0.1 million). Depreciation charges reduced by 6% (£0.3 million) representing the difference between the annual charge and the ongoing investment in computer and other equipment.

Other External Charges

Other external charges increased by 4% (£2.6 million) to £63.7 million during fiscal year 2004 compared to fiscal year 2003. Other external charges include costs relating to accommodation and facilities, professional liability insurance, legal and marketing, travel, information technology, training and in fiscal year 2004 included £1.3 million of costs relating to the restructuring of the Human Capital practice (as mentioned in the revenue section). The remaining 2% increase in costs reflects a general inflationary increase across all cost categories.

Interest Receivable and Payable

Interest receivable increased by £0.5 million to £0.9 million during fiscal year 2004 compared to fiscal year 2003. The increase is principally from cash and short term deposits, the balances on which have increased from fiscal year 2003 to fiscal year 2004 as described in the "Liquidity and Capital Resources" section below.

Interest payable increased by £0.3 million (31%) to £1.1 million during fiscal year 2004 compared to fiscal year 2003. The increase is mainly due on the £7.0 million loan from Watson Wyatt Holdings. Interest on this loan is only paid to the extent that it is covered by the consolidated realized profits of the Watson Wyatt Holdings (Europe) group, as adjusted for goodwill and unpaid interest, accumulated at the end of the last completed accounting period. Accrued interest not paid is compounded and added to the principal amount on each May 31. During fiscal year 2004, £0.7 million of interest was compounded into the principal amount. The interest rate on this loan is linked to the UK Retail Prices Index and an increase in this measure between June 1, 2002 and June 1, 2003 resulted in an interest charge of £1.0 million for fiscal 2004 that was £0.3 million higher than for fiscal 2003.

Profit for the Financial Year Before Members' Remuneration and Profit Shares

Overall profit before members' remuneration and profit shares rose to £68.5 million from £59.3 million, driven by revenue growth of 8%. Similarly, profit available for division among members rose to £47.5 million from £41.1 million.

Remuneration of Members

The salaried element of the members' remuneration increased by 15% (£2.7 million), to £21.0 million, because of a 10% increase in the number of members and a 5% increase in the salary level.

Liquidity and Capital Resources

1. *Closing Position and Movements*

Cash and investments totaled £37.8 million at April 30, 2004 up £9.6 million from 2003. Cash decreased £24.7 million as Watson Wyatt LLP placed more resources in short-term investments at the end of 2004 than in 2003.

Watson Wyatt LLP generated £65.0 million of cash from operations, received interest in financing activities of £0.9 million, invested in capital assets using £2.2 million of cash and paid cash to members of £57.1 million. Cash balances were then reduced by a net of £24.7 million as Watson Wyatt LLP placed more cash in investments.

Cash flows from operating activities were £65.0 million in fiscal year 2004 down from £77.0 million in fiscal year 2003. Operating profits were up in 2004, and there was a further improvement in the management of receivables. At the end of the period, billed receivables were outstanding for an average of 43 business days revenues, an improvement from 47 days at the end of 2003. These improvements were offset by a £6.5 million payment into the pension fund and increased payments to creditors of £3.8 million.

Returns on investments and servicing of finance increased primarily due to larger amounts of interest income on greater amounts of invested cash during the year.

Capital expenditures and financial investment was £2.2 million down from £3.9 million in 2003 due to the completion of the new financial suite of systems (£0.5 million) and reduced spend on office fit outs of £0.8 million.

Net cash flow from acquisitions and undertakings was down in 2004 to £0.4 million from £1.1 million in the prior year as the 2003 period included deferred consideration from the sale of Combined Actuarial Performance Services Limited of £3.1 million and the purchase of the Life actuarial consulting practice from IBM in the US of £2.0 million.

2. Contractual Obligations

Watson Wyatt LLP's contractual obligations are set forth in the table below:

	Payment due by period				
	Total	Less than 1 year	2-3 years	3-4 years	More than 5 years
	(in thousands of pounds sterling)				
Contractual Obligations at April 30, 2004					
Long-term debt:					
Loan from Watson Wyatt Holdings	13,714				13,714
Operating lease:					
Land and buildings	9,003	376	555	568	7,504
Other	490	57	412	21	
Total	23,207	433	967	589	21,218

Note:
There are no material finance lease obligations or interest payments on long-term obligations.

The note from Watson Wyatt Holdings had an original principal amount of £7 million payable in 2020, with interest at a variable rate based on the UK retail price index. The outstanding principal on the note was £14.3 million at October 31, 2004. The terms of the note provide that interest is to be paid to the extent of Watson Wyatt Holdings (Europe) Limited's profits and that interest not paid is to be added to principal. To date no interest payments have been made on the note. Watson Wyatt Holdings has not accrued interest income on the note due to concerns over collectibility stemming from continued losses experienced by Watson Wyatt Holdings (Europe) Limited.

3. Lines of Credit

Watson Wyatt LLP has an overdraft facility of £5.0 million available from HSBC Bank plc. The facility is reviewed every 12 months, but no borrowings have taken place under this facility in recent years.

Fiscal Year Ended April 30, 2003 versus Fiscal Year Ended April 30, 2002

Revenues

Revenues for fiscal year 2003 were £224.1 million, an increase of 16% from £193.8 million in the prior fiscal year. The table below shows the revenues and revenue growth by practice over the fiscal year from the management financial statements, with a reconciliation to consolidated group revenue.

Revenue

	Year ended April 30,		
	2003 £m	**2002 £m**	**Growth %**
Practice			
Benefits	115.2	94.1	22
Investment	19.9	16.4	22
Insurance & Financial Services	34.1	26.9	27
Human Capital	23.1	25.1	(8)
Benefits Administration Solutions	29.1	26.2	11
Other	0.9	1.0	(21)
Management Financial Statement Revenue	**222.3**	**189.7**	**17**
Revenue of Associates	(3.6)	(2.3)	
Bad Debt Provision Movement	(0.2)	0.4	
Disbursements / Pass-throughs	4.7	3.2	
Related Party Cross Charges	1.3	2.4	
Other	(0.4)	0.4	
Consolidated Group Revenue	**224.1**	**193.8**	**16**

This growth was primarily driven by the Benefits practice which increased revenues by 22% to £115.2 million (52% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2003. The increase was due in part to demand from clients who looked to Watson Wyatt LLP to help them adjust to three years of declining equity markets and changing regulations.

Watson Wyatt LLP's Investment practice increased revenues by 22% to £19.9 million (9% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2003. As with the Benefits practice, the increase was primarily due to the demand from clients requiring assistance to adjust to declining equity markets and changing regulations.

Watson Wyatt LLP's Insurance & Financial Services practice increased revenues by 27% to £34.1 million (15% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2003. This was primarily due to an increase in UK financial management work and increased mergers and acquisitions work in the Asia-Pacific region. The increase in financial management work was triggered by regulatory changes including proposed changes to the regulatory regime for Life Assurance companies. The Insurance & Financial Services practice acquired IBM's life insurance actuarial consulting businesses in the United States for US$3.4 million on February 1, 2003. This new business generated £1.4 million in revenues in fiscal year 2003.

Revenues of the Human Capital practice declined by 8% to £23.1 million (11% of Watson Wyatt LLP's total management financial statement revenues) during fiscal year 2003. As a result of difficult economic conditions in fiscal year 2003, there were fewer discretionary projects available from clients and longer lead times required to win business.

Revenues for Benefits Administration Solutions increased by 11% to £29.1 million (13% of Watson Wyatt LLP's total management financial statement revenue) during fiscal year 2003, primarily as a result of a net increase in the number of clients resulting in a net increase in revenue of £2.2 million.

Staff Costs

Staff costs increased by 20% (£15.9 million) to £97.4 million during fiscal year 2003 compared to fiscal year 2002. Wages and salaries increased by 16% (£11.4 million) reflecting a 3% increase in the average number of associates and an average annual pay rise of 6%. Costs in fiscal year 2003 also include the costs of non member partner remuneration, included as profit share in fiscal year 2002, and also bonus costs, which increased by 18% (£4.6 million) in fiscal year 2003 compared to fiscal year 2002. The amount of bonus paid depends on the overall profitability of the business compared to the budget set at the beginning of the year. In fiscal year 2003, the profitability of the business exceeded budget resulting in an increase in bonuses paid whereas in the previous fiscal year profitability was below budget. Social security costs increased by 31% (£2.1 million) to £9.0 million, reflecting the increased salary and bonus costs above, and other pension costs increased by 52% (£2.3 million) to £6.8 million.

Depreciation and Amortization

Depreciation and amortization charges reduced by 30% (£2.7 million) to £6.2 million during fiscal year 2003 compared to fiscal year 2002. Amortization charges reduced by £3.4 million to £0.1 million. £3.2 million of this reduction relates to the exceptional goodwill amortization charge in fiscal year 2002, when, following a review of the performance of Watson Wyatt LLP's European subsidiaries, the goodwill that had arisen on the acquisition by Watson Wyatt LLP of these subsidiaries was fully written down. Depreciation charges increased by 14% (£0.7 million) to £6.1 million during fiscal year 2003 from fiscal year 2002, principally representing Watson Wyatt LLP's ongoing investment in computer and other equipment.

Other External Charges

Other external charges increased by 11% (£6.1 million) to £61.1 million during fiscal year 2003 compared to fiscal year 2002, resulting primarily from an increase in the cost of professional liability insurance of £7.6 million, a 500% increase from fiscal year 2002. Without this increased cost to obtain professional liability insurance, other external charges would have been slightly lower than the costs of fiscal year 2002, reflecting improved cost control and efficiency savings.

Interest Receivable and Payable

Interest receivable increased by £0.3 million to £0.4 million during fiscal year 2003 compared to fiscal year 2002. The increase was principally derived from cash and short-term deposits, the balances on which have increased from fiscal year 2002 to fiscal year 2003, due to improved collection of receivables. At the end of the period, billed receivables were outstanding for an average of 47 business days revenues, an improvement from 56 days at the end of fiscal year 2002.

Interest payable reduced by £1.5 million to £0.8 million during fiscal year 2003 compared to fiscal year 2002. Interest payable on the £7.0 million loan from Watson Wyatt Holdings remained relatively constant and interest payable on bank overdrafts reduced by £0.1 million. The main driver behind the reduction is due to a charge in fiscal year 2002 of £1.4 million relating to the interest charge on the opening retired partner annuity provision. The liability this charge related to did not transfer to the new limited liability partnership set up in fiscal 2003, so this charge does not feature in subsequent years.

Profit for Financial Year Before Members' Remuneration and Profit Shares

Overall profit before members' remuneration and profit shares rose to £59.3 million in fiscal year 2003 from £49.8 million in fiscal year 2002 due to strong revenue growth and improved cost control. However, profit available for division among members fell from £49.8 million to £41.1 million in the same period. This decrease is entirely due to the conversion from general to limited liability partnership, described in the paragraph below. In 2003, the salaried remuneration of members was £18.3 million and charged to this measure of profit in 2003, whereas in 2002 the equivalent amount was not charged. As a result, the profit before members' remuneration and profit share is more reflective of the underlying business.

Remuneration of Members

As a result of the establishment of Watson Wyatt LLP as a body corporate, members receive a portion of their compensation as salaried remuneration. This cost did not arise in prior years as partners in Watson Wyatt Partners were compensated entirely by way of partnership profits. Consequently, for the fiscal year ended April 30, 2002, all of the remuneration payable to partners is included within the profit for the financial year available for division among partners. In relation to the fiscal year ended April 30, 2003, the profit available for division among members is after a deduction for the salaried remuneration of members.

Liquidity and Capital Resources

Closing Position and Movements

Cash and investments totaled £28.2 million at April 30, 2003 up £24.7 million from 2002 though £17.6 million of this was on overnight deposit and is treated as cash on deposit in the cash flow statement.

Watson Wyatt LLP generated £77.2 million of cash from operations, received interest from financing activities of £0.4 million and net cash flow from acquisitions and disposals of £1.1 million, invested in capital assets using £3.9 million of cash and distributed cash to members of £54.9 million. Voting members also contributed cash of £3.3 million and Watson Wyatt Holdings as the minority shareholder of Watson Wyatt Holdings Europe contributed £1.3 million. Cash balances were then reduced by a net £17.6 million as Watson Wyatt LLP placed more cash on overnight deposit.

Cash flows from operating activities were £77.2 million in 2004 up from £41.5 million in 2003. Operating profits were up in 2003 by £10.9 million. Collection of receivables was improved, and there was also a reduction in creditors.

Returns on investments and servicing of finance increased primarily due to larger amounts of interest income on greater amounts of invested cash during the year.

Capital expenditures and financial investment was £3.9 million down from £7.1 million in 2003 due to reduced spend of £1.7 million on a new financial suite of systems and reduced spend on office fit outs of £1.6 million.

Net cash flow from acquisitions and undertakings was up in 2003 to £1.1 million due to deferred consideration from the sale of Combined Actuarial Performance Services Limited of £3.1 million and the purchase of the life actuarial consulting practice from IBM in the US of £2.0 million.

Six Months Ended October 31, 2004 versus Six Months Ended October 31, 2003

Revenues

Revenues for the six months ended October 31, 2004 were £123.8 million, an increase of 1.5% from £122.1 million during the same period in fiscal year 2003. The table below shows the revenues and revenue growth by practice for the six month periods from the management financial statements, with a reconciliation to consolidated group revenue, as shown in the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements at October 31, 2004 and 2003.

Revenue

	Six months ended October 31,		
	2004 £m	**2003 £m**	**Growth %**
Practice			
Benefits	62.6	64.0	(2)
Investment	12.6	11.4	10
Insurance & Financial Services	21.2	19.0	11
Human Capital	10.1	10.5	(4)
Benefits Administration Solutions	15.2	15.6	(3)
Other	0.4	0.4	
Management Financial Statement Revenue	**122.1**	**120.9**	**1**
Revenue of Associates	(1.1)	(1.3)	
Bad Debt Provision Movement	0.3	0.4	
Disbursements / Pass-throughs	2.1	1.7	
Related Party Cross Charges	0.3	0.7	
Other	0.1	(0.3)	
Consolidated Group Revenue	**123.8**	**122.1**	**1**

During this period, the Benefits practice revenues of £62.6 million (representing 51% of Watson Wyatt LLP's total management financial statement revenues) were 2% lower than in the same period in the previous year. This decline was a result of reduced demand compared with a peak period of demand in the previous fiscal year and also reflected the delayed implementation of pensions legislation in the UK which resulted in clients deferring changes to their pension plans.

The Investment practice revenues of £12.6 million (representing 11% of Watson Wyatt LLP's total management financial statement revenues) increased by 10% during this period. This increase was as a result of the increased number of investment strategy projects.

The Insurance & Financial Services practice revenues of £21.2 million (representing 17% of Watson Wyatt LLP's total management financial statement revenues) increased by 11% during this period. This increase was primarily due to steady mergers and acquisitions activity and continued demand for independent advice in respect of regulatory changes in the UK insurance industry.

The Human Capital practice revenues of £10.1 million (representing 8% of Watson Wyatt LLP's total management financial statement revenues) declined by 4% during this period. Along with delays in recruiting senior individuals with a strong market reputation, this practice continues to experience difficult market conditions as a result of reduced external discretionary spending by clients.

Revenues for Benefits Administration Solutions of £15.2 million (representing 12% of Watson Wyatt LLP's total management financial statement revenues) declined by 3% during this period, primarily as a result of the decline in active member populations from closed defined benefit arrangements.

Staff Costs

Staff costs increased by 5% (£2.5 million) to £54.3 million during the six months to October 2004 compared to the six months to October 2003. Base salary costs rose by 1% to £45.8 million, reflecting an average pay rise of 6% and a 2% reduction in the average number of associates following the redundancy program in the Human Capital practice during the first half of fiscal year 2004. Pensions costs increased by 22%, or £0.8 million following an increase in the contribution rate to the defined benefit pension plan.

Depreciation and Amortization

Depreciation and amortization costs reduced by 5% (£0.2 million) to £2.8 million during the six months to October 2004 compared to the six months to October 2003. The depreciation charge reduced by £0.2 million to £2.6 million representing the difference between the charge for the period and the ongoing investment in computer and other equipment.

Other External Charges.

Other external charges fell by 8% (£2.6 million) to £30.4 million due to the £1.3 million of severance costs relating to the restructuring of the Human Capital practice in the first half of fiscal 2004 and due to a £0.7 million decrease in temporary staff costs in response to the quieter trading conditions in the first six months of fiscal 2004. The remaining reduction came from continued tight cost control.

Interest Receivable and Payable

Interest receivable increased by £0.4 million to £0.7 million during the six months to October 2004 compared to the six months to October 2003. The interest is on cash and short-term deposits, which have been increasing in line with the tightening of cash collection and billing policies.

Interest payable increased by £0.1 million to £0.6 million and was mainly due on the £7.0 million loan from Watson Wyatt Holdings as discussed earlier.

Profit Performance

Overall profit before members' remuneration and profit shares rose to £36.5 million from £34.2 million due to control of costs on revenue growth of 1.5%. Similarly, profit available for division among members grew to £25.9 million from £23.7 million.

Liquidity and Capital Resources

Closing Position and Movements

Cash and investments totaled £27.9 million at October 31, 2004 down £9.9 million from April 30, 2004. Cash has remained static with the movement taking place in liquid investments.

In the six months to October 31, 2004, Watson Wyatt LLP generated £25.9 million of cash from operations, received interest from financing activities of £0.7 million, invested in capital assets using £1.4 million of cash and made an acquisition using a further £0.4 million of cash. Cash was distributed to members of £36.2 million. Voting members also contributed cash of £1.6 million.

Cash flows from operating activities was £25.9 million in the six months to October 31, 2004 up from £18.9 million in 2003. Operating profits were up in the first half of 2004 by £2.0 million compared to the same period in the previous year. Receivables increased, which tied up cash, and payables reduced to a lesser extent than in the comparable period in 2003. Overall, the movement in receivables and payables was little changed from the movement in the period to October 31, 2003. The additional pension contributions made in 2003 were not repeated in 2004 which resulted in the 2004 cash movement being £3.4 million improved over the comparable period in 2003.

Returns on investments and servicing of finance increased primarily due to larger amounts of interest income on greater amounts of invested cash during the year.

Capital expenditures and financial investment was £1.4 million in the first six months of 2004, up £0.7 million from £0.7 million in the same period in 2003.

Net cash flow from acquisitions and undertakings was up in 2004 to £0.4 million due to the purchase of a benefits consulting business based in Ireland.

Critical Accounting Policies

Accounting Convention

Watson Wyatt LLP's accounts are prepared under the historical cost convention and in accordance with the Statement of Recommended Practice, Accounting by Limited Liability Partnerships and applicable United Kingdom accounting standards, as modified by the revaluation of investments in marketable securities and in accordance with the Companies Act 1985 (as modified by Statutory Instrument 2001 No. 1090, "Limited Liability Partnerships Regulations 2001").

A reconciliation of net income and shareholders' equity as reported under UK GAAP to US GAAP is provided in the financial statements included in this proxy statement/prospectus. A detailed discussion of Watson Wyatt LLP's accounting policies may be found in the notes accompanying the audited annual financial statements of Watson Wyatt LLP included in this proxy statement/prospectus. The accounting policies discussed below are critical to the understanding of Watson Wyatt LLP's financial statements.

Revenue Recognition

Revenue includes fees primarily generated from services provided in the areas of actuarial services, advice on employee benefits and human capital strategies, benefits administration, investment consulting and insurance and financial services consulting. Terms of engagement are agreed with all of Watson Wyatt LLP's clients. Revenue is generally recognized from these consulting engagements either on a time and expenses basis or on a fixed-fee basis consistent with the terms of engagement.

Revenue is recognized on time and expenses engagements based on billable rates times hours worked plus expenses incurred. For fixed-fee arrangements, revenue is also recognized based upon billable rates times hours worked plus expenses incurred. However, for significant fixed-fee engagements, the engagement is periodically reviewed through the preparation of an estimate to complete. Revenue recognition for fixed-fee engagements is affected by a number of factors that change the estimated amount of work required to complete the project, such as changes in scope, the staffing on the engagement and the level of client participation. These periodic engagement reviews require judgments and estimates to be made regarding the overall profitability and stage of project completion which, in turn, affect how revenue is recognized. A loss on an engagement is recognized when estimated revenue to be received for that engagement is less than the total estimated direct and indirect costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable.

Revenue recognized in excess of billings is recorded as accrued income within debtors. Invoices generated in excess of revenue recognized are recorded as payments received on account within creditors until the revenue recognition criteria are met. Client reimbursable expenses, including those related to travel, other out-of-pocket expenses and any third-party costs, are included in revenue and an equivalent amount of reimbursable expenses is included in other external charges as a cost of revenue.

Discretionary Compensation

Watson Wyatt LLP's compensation program includes a discretionary annual bonus that, for each employee, is dependent on the employee's seniority, achievement of agreed individual goals and by

Watson Wyatt LLP's overall performance against budget. The discretionary annual bonuses determined by management are paid once per fiscal year in cash after the annual operating results are finalized.

An interim period accrual is made in respect of these expenses based on a pro rata share of management's estimates of current associates' expected bonus payments for the year based on the factors above and the associated payroll taxes. At the end of fiscal year 2004, accrual for bonuses amounted to £8.7 million. There have been no material differences between these estimates and the actual bonus payments.

Pensions

Watson Wyatt LLP operates a wide variety of pension arrangements for its employees. The principal arrangements are as follows:

All of Watson Wyatt LLP's employees in the UK entities are eligible for membership in the Watson Wyatt LLP pension plan. The pension plan consists of a defined benefit section, membership of which is discretionary, and a defined contribution section. The assets representing the individual member accounts of the defined contribution section are held in units with external investment managers. Employer contributions to the defined contribution section are charged to the profit and loss account as incurred. The assets of the defined benefit section are held in a separate trustee administered fund.

Watson Wyatt LLP's principal Belgian subsidiary has a defined benefit employee pension plan and also a defined contribution pension plan.

Other pension costs incurred by Watson Wyatt LLP relate to small defined benefit pension plans, defined contribution pension plans and state pension arrangements in the countries in which it operates.

Under UK GAAP, the costs of providing pensions are recognized over the period Watson Wyatt LLP benefits from the employees' services, with any difference between the charge to the profit and loss account and the contributions paid to the pension plan being shown as an asset or liability in the balance sheet. The pension cost has been assessed in accordance with the advice of qualified actuaries, who are current members of Watson Wyatt LLP, using the projected unit method. Variations in cost have been spread over the estimated average remaining working lifetime of the members of each pension plan.

Under UK GAAP, Watson Wyatt LLP is also required to make additional disclosures of what the cost of these benefits would have been had Financial Reporting Standard 17 ('FRS 17'), been applied. Under US GAAP, the costs of providing these benefits are similar to FRS 17, although there are certain differences between the timing and method of recognition between the two approaches. However, the underlying assumptions under both FRS 17 and US GAAP are consistent.

The UK pension plan is significantly larger than any others in Watson Wyatt LLP, and the analysis of assumptions and sensitivities below therefore focuses on the UK pension plan.

A number of assumptions are required to determine the pension costs of a particular pension plan. The main assumptions adopted by Watson Wyatt LLP for purposes of US GAAP for the UK-entity pension plan over the past three years are set out below:

	2004	2003	2002
Discount rate	5.7%	5.5%	5.8%
Rate of assets returns	6.0%	5.6%	5.5%
Rate of salary increases	4.7%	4.5%	4.5%
Pension increases	2.75%	2.5%	2.5%

For US GAAP accounting and FRS 17 disclosure purposes under UK GAAP, Watson Wyatt LLP is required to base the discount rate on the yields available on high quality, long-term corporate bonds. As the estimate is based on an external market variable, the subjectivity of the assumption is more limited and the funding status and charge will vary over time with changes in bond yields. A decrease in the discount rate will increase the pension liabilities and may increase the charge recorded. An increase in the discount rate will decrease the pension liabilities and may decrease the charge recorded.

For US GAAP accounting and FRS 17 disclosure purposes under UK GAAP, Watson Wyatt LLP is also required to estimate the expected return on the assets held within the pension funds. The assumptions adopted take direct account of the actual investment strategy of the associated pension plans and expected rates of return on the different asset classes held. In the case of bond investments, the rates assumed have been directly based on market redemption yields at the measurement date, whilst those on other asset classes represent forward-looking rates. A decrease in the expected rate of return will increase the pension charge for the year. Conversely an increase in the expected rate of return will decrease the pension charge for the year. Due to the volatility of investment markets, short-term returns may differ significantly from expected returns. Such unrecognized gains or losses, for US GAAP purposes, are recognized by amortization in future periods. If the actual returns fall below the long-term trend estimate, the charge recorded in future periods will be increased. If the actual returns exceed the long-term estimate, the charge recorded in future periods will be decreased.

For US GAAP accounting and FRS 17 disclosure purposes under UK GAAP, Watson Wyatt LLP is also required to estimate expected salary increases. Management has made this estimate based on historic trends and its knowledge of likely future employment conditions in the industry. These methods have not resulted in major changes to valuations in the past.

The increase in the UK-entity plan pension costs under US GAAP for the year ended 30 April 2004 that would have arisen if the assumptions had differed by 25 basis points is as follows:

		£000s
A 25 basis point decrease in the discount rate	£	1,283
A 25 basis point decrease in the estimate of the long-term rate of return on assets	£	229
A 25 basis point increase in the rate of salary increases	£	344

Widows' Annuities and Top Up Pensions for Current Members

Annuities are paid to surviving spouses of deceased members. These are known as widows' annuities. Certain members who had joined the defined benefit section of the Watson Wyatt pension plan prior to becoming a member are entitled to a "top up" to their deferred pension in the plan in line with increases in members' salaried remuneration. Under UK GAAP in accordance with the interpretation of Financial Reporting Standard 12, ('FRS 12'), by the Statement of Recommended Practice, Accounting by Limited Liability Partnerships, liabilities for annuities potentially payable to the surviving spouses of members and also for the pension "top up' are recognized only when an individual ceases to be a member.

Under US GAAP, provisions for widows' annuities and top up pensions are recognized from the date on which an individual becomes entitled to the benefit, i.e. when he or she becomes a member. The provision required has thus been extended to include the annuity and top up pension benefits that exist for current members. The value of the benefits has been calculated based upon a modified ABO (accrued benefit obligation) approach. Due to the number and complexity of factors involved, a PBO (projected benefit obligation) approach has not been considered to be a reasonable basis for projection.

Incurred But Not Reported Claims (IBNR)

UK GAAP does not require the measurement and recording of an IBNR. Rather, a provision for claims is recorded based on management's detailed review at the balance sheet date of claims received and claims that potentially may be received after assessing all matters notified up to that date. Based on this detailed review, an assessment is made of the likely outflow of economic benefits and a provision is recorded net of any anticipated insurance recoveries.

Under US GAAP, however, a company that purchases a claims-made insurance policy is required to use actuarial assumptions to estimate and record a liability for IBNR professional liability claims. Although Watson Wyatt LLP maintains professional liability coverage, the insurance does not cover claims made after expiration of its current insurance contracts. US GAAP requires that a liability for IBNR be recorded with respect to claims for which there is no contracted insurance coverage. The estimated IBNR liability is based on long-term trends and averages, and considers a number of factors, including claim reporting patterns, claim settlement patterns and legislation and economic conditions, but excludes the effect of claims data for large cases due to the insufficiency of actual experience with such cases. Management does not currently expect significant fluctuations in the IBNR liability, based on Watson Wyatt LLP's historical claims experience. However, the estimated IBNR liability will fluctuate if claims experience changes over time. The IBNR claims provisions have been calculated as £10.4 million at the end of fiscal 2004 and £10.2 million at the end of fiscal 2003.

Adjustments from UK GAAP to US GAAP

A reconciliation from UK GAAP to US GAAP is provided in Note 26 to the Watson Wyatt LLP Consolidated Financial Statements included with this proxy statement/prospectus, together with an explanation of the differences between the two.

The profit and loss impact of the change from UK to US GAAP is generally not material except for the pension adjustments. Under UK GAAP pensions are reported according to the Statement of Standard Accounting Practice number 24 ("SSAP 24"), which takes a long-term view of pension obligations, amortizing the costs over the expected average remaining working lives of employees as a level percentage of pensionable payroll. This valuation method is markedly different to the US GAAP treatment under Financial Accounting Standard Number 87, ("FAS 87"), where plan assets are valued by reference to market-related values at the date of the financial statements. Accordingly the US GAAP valuation fluctuates depending on market conditions and this significantly affects the profit and loss movements and the balance sheet valuations.

The impact on the balance sheet is more significant. Under US GAAP, it is necessary to make an IBNR provision and also to accrue for vacation owed to employees, neither of which is required under UK GAAP. In addition Watson Wyatt LLP members' capital is classified outside of members' equity under US GAAP rather than capital as under UK GAAP and there is also the difference in pension valuation methods as discussed above for the profit and loss account.

Recent Accounting Pronouncements

In the United Kingdom

Where a new UK standard effectively implements an International Accounting Standard ("IAS") or International Financial Reporting Standard ("IFRS"), the corresponding IAS number is noted. Full adoption of IAS is optional for private companies and limited liability partnerships in the UK for periods beginning on or after January 1, 2005.

Recently Issued Accounting Pronouncements Not Yet Adopted

Financial Reporting Standard No. 17, "Retirement Benefits" ("FRS 17"), issued in November 2000, has to date applied as a disclosure standard only, with pensions continuing to be accounted for under the old standard, SSAP 24. See Note 20 to the Watson Wyatt LLP Consolidated Financial Statements for a discussion of Watson Wyatt LLP's accounting for pensions under SSAP 24. For periods beginning on or after January 1, 2005, full adoption of FRS17 is required. Watson Wyatt LLP would therefore start to account for its pension plan in accordance with FRS17 in the year ending April 30, 2006.

Financial Reporting Standard No. 23 (IAS 21), "The Effects of Changes in Foreign Exchange Rates," issued in December 2004, requires entities to evaluate their functional currency and then measure their financial statements in that currency. The financial statements can then be presented in any currency that the entity chooses (the "presentation" currency). This standard is applicable for accounting periods beginning on or after January 1, 2006. Management is currently assessing the impact of this standard on Watson Wyatt LLP.

Financial Reporting Standard No. 24 (IAS 29), "Financial Reporting in Hyperinflationary Economies" ("FRS 24"), issued in December 2004, requires that an entity whose functional currency is the currency of a hyperinflationary economy, must state its financial statements in terms of the measuring unit current at the balance sheet date. FRS 24 applies to accounting periods beginning on or after January 1, 2005. Management does not believe this standard will have an impact on the financial statements of Watson Wyatt LLP.

Financial Reporting Standard No. 25 (IAS 32, with minor amendments), "Financial Instruments: Disclosure and Presentation," was issued in December 2004 and applies for accounting periods beginning on or after January 1, 2005 (presentation) and on or after January 1, 2006 (disclosure). Management is currently assessing the impact of this standard on Watson Wyatt LLP.

Financial Reporting Standard No. 26 (IAS 39), "Financial Instruments: Measurement," issued in December 2004, implements in full the measurement and hedge accounting provisions (but not the recognition and derecognition rules) of IAS 39. This standard applies for accounting periods beginning on or after January 1, 2006. Management is currently assessing the impact of this standard on Watson Wyatt LLP.

Urgent Issues Task Force ("UITF") Abstract No. 40, "Revenue Recognition and Service Contracts" ("UITF 40"), issued March 10, 2005, provides interpretations of Application Note G, Revenue Recognition, as an Amendment to FRS 5, "Reporting the Substance of Transactions," as it relates to revenue recognition for service contracts. UITF 40 addresses when revenue may be recognized as activity progresses (defined as "accounted for as a long-term contract") or on contract completion. The guidance defines a long-term contract and requires that revenue be recognized for services to the extent that a company has obtained the right to consideration through its performance. The abstract is required to be adopted in financial statements relating to accounting periods ending on or after June 22, 2005, but earlier adoption is encouraged. This standard is not expected to have an impact on the revenue recognition policies of Watson Wyatt LLP.

In the United States of America

Recently Issued Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS 150 requires that those instruments be classified as liabilities in statements of financial position.

SFAS 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

1. Mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets.

2. Instruments, other than outstanding shares, that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts.

3. Obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's shares.

Watson Wyatt LLP adopted SFAS 150 with effect from May 1, 2004. As a result, the members' interests that were previously classified in mezzanine were reclassified as a liability. The members' interests were measured at fair value at the time of adoption, which was estimated to be the carrying value as the members' interests carry an interest rate that approximates current market rates. The related interest expense since May 1, 2004 has been classified as a component of interest expense in the profit and loss account.

Recently Issued Accounting Pronouncements Not Yet Adopted

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities and Interpretation of ARB No. 51" ("FIN 46"). FIN 46 changes the current practice of assessing consolidation only based on voting interests. Under the new Interpretation a reporting group has to assess if the entities with which it has business relationships are Variable Interests Entities ("VIE") or Voting Interest Entities. VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

If an entity is a VIE, the reporting group is required to assess if it has a Variable Interest ("VI") in the VIE. VIs in a VIE are contractual, ownership, or other pecuniary interests in an entity that change with changes in the entity's net asset value. Equity interests with or without voting rights are considered variable interests if the entity is a VIE. FIN 46 explains how to identify VIEs and how an enterprise assesses its interest in a VIE. If the reporting group has a VI in the VIE, under the new rules it has to assess who is the Primary Beneficiary of the VIE. FIN 46 requires existing unconsolidated VIEs to be consolidated by their Primary Beneficiaries, if the entity does not effectively disperse risks among the parties involved. The Primary Beneficiary of a variable interest entity is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, as a result of holding VIs, which are the ownership, contractual, or other pecuniary interests in an entity.

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R" or the "Interpretation"). FIN 46R introduced certain modifications to the original FIN 46 by adding additional scope exceptions, clarifying some issues in the implementation of the original FIN 46 and re-defining certain implementation guidance and transition provisions.

FIN 46R is effective for non-public entities as of the beginning of the first annual period beginning after December 15, 2004; however, the Interpretation should apply to any interest in an entity created after December 31, 2003. This Interpretation is not expected to have an impact on Watson Wyatt LLP's financial condition or results of operation.

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 150 ("SFAS 150"), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The Statement requires that those instruments be classified as liabilities in statements of financial position.

At the November 17 18, 2004 meeting, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations." The purpose of the EITF is to clarify when a disposition should be classified as a discontinued operation caused by the contravening wording of paragraph 42 of Statement 144. The Task Force reached a consensus that classification of a disposed component as a discontinued operation is appropriate only if the ongoing entity:

Step 1: Has no continuing direct cash flows (a term Issue 03-13 introduces to interpret paragraph 42(a)), and

Step 2: Does not retain an interest, contract, or other arrangement sufficient to enable it to exert significant influence over the disposed component's operating and financial policies after the disposal transaction (an interpretation of paragraph 42(b)).

Issue 03-13 should be applied to components that are disposed of or classified as held for sale in periods beginning after December 15, 2004. Previously reported operating results within an enterprise's fiscal year that includes the ratification date may be reclassified to reflect the consensus.

Issue 03-13 does not have an impact on the historical financial statements of Watson Wyatt LLP.

Quantitative and Qualitative Disclosures About Market Risk

Watson Wyatt LLP is exposed to market risks in the ordinary course of business. These risks include interest rate risk and foreign currency exchange risk. The largest risk to Watson Wyatt LLP of interest rate movement is the impact on deposit rates. In addition there is a risk flowing from the impact of exchange rate movements on the translation of earnings and the value of intercompany loans related to non-UK operations.

The impact of these risks has not been material to Watson Wyatt LLP's fair values, cash flows or earnings. Watson Wyatt LLP does not engage in any hedging of market risks with derivative instruments.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information and explanatory notes give effect to the acquisition of the European business through illustrative combined unaudited financial statements of Watson Wyatt Holdings and Watson Wyatt LLP at the times and for the periods presented, as further described below. In these unaudited pro forma combined financial statements, Watson Wyatt Holdings is referred to as "we," "Watson Wyatt Holdings" or the "company."

Watson Wyatt Holdings' acquisition of the European business will be accounted for using the purchase method of accounting, as further described in Note 1 to the Unaudited Pro Forma Combined Financial Information. Accordingly, the acquired tangible and intangible assets and liabilities assumed will be recorded at their estimated fair values as of the date of the acquisition and results of operations will be combined from the acquisition date forward. Our preliminary allocation of the purchase price is pending completion of several elements, including the finalization of our independent appraisal for purposes of the valuation of acquired intangible assets. Management has analyzed all tangible assets and has concluded that the book value of such assets approximates fair value. We do not expect future adjustments to the purchase price, with the possible exception of the impact of the contingent consideration, to be material. However, there may be material adjustments to the allocation of the purchase price. Once known and determinable, the issuance of the contingent consideration, if any, will be recorded as additional goodwill.

Our fiscal year ends on June 30 of each year. Watson Wyatt Holdings' information was derived from its unaudited financial statements as of and for the six month period ended December 31, 2004, and its audited financial statements for the year ended June 30, 2004. These unaudited and audited financial statements are included in Watson Wyatt Holdings' Quarterly Report on Form 10-Q, filed on February 9, 2005, and in Watson Wyatt Holdings' Annual Report on Form 10-K, filed on August 17, 2004, respectively. Watson Wyatt Holdings' historical financial data were prepared using US GAAP and United States Dollars ("US$" or "$").

Watson Wyatt LLP's fiscal year ends on April 30 of each year. Watson Wyatt LLP's information was derived from its unaudited interim financial statements as of and for the six month period ended October 31, 2004, and its audited financial statements for the year ended April 30, 2004. Watson Wyatt LLP's historical financial data were prepared using UK GAAP and pounds sterling ("UK £" or "£"), and are converted to US GAAP and translated to US$ (as illustrated on the "UK to US GAAP Reconciliation" schedules). Certain line items reported by Watson Wyatt LLP in its historical consolidated statements of profit and loss have been reclassified and presented to conform to the method of statement of income presentation utilized by Watson Wyatt Holdings.

We combined Watson Wyatt Holdings' financial statements as of June 30, 2004 and December 31, 2004 with Watson Wyatt LLP's financial statements as of April 30, 2004 and October 31, 2004 to develop the unaudited pro forma combined financial statements as of June 30, 2004 and December 31, 2004, respectively.

The following unaudited pro forma combined balance sheet at December 31, 2004 is presented as if the acquisition had been completed as of the balance sheet date. The unaudited pro forma combined statements of income for the year ended June 30, 2004, and the six months ended December 31, 2004, are presented as if the acquisition had been completed on July 1, 2003, the beginning of Watson Wyatt Holdings' fiscal year 2004.

In converting Watson Wyatt LLP's statement of income information from UK £ to US$, all statement of income captions were translated using an average exchange rate of $1.7211 per £1.00 for the year ended April 30, 2004 and an average exchange rate of $1.8187 per £1.00 for the interim period ended October 31, 2004. Watson Wyatt LLP's balance sheet as of October 31, 2004 was converted to US$ using the rate of $1.8387 per £1.00 in effect at that date.

The following unaudited pro forma financial data do not reflect any operating efficiencies and cost savings that we may achieve with respect to the entities, nor any expense associated with achieving those benefits.

The following unaudited pro forma financial data are based on the assumptions and adjustments described in the accompanying notes, which include adjustments that have the effect of presenting such pro forma financial data under US GAAP. The unaudited pro forma financial data are presented for illustrative purposes and are not necessarily indicative of the historical results that would have occurred had Watson Wyatt Holdings included the European business during these time periods or the future results that may be achieved after the acquisition. The unaudited pro forma financial data, and the accompanying notes, should be read in conjunction with the historical financial statements of Watson Wyatt Holdings and Watson Wyatt LLP, including the accompanying notes.

Watson Wyatt Holdings
Unaudited Pro Forma Combined Balance Sheets
as of December 31, 2004
(in thousands, except share and per share data)

	Watson Wyatt Holdings December 31, 2004 $	Watson Wyatt LLP October 31, 2004 $*	Watson Wyatt LLP Reclassifications $**	Pro Forma Adjustments $	Pro Forma $
Assets					
Cash and cash equivalents	$ 135,082	$ 6,382	$ 44,896	$ (38,045)(L)	$ 68,446
				2,662 (I)	
				(164,531)(O)	
				(8,000)(N)	
				90,000 (O)	
Investments short-term deposits		44,896	(44,896)		
Trade debtors/accrued income		140,741	(140,741)		
Receivables from clients:					
Billed, net of allowances	90,678		70,880		161,558
Unbilled, net of allowances	53,880		52,664		106,544
	144,558		123,544		268,102
Deferred income taxes	11,224				11,224
Other current assets	36,407		16,802	(608)(A)	52,601
Total current assets	327,271	192,019	(395)	(118,522)	400,373
Investment in affiliates	33,386	3,457		(23,918)(B)	2,965
				(2,662)(I)	
				(7,298)(D)	
Fixed assets, net	75,343	15,318			90,661
Deferred income taxes	55,098		395	17,118 (F)	72,611
Intangible assets	445	2,986		191,300 (K)	194,731
Goodwill	21,609	5,286		247,164 (Q)	274,059
Other assets	6,148	287		(1,157)(E)	5,278
Total assets	$ 519,300	$ 219,353	$	$ 302,025	$ 1,040,678
Liabilities					
Accounts payable and accrued liabilities, including discretionary compensation	$ 90,098	$ 57,483		(8,528)(L)	139,053
Amounts owed to members		94,068		(29,517)(L)	89,820
				(15,984)(J)	
				41,253 (J)	
Income taxes payable	10,232				10,232
Total current liabilities	100,330	151,551		(12,776)	239,105
Accrued retirement benefits	102,403		1,162	15,336 (E)	118,901
Deferred rent and accrued lease losses	10,402				10,402
Deferred income taxes	347	112		(112)(F)	347
Borrowings				90,000 (O)	90,000
Note payable to Watson Wyatt Holdings		26,214		(26,214)(D)	
Other noncurrent liabilities	31,512	26,110	11,277		68,899
Provisions for liabilities and charges		12,439	(12,439)		
Total liabilities	244,994	216,426		66,234	527,654

Commitments and contingencies

	Watson Wyatt Holdings December 31, 2004 $	Watson Wyatt LLP October 31, 2004 $*	Watson Wyatt LLP Reclassifications $**	Pro Forma Adjustments $		Pro Forma $
Stockholders' equity						
Class A common stock, par value $.01	334			91	(O)	425
Additional paid-in capital	148,780			238,627	(O)	387,407
Treasury stock, at cost	(20,148)					(20,148)
Retained earnings	145,626	(35,846)		35,846	(P)	145,626
Revaluation reserve		2,387		(2,387)	(P)	
Other reserves		41,253		(41,253)	(J)	
Minority interest equity		(4,867)		4,867	(C)	
Accumulated other comprehensive loss	(286)					(286)
Total stockholders' equity	274,306	2,927		235,791		513,024
Total liabilities and stockholders' equity	$ 519,300	$ 219,353	$	$ 302,025		$ 1,040,678

*
Represents the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements after adjustment to US GAAP and conversion to the US dollar, as illustrated on the following page.

**
Represents reclassifications required to conform Watson Wyatt LLP's balances entitled "Investments: short term deposits" and "Trade debtors / accrued income" to the appropriate Watson Wyatt Holdings financial statement line items.

Watson Wyatt LLP Balance Sheets
Unaudited UK to US GAAP Reconciliation
as of October 31, 2004
(in thousands)

	Watson Wyatt LLP UK GAAP £(1)	Watson Wyatt LLP Adjustments £(2)	Watson Wyatt LLP US GAAP £(3)	Watson Wyatt LLP $(4)
Assets				
Cash and cash equivalents	£ 3,471	£	£ 3,471	$ 6,382
Investments short-term deposits	24,417		24,417	44,896
Trade debtors/accrued income	76,229	315	76,544	140,741
Pension prepayment	6,945	(6,945)		
Total current assets	111,062	(6,630)	104,432	192,019
Investment in affiliates	1,880		1,880	3,457
Fixed assets, net	8,331		8,331	15,318
Deferred income taxes				
Intangible assets	14	1,610	1,624	2,986
Goodwill	2,231	644	2,875	5,286
Other assets		156	156	287
Total assets	£123,518	£(4,220)	£119,298	$ 219,353
Liabilities				
Accounts payable and accrued liabilities, including discretionary compensation	£ 30,207	£ 1,056	£ 31,263	$ 57,483
Amounts owed to members	34,982	16,178	51,160	94,068
Total current liabilities	65,189	17,234	82,423	151,551
Deferred income taxes		61	61	112
Note payable to Watson Wyatt Holdings	14,257		14,257	26,214
Other noncurrent liabilities		14,200	14,200	26,110
Provisions for liabilities and charges	6,765		6,765	12,439
Total liabilities	86,211	31,495	117,706	216,426
Commitments and contingencies				
Members' interests				
Retained earnings		(19,495)	(19,495)	(35,846)
Members' capital	16,178	(16,178)		
Revaluation reserve	1,298		1,298	2,387
Other reserves	22,436		22,436	41,253
Minority interest equity	(2,605)	(42)	(2,647)	(4,867)
Total stockholders' equity	37,307	(35,715)	1,592	2,927
Total liabilities and stockholders' equity	£ 123,518	£ (4,220)	£ 119,298	$ 219,353

(1) Represents the Watson Wyatt LLP financial statements presented in UK GAAP in pounds sterling as presented in the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements and notes included in this proxy statement/prospectus.

(2) Represents adjustments necessary to convert the Watson Wyatt LLP financial statements from UK GAAP to US GAAP. See Note 14 to the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements included in this proxy statement/prospectus.

(3) Reflects the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements on a US GAAP basis in pounds sterling.

(4) Reflects the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements on a US GAAP basis after translation to US dollars.

Watson Wyatt Holdings
Unaudited Pro Forma Combined Statements of Operations
Six Months Ended December 31, 2004
(in thousands, except per share data)

	Watson Wyatt Holdings July 1, 2004 December 31, 2004 $	Watson Wyatt LLP May 1, 2004 October 31, 2004 $*	Watson Wyatt LLP Reclassifications $**	Pro Forma Adjustments $	Pro Forma $
Revenue	$ 351,240	$ 225,421	$ 40	$ (2,658)(A)	$ 574,043
Costs of providing services:					
Salaries and employee benefits	192,270	120,488	(13,036)	24,651(H)	324,373
Professional and subcontracted services	23,523	7,832	(1,491)	(2,658)(A)	27,206
Occupancy, communications and other	52,001	45,353	(11,005)	473(R)	85,833
				(989)(D)	
General and administrative expenses	36,369		25,572		61,941
Depreciation and amortization	9,493	5,247		4,268(K)	19,008
	313,656	178,920	40	25,745	518,361
Income from operations	37,584	46,501		(28,403)	55,682
Income from affiliates	4,930	(162)		(4,023)(B)	581
				(164)(C)	
Interest income (expense), net	862	1,303		(1,975)(M)	(1,498)
				(1,688)(O)	
Other non-operating income	(28)				(28)
Income from continuing operations before income taxes	43,348	47,642		(36,253)	54,737
Provision for income taxes	18,542	(133)		3,391(G)	21,800
Income from continuing operations	$ 24,806	$ 47,775	$	$ (39,644)	$ 32,937
Basic earnings per share:	$ 0.76				$ 0.79
Diluted earnings per share:	$ 0.76				$ 0.79
Weighted average shares of common stock, basic	32,437			9,091(S)	41,528
Weighted average shares of common stock, diluted	32,737			9,091(S)	41,828

*
Represents the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements after adjustment to US GAAP and conversion to the US dollar, as illustrated on the following page.

**
Represents reclassifications to extract general and administrative expenses from the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements in order to conform to Watson Wyatt Holdings' presentation.

Watson Wyatt LLP Statements of Operations
UK to US GAAP Reconciliation
Six Months Ended October 31, 2004
(in thousands)

	Watson Wyatt LLP UK GAAP £(1)	Watson Wyatt LLP Adjustments £(2)	Watson Wyatt LLP US GAAP £(3)	Watson Wyatt LLP $(4)
Revenue	£ 123,754	£ 192(5)	£ 123,946	$ 225,421
Costs of providing services:				
Salaries and employee benefits	66,287	(37)(6)	66,250	120,488
Professional and subcontracted services	4,506	(200)(7)	4,306	7,832
Occupancy, communications and other	25,094	(157)(8)	24,937	45,353
Depreciation and amortization	2,756	129(9)	2,885	5,247
	98,643	(265)	98,378	178,920
Income from operations	25,111	457	25,568	46,501
Income from affiliates	(3)	(86)(10)	(89)	(162)
Interest income	716		716	1,303
Income from continuing operations before income taxes	25,824	371	26,195	47,642
Provision for income taxes	(64)	(9)(11)	(73)	(133)
Income from continuing operations	£ 25,888	£ 380	£ 26,268	$ 47,775

(1) These figures are derived from the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements included in this proxy/prospectus and have been reclassified to conform to the presentation of Watson Wyatt Holdings' statement of operations.

(2) Represents adjustments necessary to convert the Watson Wyatt LLP financial statements from UK GAAP to US GAAP. For an explanation of these adjustments, see notes (5) through (11) below and Note 14 to the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements included in this proxy statement/prospectus.

(3) Reflects the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements on a US GAAP basis in pounds sterling.

(4) Reflects the Watson Wyatt LLP Unaudited Interim Condensed Consolidated Financial Statements on a US GAAP basis after translation to US dollars.

(5) **Fees £ 192**

This entry increases revenue for the adjustment in software revenue recognition between UK and US GAAP. Fees for software under UK GAAP are recognized at the time the customer accepts the software. Maintenance fees receivable under software sales contracts are recognized as the associated costs fall due. Under US GAAP, revenue related to software sales are accounted for in accordance with SOP 97-2, Software Revenue Recognition. When the software arrangements contain multiple elements, amounts are allocated to the different elements based on vendor specific objective evidence ("VSOE") of the fair value of the multiple elements. The majority of the arrangements contain a license fee element and customer support and upgrade services. For the arrangements that do not have VSOE of fair value for the different elements, the fees associated with the arrangement are deferred and recognized over the term of the arrangement.

(6)

Salaries and Employee benefits £ (37)

Pension £ 1,015

Under UK GAAP, contributions payable to defined benefit pension plans are recognized over the employees' working lives, in accordance with SSAP 24, "Accounting for Pension Costs." Pension plan assets and liabilities are valued based on the actuary's best estimate of the assumptions taken as a whole. The resulting annual pension expense is a substantially level percentage of the current and expected future compensation expense. Under US GAAP, the accounting for pension costs follows SFAS 87, "Employers' Accounting for Pensions," which is more prescriptive with respect to actuarial assumptions which must be used and the allocation of costs to accounting periods, and requires each significant assumption to determine the annual pension cost to be a best estimate with respect to that individual assumption.

Additionally, under UK GAAP, liabilities for annuities potentially payable to the widows of members and for the pension augmentation of certain members are recognized from when an individual ceases to be a member. Under US GAAP, these liabilities are recognized from the date on which an individual becomes entitled to the benefit.

Vacation £ (702)

Under UK GAAP, no accrual was recognized in the accounts for vacation entitlement that has been earned but not yet taken by associates. Under US GAAP, a liability must be accrued for vacation benefits that employees have earned but have not yet taken.

Software development £ (350)

Under UK GAAP, internal costs for the development of software for internal and external use were expensed as incurred. Under US GAAP, in accordance with SFAS 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," and SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," internal costs that are incurred in developing software for both internal use and external sale must be capitalized provided that they satisfy the prescribed conditions. Such costs are written off over the useful life of the software concerned, which is considered to be three years.

(7)

Professional and Subcontracted Services £ (200)

Professional Services £ (200) IBNR

Under UK GAAP, an IBNR provision for professional indemnity claims was recorded based upon management's review of both claims received and claims that may potentially be received, net of any anticipated insurance recoveries. Under US GAAP, a provision is also required to be held for claims incurred but not yet notified to the extent that they relate to work that has already been performed if probable and reasonably estimable. As such under US GAAP, the obligating event is the performance of the service. A provision is recorded for the full amount of the claims recorded under US GAAP. A separate receivable is recorded for the probable insurance recoveries that Watson Wyatt LLP will receive.

(8) **Occupancy, communications & other £ (157)**

Foreign exchange loss £ (157)

Exchange gains and losses on long-term loans to group companies were recorded as part of income. Under US GAAP, exchange gains and losses on loans to subsidiaries that are of a long-term investment nature, where settlement is not planned or anticipated in the foreseeable future are recorded as a translation adjustment in other comprehensive income.

(9) **Depreciation and amortization £ 129**

Amortization of goodwill £ (131)

Goodwill under UK GAAP was recorded at cost and amortized over its estimated useful life. This adjustment eliminates that amortization expense on the UK books. Under US GAAP, goodwill is not amortized but rather tested at least annually for impairment.

Amortization of software £ 260

This adjustment reflects the amortization of the costs of developing software under US GAAP that had previously been fully expensed under UK GAAP.

(10) **Income from affiliates £ (86)**

Adjustments in respect of the minority interest relate solely to the minority's share of other adjustments between UK and US GAAP described above.

(11) **Provision for income taxes £ (9)**

The adjustments in respect of deferred tax relate solely to the tax effect of the other adjustments between UK and US GAAP described above. Since taxation on the profits of Watson Wyatt LLP is solely the responsibility of the individual members, no tax expense or benefit is reported for adjustments related to Watson Wyatt LLP. Tax benefits have been recognized for the corporate subsidiaries only where there is sufficient evidence that the benefit will be realized in the future.

Watson Wyatt Holdings
Unaudited Pro Forma Combined Statements of Operations
Year Ended June 30, 2004
(in thousands, except per share data)

	Watson Wyatt Holdings July 1, 2003 June 30, 2004 $	Watson Wyatt LLP May 1, 2003 April 30, 2004 $*	Watson Wyatt LLP Reclassifications $**	Pro Forma Adjustments $	Pro Forma $
Revenue	$ 702,005	$ 417,142	$ 289	$ (7,017)(A)	$ 1,112,419
Costs of providing services:					
Salaries and employee benefits	396,775	228,022	(25,157)	38,903 (H)	638,543
Professional and subcontracted services	49,159	19,328	(2,716)	(7,017)(A)	58,754
Occupancy, communications and other	105,459	83,341	(24,111)	945 (R)	163,885
				(1,749)(D)	
General and administrative expenses	63,631		52,273		115,904
Depreciation and amortization	18,511	10,905		8,535 (K)	37,951
	633,535	341,596	289	39,617	1,015,037
Income from operations	68,470	75,546		(46,634)	97,382
Income from affiliates	7,109	812		(4,869)(B)	2,234
				(818)(C)	
Interest income (expense), net	743	1,543		(2,174)(M)	(3,263)
				(3,375)(O)	
Other non-operating income	6,222				6,222
Income from continuing operations before income taxes	82,544	77,901		(57,870)	102,575
Provision for income taxes	32,605	659		8,972 (G)	42,236
Income from continuing operations	$ 49,939	$ 77,242	$	$ (66,842)	$ 60,339
Basic earnings per share	$ 1.52				$ 1.44
Diluted earnings per share	$ 1.50				$ 1.43
Weighted average shares of common stock, basic	32,866			9,091 (S)	41,957
Weighted average shares of common stock, diluted	33,207			9,091 (S)	42,298

* Represents the Watson Wyatt LLP Consolidated Financial Statements after adjustment to US GAAP and conversion to the US dollar, as illustrated on the following page.

** Represents reclassifications to extract general and administrative expenses from the Watson Wyatt LLP Consolidated Financial Statements in order to conform to Watson Wyatt Holdings' presentation.

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Watson Wyatt LLP Statements of Operations
UK to US GAAP Reconciliation
Year Ended April 30, 2004
(in thousands)

	Watson Wyatt LLP UK GAAP £(1)	Watson Wyatt LLP Adjustments £(2)		Watson Wyatt LLP US GAAP £(3)	Watson Wyatt LLP $(4)
Revenue	£ 242,252	£ 118	(5)	£ 242,370	$ 417,142
Costs of providing services:					
Salaries and employee benefits	129,322	3,164	(6)	132,486	228,022
Professional and subcontracted services	11,045	185	(7)	11,230	19,328
Occupancy, communications and other	48,563	(140)	(8)	48,423	83,341
Depreciation and amortization	6,493	(157)	(9)	6,336	10,905
	195,423	3,052		198,475	341,596
Income from operations	46,829	(2,934)		43,895	75,546
Income from affiliates	279	193	(10)	472	812
Interest income	896			896	1,543
Income from continuing operations before income taxes	48,004	(2,741)		45,263	77,901
Provision for income taxes	462	(78)	(11)	384	659
Income from continuing operations	£ 47,542	£ (2,663)		£ 44,879	$ 77,242

(1)
These figures are derived from the Watson Wyatt LLP Consolidated Financial Statements included in this proxy/prospectus and have been reclassified to conform to the presentation of Watson Wyatt Holdings' statement of operations.

(2)
Represents adjustments necessary to convert the Watson Wyatt LLP financial statements from UK GAAP to US GAAP. For an explanation of these adjustments, see notes (5) through (11) below and Note 26 to the Watson Wyatt LLP Consolidated Financial Statements included in this proxy statement/prospectus.

(3)
Reflects the Watson Wyatt LLP Consolidated Financial Statements on a US GAAP basis in pounds sterling.

(4)
Reflects the Watson Wyatt LLP Consolidated Financial Statements on a US GAAP basis after translation to US dollars.

(5)
Fees £ 118

This entry increases revenue for the adjustment in software revenue recognition between UK and US GAAP. Fees for software under UK GAAP are recognized at the time the customer accepts the software. Maintenance fees receivable under software sales contracts are recognized as the associated costs fall due. Under US GAAP, revenue related to software sales is accounted for in accordance with

SOP 97-2, Software Revenue Recognition. When the software arrangements contain multiple elements, amounts are allocated to the different elements based on vendor specific objective evidence ("VSOE") of the fair value of the multiple elements. The majority of the arrangements contain a license fee element and customer support and upgrade services. For the arrangements that do not have VSOE of fair value for the different elements, the fees associated with the arrangement are deferred and recognized over the term of the arrangement.

(6)

Salaries and Employee benefits £ 3,164

Pension £ 3,235

Under UK GAAP, contributions payable to defined benefit pension plans are recognized over the employees' working lives, in accordance with SSAP 24, "Accounting for Pension Costs." Pension plan assets and liabilities are valued based on the actuary's best estimate of the assumptions taken as a whole. The resulting annual pension expense is a substantially level percentage of the current and expected future compensation expense. Under US GAAP, the accounting for pension costs follows SFAS 87, "Employers' Accounting for Pensions," which is more prescriptive with respect to actuarial assumptions which must be used and the allocation of costs to accounting periods, and requires each significant assumption to determine the annual pension cost to be a best estimate with respect to that individual assumption.

Additionally, under UK GAAP, liabilities for annuities potentially payable to the widows of members and for the pension augmentation of certain members are recognized from when an individual ceases to be a member. Under US GAAP, these liabilities are recognized from the date on which an individual becomes entitled to the benefit.

Vacation £ 654

Under UK GAAP, no accrual was recognized in the accounts for vacation entitlement that has been earned but not yet taken by associates. Under US GAAP, a liability must be accrued for vacation benefits that employees have earned but have not yet taken.

Software development £ (725)

Under UK GAAP, internal costs for the development of software for internal and external use were expensed as incurred. Under US GAAP, in accordance with SFAS 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," and SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," internal costs that are incurred in developing software for both internal use and external sale must be capitalized provided that they satisfy the prescribed conditions. Such costs are written off over the useful life of the software concerned, which is considered to be three years. Note that in Note 26 to the Watson Wyatt LLP Consolidated Financial Statements, this amount is netted with £534 of amortization of software as discussed in note (9) below.

(7)

Professional and Subcontracted Services £ 185

Professional Services £ 200

Under UK GAAP, an IBNR provision for professional indemnity claims was recorded based upon management's review of both claims received and claims that may potentially be received, net of any anticipated insurance recoveries. Under US GAAP, a provision is also required to be held for claims incurred but not yet notified to the extent that they relate to work that has already been performed if probable and reasonably estimable. As such under US GAAP, the obligating event is the performance of the service. A provision is recorded for the full amount of the claims recorded under US GAAP. A separate receivable is recorded for the probable insurance recoveries that Watson Wyatt LLP will receive.

Deferred
consideration £ (15)

UK GAAP recognizes compensation payable when amounts can be reliably estimated, and it is probable that the amounts will be paid. US GAAP recognizes contingent consideration only when determined beyond doubt.

(8)
Occupancy, communications & other £ (140)

Foreign exchange loss £ (140)

Exchange gains and losses on long-term loans to group companies were recorded as part of income under UK GAAP. Under US GAAP, exchange gains and losses on loans to subsidiaries that are of a long-term investment nature, where settlement is not planned or anticipated in the foreseeable future are recorded as a translation adjustment in other comprehensive income.

(9)
Depreciation and amortization £ (157)

Amortization of goodwill £ (691)

Goodwill under UK GAAP was recorded at cost and amortized over its estimated useful life. This adjustment eliminates that amortization expense on the UK books. Under US GAAP, goodwill is not amortized but rather tested at least annually for impairment.

Amortization of software £ 534

This adjustment reflects the amortization of costs of developing software under US GAAP that had previously been fully expensed under UK GAAP.

(10)
Income from affiliates £ 193

Adjustments in respect of the minority interest relate solely to the minority's share of other adjustments between UK and US GAAP described above.

(11)
Provision for income taxes £ (78)

The adjustments in respect of deferred tax relate solely to the tax effect of the other adjustments between UK and US GAAP described above. Since taxation on the profits of Watson Wyatt LLP is solely the responsibility of the individual members, no tax expense or benefit is reported for adjustments related to Watson Wyatt LLP. Tax benefits have been recognized for the corporate subsidiaries only where there is sufficient evidence that the benefit will be realized in the future.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

(in thousands, except share and per share data)

Note 1 Description of Transaction and Basis of Pro Forma Presentation

For a description of the acquisition and the acquisition consideration, please see "Summary Questions and Answers What will Watson Wyatt Holdings acquire in the acquisition?" and "The Business Transfer Agreement Acquisition Consideration," respectively.

Watson Wyatt Holdings will use the purchase method of accounting for the acquisition of Watson Wyatt LLP assets under accounting principles generally accepted in the United States (US GAAP). Therefore, the purchase price will be allocated to assets and liabilities of the European business based on their estimated fair market values at the closing of the acquisition. Inasmuch as Watson Wyatt Holdings already owns a 20% interest in Watson Wyatt LLP, net assets acquired, exclusive of the net assets of Watson Wyatt Holdings (Europe) Limited, will be reflected at 80% of estimated fair value under the step provisions of purchase accounting. Net assets acquired in Watson Wyatt Holdings (Europe) Limited will reflect a 60% fair market value since Watson Wyatt Holdings directly owns a 25% interest and indirectly owns another 15% through its 20% interest in Watson Wyatt LLP's 75% interest in Watson Wyatt Holdings (Europe) Limited (20% of 75% equals 15%). Any excess of the purchase price over these fair market values will be accounted for as goodwill to the extent not identified as an intangible asset apart from goodwill. Once known and determinable, the impact of the contingent consideration, if any, will be recorded as additional goodwill and will not be impacted by the step provisions of purchase accounting. The reported financial condition and results of operations of Watson Wyatt Holdings issued after the acquisition will reflect Watson Wyatt Holdings' balances and results after the closing of the acquisition, but under US GAAP are not required to be restated retroactively to reflect the historical financial position or results of operations of Watson Wyatt LLP.

As further discussed in Note 2, the unaudited pro forma combined financial information includes estimated adjustments to record the assets and liabilities of Watson Wyatt LLP at their respective fair values and represents management's estimates based on available current information. The unaudited pro forma combined financial information does not include the impact of the contingent consideration since the financial targets stipulated in the contingent consideration have not yet been achieved. The pro forma adjustments included herein may be revised as additional information becomes available and as additional analyses are performed.

Note 2 Purchase Price

The following table outlines a preliminary estimate of the purchase price for Watson Wyatt Holdings based on the announcement date average closing price of $26.26. The announcement date average closing price is the average of the closing market prices of Watson Wyatt Holdings' common stock over the five business days beginning with the two business days prior to the announcement date (January 18, 2005) and ending with the two business days following the announcement date. The dollar amounts have been converted from pounds sterling using the rate of US$1.8387 per £1.00 in effect as of October 31, 2004.

	December 31, 2004	
	(In thousands except share and per share data)	
Purchase Price:		
Shares of Watson Wyatt Holdings' stock to be issued	9,090,571	
Assumed Purchase Price of Watson Wyatt Holdings' stock	$ 26.26	
Aggregate fair value of common stock issued in acquisition		$ 238,718
Cash paid (£88.3 million)		164,531
Direct acquisition costs		8,000
Total preliminary estimated purchase price		$ 411,249
Less net assets acquired:		
Cash and cash equivalents	$ 15,895	
Client receivables and unbilled revenue	123,544	
Other current assets	16,194	
Investment in affiliates	(30,421)	
Fixed assets	15,318	
Other intangible assets	194,286	
Other assets, net	16,643	
Accounts payable and accrued expenses	(48,955)	
Amounts owed to members	(89,820)	
Accrued retirement benefits	(16,498)	
Other noncurrent liabilities	(37,387)	
Total net assets acquired		158,799
Estimated goodwill resulting from acquisition		$ 252,450

The final allocation of the purchase price will be determined upon completion of a final analysis to determine the fair values of Watson Wyatt LLP's tangible and intangible assets and liabilities as of the closing date. Accordingly, the final purchase accounting adjustments may differ from the pro forma adjustments presented in this document. Increases or decreases in the fair value of Watson Wyatt LLP's net assets, commitments, contracts or other items may change the amount of the purchase price allocated to goodwill and other assets and liabilities may affect the income statement due to adjustments in the amortization of the adjusted assets or liabilities, yield or other changes.

Note 3 Pro Forma Adjustments

The pro forma adjustments reflected in the unaudited pro forma combined financial information are as follows, with all information set forth in US dollars, in thousands:

(A)

This adjustment reflects the elimination of operating transactions between Watson Wyatt Holdings and Watson Wyatt LLP that, upon completion of the acquisition, would represent intercompany transactions.

(B)

As a result of Watson Wyatt Holdings' beneficial interest in Watson Wyatt LLP, Watson Wyatt Holdings records its share of profits as income from affiliates on the statement of operations and its share of capital contributions and undistributed profits as an investment on its balance sheet. The related income and investment balance will be eliminated as a result of the acquisition.

(C)

Watson Wyatt LLP records Watson Wyatt Holdings' share of undistributed earnings/losses in Watson Wyatt Holdings (Europe) Limited as minority interest. This minority interest will be eliminated upon completion of the acquisition.

(D)

Watson Wyatt LLP has an outstanding note with Watson Wyatt Holdings related to its historical transaction involving Watson Wyatt Holdings (Europe) Limited as described in "Material Relationships Between Watson Wyatt Holdings and Watson Wyatt LLP." Watson Wyatt LLP carries the note at $26,214, representing the principal balance plus accrued interest owed thereon. Watson Wyatt Holdings has not accrued interest income on the note due to concerns over collectibility stemming from continued losses experienced by Watson Wyatt Holdings (Europe) Limited and therefore carries the note at $7,298. This adjustment eliminates the respective note payable and note receivable balances as well as the interest expense recorded by Watson Wyatt LLP.

(E)

As required under Statement of Financial Accounting Standards No. 141, "Business Combinations," this entry increases the Watson Wyatt LLP pension liability to reflect the excess of the plan's projected benefit obligation over the plan's assets.

(F)

This adjustment records deferred tax assets that are estimated to exist upon consummation of the acquisition, some of which relate to long-term liabilities such as pension and IBNR liabilities.

(G)

This adjustment reflects the anticipated income tax expense, which was redetermined based on the combined income of Watson Wyatt Holdings and Watson Wyatt LLP. The adjusted effective tax rate is 39.83% for the pro forma six months ended December 31, 2004 and 41.18% for the pro forma year ended June 30, 2004. The effective tax rate was calculated as if Watson Wyatt LLP operated and was taxed as a corporation. Actual effective tax rates may differ from the pro forma rates reflected in this pro forma information and will ultimately depend on several variables, including the mix of earnings between domestic and international operations (including the amount of foreign losses for which a valuation allowance is recorded), and the overall level of earnings.

(H)

Compensation expense recorded on the books of Watson Wyatt LLP has historically reflected a partnership structure with the allocation of profits to members. This entry adjusts compensation expense to reflect market salaries expected to be paid to members after consummation of the acquisition. For voting members these salaries reflect the compensation set out in the employment agreements they have executed which represent market-related compensation for those individuals taking into consideration various factors such as the experience and expertise of each individual. The salaries being offered to non-voting members are based on a conversion of their profit share into broadly consistent total compensation packages as employees rather than as members.

(I)

This adjustment reflects the sale by Watson Wyatt LLP of the 100,000 shares of Watson Wyatt Holdings' common stock that it currently owns, as specified in the transaction. We assume that the stock is sold at $26.62 per share.

(J)

This adjustment reclassifies undistributed partnership profits to reflect Watson Wyatt Holdings' obligation to distribute the profits to voting and non-voting members. It also eliminates Watson Wyatt Holdings' interest in those profits.

(K)

This adjustment reflects the addition of intangible assets (other than goodwill) and related amortization expense resulting from the acquisition based on estimated fair values. The pro forma adjustments reflected here are based on a preliminary external valuation involving current assumptions and valuations, which are subject to change as management continues to study the nature, amount and amortization method of identifiable intangibles. The value of intangible assets represents the estimated future economic benefit resulting from the acquired customer balances and relationships. This value was estimated by considering the cash flows from the current balances of accounts, expected growth or attrition in balances, and the estimated life of the relationship. In light of the fact that many variables are taken into account for purposes of this valuation, material changes are possible once our analysis is complete.

For purposes of the pro forma adjustments, the following table summarizes the estimated fair value and useful lives for amortization on a straight-line basis:

	Asset Life	Amount
		(in thousands)
Trademark and trade name	Not amortizable	$ 110,900
Customer-related intangible	10-15 years	62,100
Core/Developed technology	3-5 years	18,300

The trademark and trade name intangible asset is considered to have an indefinite life because the asset is expected to generate cash flows indefinitely. Watson Wyatt Holdings will assess the adequacy of these cash flows through an annual impairment test of the intangible asset.

(L)

This adjustment reflects the elimination of specific liabilities and related cash reserves that will remain with the partners following the transaction. At October 31, 2004, these liabilities totaled US$38.0 million and included reserves for professional liability claims of US$6.7 million, annuities to retired members of US$7.5 million, capital accounts of voting members of US$22.0 million and an estimated US$1.8 million of checks outstanding as of the close. These liabilities will be remeasured at the closing date.

(M)

This adjustment reflects the elimination of interest income for cash balances that are assumed to have been spent at July 1, 2003 in conjunction with the acquisition. Since the cash payments outlined in items (L), (N) and (O), totaling approximately $212 million, are greater than cash balances on hand as of the closing of the acquisition, we have assumed that all interest income is eliminated except for interest income on cash balances of $50 million required for working capital purposes around the world. Interest income from these balances was calculated using a 2% interest rate.

(N)

This adjustment reflects the payment of US$8 million of estimated direct acquisition costs.

(O)

This adjustment reflects the issuance of 9,090,571 shares of common stock, the incurrence of US$90 million of debt and the payment of US$164.5 million of cash associated with the transaction. It also reflects interest expense on the estimated borrowing. Interest expense is calculated based on a current market rate of 3.75%. As a result, material changes to these amounts are possible, as rates are subject to change in response to general economic conditions. A $^{1}/_{8}$% increase/(decrease) in interest rates would result in a $125,000 increase/(decrease) in interest expense. Watson Wyatt Holdings expects to negotiate a new revolving credit facility from which these amounts will be borrowed.

(P)

This adjustment reflects the elimination of retained earnings and the revaluation reserve resulting from the acquisition.

(Q)

This adjustment records goodwill as the excess of the estimated purchase price over the estimated fair value of Watson Wyatt LLP's acquired tangible and intangible assets and liabilities which is anticipated to result from the transaction.

(R)

Watson Wyatt Holdings records a liability for incurred but not reported claims (IBNR) because Watson Wyatt Holdings purchases claims-made insurance. Watson Wyatt LLP has recorded a similar liability as it has adjusted its financial statements to reflect US GAAP. This liability is estimated to increase 5% per year. This adjustment reflects the expense associated with the additional accrued liability.

(S)

Earnings per share calculations for the year ended June 30, 2004 and for the six months ended December 31, 2004 are based on the historical weighted average shares reported by Watson Wyatt Holdings as outstanding during the respective periods, plus the number of shares issued in conjunction with the transaction, which shares are assumed to be issued on the first day of each respective period.

INFORMATION ABOUT THE EUROPEAN BUSINESS

General

Watson Wyatt LLP, a privately held limited liability partnership registered in England, is one of the leading actuarial, benefits and human capital consulting businesses operating in Europe. The firm was founded in 1878 as R. Watson & Sons and was renamed Watson Wyatt Partners in 1995 in connection with the formation of the alliance. In 2002, the business carried on by Watson Wyatt Partners was established as a limited liability partnership under the laws of England and became known as Watson Wyatt LLP.

Watson Wyatt LLP provides services in five broad practice areas:

- benefits consulting,
- investment consulting,
- insurance and financial services consulting,
- human capital consulting, and
- benefits administration.

Actuarial and Other Services

The services Watson Wyatt LLP provides within its five main practice areas are comprised of the following service lines:

Benefits Consulting

Watson Wyatt LLP serves as consulting actuary to 53 of the 100 largest pension funds in the UK.

Retirement Consulting

Watson Wyatt LLP provides actuarial and consulting services for both defined benefit and defined contribution arrangements. Its retirement consulting services encompass plan design and implementation, actuarial and financial valuations, risk management, due diligence processes, and market surveys and benchmarking.

Flexible Benefits Consulting

Watson Wyatt LLP assists organizations looking to introduce greater flexibility or choice in the reward programs they offer their employees by facilitating the introduction of voluntary benefits programs, assisting in the introduction of greater choice within each benefit, and assisting in the introduction of flexible benefits plans.

Benefits Communication Consulting

Watson Wyatt LLP's benefits communication team provides consulting on benefits-related communication matters. These services range from complete benefits communication programs to specific deliveries including advice on and production of total compensation and personalized statements.

Pensions Administration Consulting

Watson Wyatt LLP's pensions administration consulting team provides a range of consulting services on all aspects of pension plan administration with the aim of helping organizations achieve

cost-effective administration incorporating best practice standards that meet the expectations of the sponsoring company, the trustees and plan members.

Healthcare and Risk Consulting

Watson Wyatt LLP's healthcare and risk consulting team specializes in assisting companies in the design, financing and implementation of medical benefit, life assurance and income protection arrangements, and in developing integrated healthcare solutions that are tailored to meet its clients' specific needs.

Financial Education

Watson Wyatt LLP's dedicated team of specialist consultants provides personal financial advice to senior executives at its client companies.

International Consulting

Watson Wyatt LLP helps multinational businesses adopt a global perspective on human resources, compensation and benefits issues. Watson Wyatt LLP works with corporate headquarters and their overseas subsidiaries to develop and implement global benefits and human resources policies, manage human resources expenditures, ensure consistency in global pay and benefits, reward employees effectively regardless of location and establish consistency in worldwide reporting and quality control.

Investment Consulting

Watson Wyatt LLP assists clients in developing investment strategies that meet their investment goals by providing advice on governance and regulatory issues, asset allocation strategies, investment structures, selection and evaluation of managers and performance monitoring.

Insurance & Financial Services Consulting

Watson Wyatt LLP's global insurance and financial services consulting team provides advice on strategic matters, management issues, the sources of value and all aspects of financial condition/risk management within insurance and financial services businesses. Watson Wyatt LLP advises a wide range of clients including major financial institutions, life, non-life and health insurance companies, reinsurers, fund managers, banks, bancassurers and companies involved in the purchase or distribution of insurance and financial services.

Human Capital Group

Strategic Reward Consulting

Watson Wyatt LLP advises organizations on their employee reward strategy and implementation, including managing performance, job leveling, total reward design and benchmarking and pay strategies. Watson Wyatt LLP's Global Grading System , a software program, is used by clients in different human resources programs such as pay management, stock allocation, career development and job titling, across the globe.

Human Resources Measurement

Watson Wyatt LLP helps organizations focus their investment on the human resources issues and practices that will deliver the best return. Watson Wyatt LLP participates with Watson Wyatt Holdings in the preparation of the Human Capital Index , which is proprietary research into the links between human capital practices and their impact on shareholder value.

Executive Reward Consulting

As advisors to remuneration committees, Watson Wyatt LLP consults with leading companies on their executive reward design and long-term incentive programs using tools such as Present Economic Value, a proprietary methodology for valuing long-term incentives and determining a consistent and realistic value for different types of plans including share options, performance shares and restricted shares.

Pay and Benefits Data

Watson Wyatt LLP's data services team collects, analyzes and presents pay and benefits data across Europe, Africa and the Middle East to assist human resources executives in designing equitable, competitive and motivating compensation packages.

Benefits Administration Solutions

Watson Wyatt LLP's pensions administration team changed its name to "Benefits Administration Solutions" at the beginning of May 2003. The name change reflects a transition from providing purely pensions administration services to providing a broader range of services, including flexible benefits administration, and the team's advanced use of technology solutions to streamline and improve service delivery.

Customers, Marketing and Sales

Watson Wyatt LLP is a leading actuarial firm, and its target market is large, multinational clients. As of January 31, 2005, Watson Wyatt LLP listed as clients over 39 percent of the Fortune Global 500 companies headquartered in Europe and advised 77 of the FTSE 100 companies headquartered in the UK.

The breadth and depth of Watson Wyatt LLP's client base requires familiarity with the problems and issues facing all sizes and types of company. Watson Wyatt LLP's aim is to provide each client, regardless of size, with the same level of attention and service. Watson Wyatt LLP is focused on building strong working relationships with its clients with a view to ensuring the right advice is delivered on time and within budget.

Watson Wyatt LLP's growth strategy is based on a commitment to client satisfaction through its account management program. Watson Wyatt LLP's account managers focus on effectively delivering services to clients and on expanding its relationships across service lines, geographic boundaries and divisions within client companies.

Watson Wyatt LLP pursues new clients using cross-practice teams of consultants, as well as dedicated business developers who initiate relationships with targeted companies. Watson Wyatt LLP's efforts to expand its accounts and its client base are supported by market research, sales training programs and extensive marketing databases. Watson Wyatt LLP's sales efforts are also supported by a range of marketing initiatives designed to raise awareness of the Watson Wyatt Worldwide brand and Watson Wyatt LLP's reputation within target markets.

Competition

The firm's main competitors across its principal practice areas include the following:

Benefits consulting Aon, Hewitt Associates, Hymans (Milliman network in Europe), Mellon, Mercer Human Resource Consulting, PricewaterhouseCoopers and Towers Perrin.

Human capital consulting Deloitte, Ernst & Young, The Hay Group, Hewitt Associates, Mercer Human Resource Consulting, New Bridge Street Consultants, PricewaterhouseCoopers and Towers Perrin.

Benefits administration Aon, Capita, Gissings, Hewitt Associates, Jardine Lloyd Thompson, Mercer Human Resource Consulting and Towers Perrin.

Investment consulting Aon, Hewitt Associates, Hymans, Mercer Investment Consulting and Russell Investment Group.

Insurance & financial services Deloitte, Ernst & Young, Mercer Oliver Wyman, Milliman, PricewaterhouseCoopers and Tillinghast.

Employees

As at March 31, 2005, Watson Wyatt LLP and its subsidiaries employed 2,089 persons, including 47 voting members, 183 non-voting members and 1,859 other associates.

The firm has been recognized for its commitment to the attraction and retention of key talent by its 2004 inclusion in *The Sunday Times* "100 Best Companies to Work for in the UK" for the fifth year running. Also in 2004, Watson Wyatt LLP, for the second year running, was named one of the 50 best companies to work for in Ireland.

Legal Proceedings

In common with other professional services firms and advisors, Watson Wyatt LLP is involved in various legal proceedings that arise from time to time in the ordinary course of business. These typically involve claims relating to the rendering of professional services or employment matters. Based on currently available information, none of these proceedings are expected to have a material adverse effect on Watson Wyatt LLP.

The most significant claims Watson Wyatt LLP is defending currently are summarized below. Watson Wyatt Holdings is not assuming any liability for these claims in connection with the acquisition. After the closing, Watson Wyatt LLP will continue to defend the claims.

Independent Insurance

In November 2003, Watson Wyatt LLP was served with a letter of claim from the provisional liquidators of Independent Insurance. Formal proceedings were served on February 18, 2005. The claim alleges that Watson Wyatt LLP was negligent in its assessment of reserves for various accounts in the years ending 1997 to 2000. The claim is being defended.

Crédit Lyonnais Securities Limited & others versus (1) Watson Wyatt LLP and (2) Watson Wyatt Partners

Watson Wyatt LLP, Watson Wyatt Partners, and Watson Wyatt Worldwide are defendants to a claim brought by Crédit Lyonnais Securities Limited and the Trustees of the Crédit Lyonnais Group UK Pension Scheme and others. The claim alleges breach of contract and negligence in the performance of actuarial valuation work undertaken between 1996 and 1999. The claim further alleges that the value of the fund was accordingly overstated and that the claimants granted more generous benefits to their employees than they would have had they appreciated the true funding position. The claim is being defended and is listed for trial in May 2005.

Other Partnership Matters

In March 2004 the UK Government announced an independent review into the actuarial profession, with a particular focus on considering how best to modernize that profession and see that high standards are delivered in a more open, challenging and accountable professional culture. The review was conducted by Sir Derek Morris, the former Chairman of the Competition Commission and was known as the Morris Review. The terms of reference of the Morris Review included looking at professional standards, accountability of actuaries for their actions and whether or not there was an open and competitive market for actuarial advice in the UK. The Morris Review delivered its final report on March 16, 2005 with recommendations which were accepted by the UK Government. Among those recommendations were recommendations relating to steps that should be taken to address the potential for conflicts that surround the role of one actuary advising both the trustees and employer in connection with a pension scheme and measures to encourage users to market test and to put elements of their actuarial advice out to bid separately.

MANAGEMENT AND OPERATIONS OF WATSON WYATT HOLDINGS AFTER THE ACQUISITION

Board of Directors of Watson Wyatt Holdings After the Acquisition

In connection with the acquisition, management of Watson Wyatt Holdings recommended to the Nominating and Governance Committee of the Watson Wyatt Holdings board of directors that one additional director, a Watson Wyatt LLP voting member, be presented for election to the Watson Wyatt Holdings board of directors at the special meeting. The Nominating and Governance Committee determined that nomination of a Watson Wyatt LLP voting member for election as an "inside" director was appropriate and that Mr. Ramamurthy would be nominated for election as a director, contingent upon consummation of the acquisition.

The Nominating and Governance Committee also has accepted management's recommendation that the committee begin a search for a qualified candidate to serve as an additional director who meets the independence requirements of the New York Stock Exchange listing standards. The new director is expected to have a background in Europe or the United Kingdom. Management provided the committee with a list of nominees proposed by Watson Wyatt LLP that the committee will consider in addition to other candidates. Watson Wyatt Holdings and Watson Wyatt LLP have agreed that global diversity and worldview will be important factors to be considered by the Nominating and Governance Committee in selecting directors in the future.

If Mr. Ramamurthy is elected to the board of directors at the special meeting, the Watson Wyatt Holdings board of directors will be comprised of ten directors, of which six will be deemed to be "independent" for New York Stock Exchange listing purposes, and four will not be independent. Mr. Haley will continue as President, Chief Executive Officer and Chairman of the Watson Wyatt Holdings board of directors.

Watson Wyatt Holdings anticipates that the search process for the new independent director will commence shortly after the closing of the acquisition. The Nominating and Governance Committee will endeavor to select an independent director candidate for inclusion on the slate of directors to be presented for stockholder approval at Watson Wyatt Holdings' 2005 Annual Meeting of Stockholders.

Compensation of Directors of Watson Wyatt Holdings After the Acquisition

If elected, as an employee director after the closing of the acquisition, Mr. Ramamurthy will not be compensated separately for service on the board, in accordance with Watson Wyatt Holdings' current policy. For a description of Watson Wyatt Holdings' director compensation policies, see "Election of Director Operation of the Board" at page .

Management of Watson Wyatt Holdings After the Acquisition

The following table sets forth information with respect to members of Watson Wyatt LLP who will serve as directors or executive officers of Watson Wyatt Holdings after the closing of the acquisition. For information regarding management of Watson Wyatt Holdings, see "Election of Director Nominee and Other Members of the Board of Directors" and the information set forth under the heading "Biographical Information For Other Executive Officers of the Company" in Watson Wyatt Holdings' proxy statement dated October 15, 2004 for its annual meeting of stockholders held on November 19, 2004, which information is incorporated by reference into this proxy statement/prospectus.

Name	Age	Title
Paul N. Thornton	54	Director
Chandrasekhar Ramamurthy	49	Regional Manager (Europe)
Philip G.H. Brook	49	Global Practice Director, Insurance & Financial Services
David M.E. Dow	46	Global Practice Director, Benefits Administration Solutions and Technology Solutions
Roger C. Urwin	51	Global Practice Director, Investment Consulting
Alan K. Whalley	49	Regional Manager (US Region)

Biographical information regarding directors and executive officers of Watson Wyatt Holdings is set forth in "Election of Director Nominee and Other Members of the Board of Directors" at page and under the heading "Biographical Information For Other Executive Officers of the Company" in Watson Wyatt Holdings' proxy statement dated October 15, 2004 for its annual meeting of stockholders held on November 19, 2004, which information is incorporated by reference into this proxy statement/prospectus.

Biographical information regarding members of Watson Wyatt LLP who will serve as a director or executive officer of Watson Wyatt Holdings after the acquisition is provided below:

Paul N. Thornton (age 54) has served as a director of Watson Wyatt Holdings since 2000. He joined Watson Wyatt LLP in 1974, qualified as a Fellow of the Institute of Actuaries in 1975 and became a member of the firm in 1977. Mr. Thornton has been the Senior Partner of Watson Wyatt LLP since May 2001. He was Chairman of the Pensions Board of the Faculty and Institute of Actuaries in the UK from 1994 to 1996, Chairman of the Association of Consulting Actuaries from June 1997 to June 1998 and President of the Institute of Actuaries from July 1998 to July 2000. Mr. Thornton is a member of the Executive Committee of the International Actuarial Association, Chairman of the Committee of the International Actuarial Association dealing with Pensions and Employee Benefits and a member of the Committee of the International Association of Consulting Actuaries. He holds an honours degree in Mathematics from Oxford University.

Chandrasekhar Ramamurthy (age 49), known as Babloo Ramamurthy, joined The Wyatt Company in 1977. Following the establishment of the global Watson Wyatt Worldwide alliance in 1995, Mr. Ramamurthy became a member of Watson Wyatt LLP. Mr. Ramamurthy has been based primarily in the London Office of Watson Wyatt LLP, although between 1983 and 1986 he transferred to the international benefits and compensation consulting team based in the New York region, where he dealt primarily with the head offices of US multinational companies. Since returning to Europe, Mr. Ramamurthy has been the account manager for a number of the firm's major clients in the UK, advising on a broad range of human capital and employee benefits issues in both the UK and overseas. Mr. Ramamurthy was the Head of the European Benefits Consulting Practice from 1999 to 2004, before being appointed the Managing Partner of Watson Wyatt LLP with effect from May 1, 2004. Mr. Ramamurthy holds an honours degree in Mathematics from King's College, London.

Philip G.H. Brook (age 49) joined Watson Wyatt LLP in 1991 and became a member in 1992. Prior to joining Watson Wyatt LLP, Mr. Brook worked for M&G Re for 12 years where he qualified as a Fellow of the Institute of Actuaries in 1984. Mr. Brook is Global Head of Watson Wyatt LLP Insurance & Financial Services practice comprising around 300 associates in 14 countries across Europe, Asia and the United States. He is also the account manager for a number of Watson Wyatt LLP multinational financial services clients and has held management positions with the Insurance & Financial Services practice and the wider firm for a number of years. During his career at Watson Wyatt LLP, Mr. Brook has worked on a wide range of international insurance projects, many of which have been merger or acquisition transactions or projects of a financial management nature. Mr. Brook holds an honours degree in Mathematics from Cambridge University.

David M.E. Dow (age 46) qualified as a chartered accountant in 1983 and joined The Wyatt Company in 1988. Prior to that, he trained with KPMG and was a consultant at Schroders. Mr. Dow was appointed Managing Director of Wyatt Financial Services Ltd shortly after joining The Wyatt Company. Following establishment of the global Watson Wyatt Worldwide Alliance in 1995, Mr. Dow became a member in Watson Wyatt LLP and headed the Financial Services Group through a period of significant diversification and growth. In 1998, Mr. Dow took on responsibility for what was then Watson Wyatt LLP's Pensions Administration business, creating the Benefits Administration Solutions practice. Mr. Dow's track record has been in reorganizing and leading businesses to deliver quality improvement and profitable growth. Mr. Dow has held partnership board and Finance Committee roles within Watson Wyatt LLP as well as leading both consulting and operations practices for over 15 years.

Roger C. Urwin (age 51) joined Watson Wyatt LLP as a member in 1989 to head up the Investment Consulting practice. Prior to joining Watson Wyatt LLP, Mr. Urwin worked as an investment consultant for Bacon and Woodrow and headed William Mercer's investment practice before joining Gartmore Investment Management in 1987, where he was responsible for business development and quantitative investment. Mr. Urwin has wide experience of investment matters having been both on the investment management and consulting side. Mr. Urwin has responsibility for a number of Watson Wyatt LLP's major investment clients both in the UK and internationally, advising them on all investment issues. Mr. Urwin has been Global Head of Investment Consulting since 1995. Mr. Urwin is the author of a number of papers on asset allocation policy and manager selection. He is on the Board of INQUIRE (the Institute for Quantitative Investment Research) and the Editorial Board of MSCI. Mr. Urwin has an MA in Mathematics and an M.Sc in applied Statistics, both from Oxford University.

Alan K. Whalley (age 49) has served as Regional Manager (US Region) of Watson Wyatt Holdings since May 2004, and was most recently the Managing Partner of Watson Wyatt LLP. In this role he was a member of Watson Wyatt LLP partnership board and chairman of the Euro Matrix Group, Watson Wyatt LLP executive management committee. Mr. Whalley joined Watson Wyatt LLP in 1977. He is a consulting actuary primarily in the retirement field, where he specializes in consulting for larger companies. Mr. Whalley established Watson Wyatt LLP Manchester office in 1985, followed by its Leeds office in 1990. Prior to his appointment as Managing Partner of WW LLP in 1999, he was head of the UK benefits practice from 1995. He has served as a member of the CBI Council for the Yorkshire and the Humber Region and as chairman of the Yorkshire Group of the National Association of Pension Funds. He is a Fellow of the Institute of Actuaries and a Fellow of the Pensions Management Institute. Mr. Whalley holds an MA in Mathematics from Oxford University.

Executive Compensation

Watson Wyatt Holdings. Information regarding compensation of executive officers of Watson Wyatt Holdings is set forth in "Election of Director Executive Compensation" at page .

Watson Wyatt LLP. Watson Wyatt LLP's business, since 2002, has been conducted as a private UK limited liability partnership, and members have been compensated through salary and distributions of income in the form of profit-sharing payments. Consequently, meaningful individual compensation information based on operating in corporate form is not available for periods before the acquisition.

The following table sets forth compensation information for the year ended April 30, 2004 for Watson Wyatt LLP's senior partner and three other most highly compensated Watson Wyatt LLP members who will become executive officers or directors of Watson Wyatt Holdings after the acquisition. The dollar amounts have been converted from pounds sterling using the average exchange rate for the fiscal year ended April 30, 2004 of US$1.72 to £1.00.

Watson Wyatt LLP Summary Compensation Table

Name and Principal Position	Annual Compensation Salary(1) ($)	Annual Compensation Bonus(2) ($)
Paul N. Thornton Senior Partner	$ 192,984	$ 1,640,646
Chandrasekhar Ramamurthy Managing Partner	$ 192,984	$ 1,145,370
Roger C. Urwin Global Head of Investment Consulting	$ 192,984	$ 1,601,516
Alan K. Whalley Voting Member, Watson Wyatt LLP, and Regional Manager (US Region), Watson Wyatt Holdings	$ 192,984	$ 1,586,007

(1) Salary consists of the salaried remuneration of members for the year ended April 30, 2004. These amounts are not comparable to executive compensation in the customary sense.

(2) Bonus amounts consist of annual profit sharing payments in respect of the fiscal year ended April 30, 2004 and include interest received on capital. These amounts are not comparable to executive compensation in the customary sense.

Aggregate compensation paid to Watson Wyatt LLP members who are not named in the compensation table above may exceed that set forth in the table.

In the acquisition, Watson Wyatt Holdings will return to Watson Wyatt LLP cash to meet specified obligations of Watson Wyatt LLP after closing, including annual profit sharing payments to the individuals named above. See "Business Transfer Agreement Post Closing Payments."

A number of Watson Wyatt LLP members, including Mr. Whalley, have used the proceeds of bank loans to make capital contributions to Watson Wyatt LLP that then were advanced back to the members. The amount owed by Mr. Whalley as of April 30, 2004 was £300,000. The aggregate amount owed by members to Watson Wyatt LLP in connection with these transactions totaled £2.4 million at April 30, 2004.

Management Committees of Watson Wyatt Holdings After the Acquisition

For a discussion of management committees of Watson Wyatt Holdings after the acquisition, see "The Acquisition Interests of Certain Persons in the Acquisition Global Matrix and Other Management Committees."

Employment and Other Arrangements

Except for Mr. Whalley, each voting member of Watson Wyatt LLP, including the individuals named above, has entered into an employment agreement with WW Limited, the effectiveness of which is conditioned upon the closing of the acquisition. The terms of the employment agreements with each voting member and each individual who is treated as a voting member under the Watson Wyatt LLP membership agreement are identical except for the remuneration received. The terms of the agreements with these individuals are generally similar to the employment agreements with other employees of WW Limited, and these individuals are subject to the same employment policies applicable to other employees of WW Limited.

The employment agreements provide for payment of a base salary plus a target bonus of 50% of base salary. Payment of bonuses is subject to WW Limited's normal practices relating to bonus payment in effect from time to time. The agreements also provide for payment of 27% of base salary, including a 12% car allowance, which is intended to be in lieu of other benefits, although WW Limited also will provide disability and life insurance benefits to these individuals.

The employment agreements may be terminated by either party on six months' prior notice. In addition, WW Limited may terminate the agreement without notice in the case of misconduct, conviction of certain criminal offenses, willful neglect of duties or grave and persistent breaches of the employment agreement.

The agreements include a non-solicitation provision which is summarized under "Agreements Relating to the Acquisition Employment/Non-Solicitation and Non-Competition Agreements."

DISTRIBUTION OF ACQUISITION CONSIDERATION AND WINDING DOWN OF WATSON WYATT LLP

Distribution to Voting Members

Watson Wyatt LLP has advised us that immediately after the acquisition, Watson Wyatt LLP will distribute to, or at the direction of, its voting members 8,988,071 shares of Watson Wyatt Holdings' common stock received by Watson Wyatt LLP at closing. The distribution to each voting member of common stock will be based on a pro-rata agreed share reflecting prospective entitlements of each voting member that would otherwise have come due from Watson Wyatt LLP.

Watson Wyatt LLP also has advised us that most of the cash proceeds of the acquisition will be distributed to voting members after the closing. The distribution to each voting member of cash consideration will be based, in each instance, on the same pro-rata share that applies to the distribution of stock consideration.

A total of 102,500 shares of common stock and approximately £3.5 million of the cash proceeds will be retained by Watson Wyatt LLP. We understand that Watson Wyatt LLP intends to use the shares to fund awards of shares over the next three to four years to associates that are promoted to the most senior category of associates within the European business. We understand that the cash is being retained for certain transactional costs, tax exposures and Watson Wyatt LLP's expected costs in winding down its business.

As a condition to receiving shares of Watson Wyatt Holdings' common stock to be issued in connection with the acquisition, each voting member receiving such shares must agree to the transfer restrictions described in "The Business Transfer Agreement Distribution of Proceeds Share Transfer Restrictions."

Distribution by Voting Members to Retired Members

Pursuant to the plan of distribution adopted by Watson Wyatt LLP, the voting members will distribute up to £20 million (approximately US$38.1 million based on exchange rates on April 29, 2005) in cash and up to 900,000 shares of Watson Wyatt Holdings' common stock to retired members of Watson Wyatt LLP, conditional upon each retired member's waiver of existing contractual rights to annuity payments.

The voting members have personal obligations to make annuity payments to retired members. The voting members are expected to utilize up to £20 million of the cash proceeds of the acquisition and up to 900,000 shares distributed to them to fund arrangements that either buy out those annuity rights or provide for their future funding. The retired members will be entitled to sell shares received in connection with the acquisition immediately.

Distribution by Voting Members to Non-Voting Members

Of the shares being distributed to them, the voting members are expected to direct that 1,258,000 shares of Watson Wyatt Holdings' common stock be deposited in two trusts for the benefit of and for payment to non-voting members. One trust will hold shares for UK tax resident non-voting members, and the other trust will hold shares for non-UK tax resident non-voting members.

The trustees of the two trusts established for the benefit of non-voting members are expected to distribute acquisition consideration in accordance with the terms of the applicable trust agreement. The non-voting members will have an immediate beneficial entitlement to the shares in the trusts regardless of subsequent employment, and these shares will be paid out from the trusts over a three-year period. We understand that the trustees anticipate distributing one-quarter of the shares to be held by their respective trusts, or 314,500 shares in total, shortly after consummation of the acquisition, with further distributions of 314,500 shares taking place on each of the first, second and third anniversaries of closing.

Winding Down of Watson Wyatt LLP

Following the acquisition and distribution of the acquisition consideration to the voting members, Watson Wyatt LLP will not have any active business operations and will not hold any material assets. Watson Wyatt LLP's primary activities after the acquisition will consist of winding down its business. Because of the long-term nature of certain liabilities, such as professional liability claims, Watson Wyatt LLP does not anticipate liquidating and dissolving in the immediate future.

2. ELECTION OF DIRECTOR

Effect of the Acquisition on Watson Wyatt Holdings' Board of Directors

In connection with the acquisition, the Nominating and Governance Committee has nominated Mr. Ramamurthy for election to the Watson Wyatt Holdings board of directors, contingent upon consummation of the acquisition. Also in connection with the acquisition, the Nominating and Governance Committee will consider additional candidates to serve as an additional director who meets the independence requirements of the New York Stock Exchange listing standards.

New York Stock Exchange listing standards require that a classified board of directors be divided into classes of approximately equal size. Accordingly, Mr. Ramamurthy is standing for election to Class III, and the additional "independent" director will stand for election to Class I of the board of directors. See " Nominee and Other Members of the Board of Directors" below for a list of the current members of the board of directors according to their respective classes.

With the addition of an additional "inside" director, the Watson Wyatt Holdings board of directors would be comprised of ten directors, of which six would be deemed to be "independent" for New York Stock Exchange listing purposes, and four would not be independent. Mr. Haley will continue as President, Chief Executive Officer and Chairman of the Watson Wyatt Holdings board of directors.

See, "Management of Watson Wyatt Holdings After the Acquisition Board of Directors of Watson Wyatt Holdings After the Acquisition."

Nominee and Other Members of the Board of Directors

Our Amended and Restated Bylaws provide that the number of directors shall not be less than seven, nor more than twenty-five, and give the board of directors the authority to determine the actual number of directors within that range. The board of directors currently consists of nine members. Pursuant to its authority under our Amended and Restated Bylaws, the board of directors has set the number of directors at ten, effective as of the special meeting. In accordance with our Amended and Restated Certificate of Incorporation, the board of directors is divided into three classes, designated Class I, Class II and Class III.

One Class III director is to be elected at the special meeting, to serve for a term expiring at the 2006 Annual Meeting of Stockholders, or until a successor is elected or appointed and qualified, or until such director's earlier resignation or removal. The board of directors has nominated the nominee named below for election as director. The nominee, Mr. Ramamurthy, is the Managing Partner of Watson Wyatt LLP. There are currently two directors in Class III: Gilbert T. Ray and John B. Shoven, whose three-year terms will expire at the 2006 Annual Meeting of Stockholders.

Chandrasekhar Ramamurthy (age 49), known as Babloo Ramamurthy, joined The Wyatt Company in 1977 after graduating from King's College, London with a BSc Honours degree in Mathematics. Following the establishment of the global Watson Wyatt Worldwide alliance in 1995, Mr. Ramamurthy became a Partner of Watson Wyatt LLP. Mr. Ramamurthy has been based primarily in the London Office of Watson Wyatt LLP, although between 1983 and 1986 he transferred to the international benefits and compensation consulting team based in the New York region, where he dealt primarily with the head offices of US multinational companies. Since returning to Europe, Mr. Ramamurthy has been the account manager for a number of the firm's major clients in the UK, advising on a broad range of human capital and employee benefits issues in both the UK and overseas. Mr. Ramamurthy was the Head of the European Benefits Consulting Practice from 1999 to 2004, before being appointed the Managing Partner of Watson Wyatt LLP with effect from May 1, 2004.

If any nominee for a directorship is unable to serve as a director at the time of the special meeting, the proxies may be voted for a substitute nominee selected by the board of directors.

Management has no reason to believe, at this time, that the nominee listed above will be unable to serve if elected, but if Mr. Ramamurthy should become unavailable to serve as a director or be withdrawn from nomination, and if the board of directors should designate a substitute nominee, the persons named as proxy holders will vote for the substitute nominee.

The board of directors recommends that you vote FOR the nominee listed above.

The incumbent directors serving in Class I, Class II and Class III and their remaining terms are as follows:

Class I

Names	***Length of Term***
R. Michael McCullough Paul N. Thornton	Three-year term, expiring at the 2007 Annual Meeting of Stockholders.

R. Michael McCullough (age 66) has served as a director since 1996. Mr. McCullough retired in 1996 as Chairman of the management consulting firm Booz, Allen & Hamilton. He joined Booz, Allen & Hamilton in 1965 as a consultant, was elected a partner in the firm in 1971, became managing partner of the firm's Technology Center and was elected to the position of Chairman in 1984. Mr. McCullough is a member of the boards of Capital Auto Real Estate Investment Trust, an automobile property real estate investment trust, and First Potomac Realty Trust, an industrial and office-industrial real estate investment trust. Mr. McCullough has a B.S. in Electrical Engineering from the University of Detroit.

Paul N. Thornton (age 54) has served as a director since 2000. He joined Watson Wyatt LLP in 1974, qualified as a Fellow of the Institute of Actuaries in 1975 and became a member of the firm in 1977. Mr. Thornton has been the Senior Partner of Watson Wyatt LLP since May 2001. He was Chairman of the Pensions Board of the Faculty and Institute of Actuaries in the UK from 1994 to 1996, Chairman of the Association of Consulting Actuaries from June 1997 to June 1998 and President of the Institute of Actuaries from July 1998 to July 2000. Mr. Thornton is a member of the Executive Committee of the International Actuarial Association, Chairman of the Committee of the International Actuarial Association dealing with Pensions and Employee Benefits, and a member of the Committee of the International Association of Consulting Actuaries. He holds an honours degree in Mathematics from Oxford University.

Class II

Names	***Length of Term***
John J. Gabarro John J. Haley Linda D. Rabbitt Gene H. Wickes John C. Wright	Three-year term, expiring at the 2005 Annual Meeting of Stockholders.

John J. Gabarro (age 65) has served as a director since 1999 and was previously a director of Watson Wyatt Holdings from 1995 to 1998. Mr. Gabarro has been a professor at the Harvard Business School since 1972. Mr. Gabarro is the UPS Foundation Professor of Human Resource Management at the Harvard Business School where he has also taught in Harvard's MBA, Executive and Doctoral Programs. He has served as faculty chair of Harvard's International Senior Management Program and twice as head of its Organizational Behavior Group and most recently as faculty chair of Harvard's Advanced Management Programs. Mr. Gabarro is a Trustee of Worcester Polytechnic Institute from which he received a B.S. in mechanical engineering. Mr. Gabarro completed his MBA and doctorate and post doctoral work at Harvard before joining its faculty.

John J. Haley (age 55) has served as President and Chief Executive Officer since January 1, 1999, Chairman of the Board since 2002, as a director since 1992, and is a member of the Watson Wyatt LLP partnership board. Mr. Haley joined Watson Wyatt Holdings in 1977. Prior to becoming President and Chief Executive Officer, he was the Global Director of the Benefits Group. Mr. Haley is a Fellow of the Society of Actuaries and is a co-author of *Fundamentals of Private Pensions* (University of Pennsylvania Press). Mr. Haley also serves on the boards of MAXIMUS, Inc., a provider of health and human services program management, consulting services and system solutions, and Hudson Highland Group, Inc., an executive search, specialty staffing and related consulting services firm. He has an A.B. in Mathematics from Rutgers College and studied under a Fellowship at the Graduate School of Mathematics at Yale University.

Linda D. Rabbitt (age 56) has served as a director since 2002 and is the founder and owner of Rand Construction Corporation, a commercial construction company founded in 1989 that specializes in building renovation and tenant build-outs. As owner and chief executive officer, Ms. Rabbitt is responsible for overall company affairs including client services, business planning, and operational procedures. Prior to founding Rand Construction Corporation, Ms. Rabbitt was the co-founder and co-owner of Hart Construction Company, Inc., a commercial tenant construction company. From 1981 to 1985, Ms. Rabbitt was with KPMG (formerly Peat Marwick), where she was Director of Marketing from 1982 to 1985. Ms. Rabbitt is a director of the Greater Washington Board of Trade and served as its Chair in 2002. Ms. Rabbitt has also served as a director of the Economic Club of Washington, D.C., of Leadership Washington, and is a Trustee of the Federal City Council. Ms. Rabbitt has a B.A. from the University of Michigan, Ann Arbor, and an M.A. from George Washington University.

Gene H. Wickes (age 52) has served as Vice President and as a director since 2002, and has been the Global Director of the Benefits Practice since 2005. Prior to this, Mr. Wickes was the Global Retirement Practice Director, and he was the West Division's Retirement Practice Leader from 1997 to 2004. Mr. Wickes joined Watson Wyatt in 1996 as a senior consultant and consulting actuary. He assists clients with their retirement and executive benefit issues. Prior to joining Watson Wyatt Holdings, he spent 18 years with Towers Perrin, a human resources consulting firm, where he assisted organizations with welfare, retirement, and executive benefit issues. Mr. Wickes is a Fellow of the Society of Actuaries and has a B.S. in Mathematics and Economics, an M.S. in Mathematics and an M.S. in Economics from Brigham Young University.

John C. Wright (age 57) has served as a director since 2002 and is a retired partner of the accounting firm Ernst & Young. He was with Ernst & Young for almost thirty years until his retirement in 2000. Mr. Wright has extensive expertise with complex financial accounting and reporting matters, including many years of experience working on matters before the Securities and Exchange Commission and the National Association of Securities Dealers. During the last ten years of Mr. Wright's career at Ernst & Young, he spent much of his time on international matters. After Ernst & Young, he served briefly as the Chief Financial Officer of Teligent, a telecommunications company, and is now Executive Vice President and Chief Financial Officer of QuadraMed Corporation, a provider of healthcare information technology solutions. Mr. Wright has a B.S. in accounting from the University of North Carolina.

Class III

Names	*Length of Term*
Gilbert T. Ray John B. Shoven	Three-year term, expiring at the 2006 Annual Meeting of Stockholders.

Gilbert T. Ray (age 60) has served as a director since 2000. Mr. Ray was a partner of the law firm of O'Melveny & Myers LLP until his retirement in 2000. He practiced corporate law for almost three decades. He has extensive experience with corporate and tax exempt transactions, as well as international finance. Mr. Ray is a member of the boards of Automobile Club of Southern California, a provider of emergency road and travel services and insurance; two variable annuity funds managed by SunAmerica Asset management; Sierra Monolithics Inc., a semi-conductor chip company; Advance Auto Parts Company, a retailer of automotive parts; Diamondrock Hospitality, a real estate investment trust; and IHOP Corp., a restaurant management and franchise company. Mr. Ray is also a trustee of both The John Randolph Haynes and Dora Haynes Foundation and the St. John's Health Center Foundation.

John B. Shoven (age 57) has served as a director since 2002. He is a member of Stanford University's Economics Department, where he holds the Charles R. Schwab Professorship, and has been the Director of the Stanford Institute for Economic Policy Research (formerly known as the Center for Economic Policy Research) since 1999. Dr. Shoven has been at Stanford since 1973, serving as Chairman of the Economics Department from 1986 to 1989, as Director of the Center for Economic Policy Research from 1989 to 1993, and as Dean of the School of Humanities and Sciences from 1993 to 1998. An expert on tax policy, Dr. Shoven was a consultant for the US Treasury Department from 1975 to 1988. He has authored ten books dealing with pension policy, social security and taxation. Dr. Shoven is a member of the boards of Cadence Design Systems, Inc., a supplier of electronic design automation technologies and engineering services; PalmSource, Inc., a supplier of handheld and wireless electronics; and American Century Funds, a mutual funds family. Dr. Shoven has a B.A. in Physics from the University of California, San Diego, and a Ph.D. in Economics from Yale University.

Corporate Governance

Code of Business Conduct and Ethics

Watson Wyatt Holdings has a Code of Business Conduct and Ethics that applies to all of its employees, including the President and Chief Executive Officer, the Chief Financial Officer and the Controller. Watson Wyatt Holdings also has a Code of Business Conduct and Ethics that applies to all of its directors. Both Codes are available on Watson Wyatt Holdings' website at www.watsonwyatt.com under "Investor Relations." A copy may be obtained upon request, addressed to the Secretary of Watson Wyatt & Company Holdings at 1717 H Street, N.W., Washington, D.C. 20006-3900.

Corporate Governance Guidelines

Watson Wyatt Holdings has adopted a set of Corporate Governance Guidelines. Watson Wyatt Holdings' Corporate Governance Guidelines provide, among other things, that all directors are expected to attend the Annual Meeting of Watson Wyatt Holdings' stockholders. At the 2004 Annual Meeting of Stockholders, all directors were present. The Guidelines are available on Watson Wyatt Holdings' website at www.watsonwyatt.com under "Investor Relations." A copy may be obtained upon request, addressed to the Secretary of Watson Wyatt & Company Holdings at 1717 H Street, N.W., Washington, D.C. 20006-3900.

Communications with the Board or Presiding Director

It is the policy of Watson Wyatt Holdings to facilitate communications of security holders and other interested parties with the board of directors and Watson Wyatt Holdings' Presiding Director. Communications to directors of Watson Wyatt Holdings must be in writing and may be sent to any director, in care of the Secretary of Watson Wyatt & Company Holdings at 1717 H Street, N.W., Washington D.C. 20006-3900. Communications may be sent by e-mail to all directors as a group or to the Presiding Director using the e-mail addresses posted by Watson Wyatt Holdings on its web site at www.watsonwyatt.com under "Investor Relations." All communications must be accompanied by the following information:

- if the person submitting the communication is a security holder, a statement of the type and amount of the securities of Watson Wyatt Holdings that the person holds;
- if the person submitting the communication is not a security holder and is submitting the communication as an interested party, the nature of the person's interest;
- the address, telephone number and e-mail address, if any, of the person submitting the communication.

Each communication will be forwarded unopened to the director(s) to whom it is addressed. Communications may, at the direction of the board, be shared with management. Watson Wyatt Holdings' procedures for collecting and distributing communications to directors are available on the company's website at www.watsonwyatt.com under "Investor Relations."

Presiding Director

Watson Wyatt Holdings' board of directors has designated R. Michael McCullough as the Presiding Director of all executive sessions of the independent directors of the board.

Nominees for Director

The Nominating and Governance Committee makes recommendations to the board concerning individuals who are qualified to stand for election as directors. The Nominating and Governance Committee seeks individuals with a broad and diverse range of skills who have demonstrated the highest levels of personal and business integrity and sound business judgment, particularly in professional services industries. The Nominating and Governance Committee will consider recommendations of possible nominees for director submitted by stockholders. Recommendations may be submitted to any member of the Nominating and Governance Committee in care of the Secretary of Watson Wyatt & Company Holdings at 1717 H Street, N.W., Washington, D.C. 20006-3900. Candidates recommended by stockholders will be evaluated in the same manner as other candidates considered by the Nominating and Governance Committee.

Standing Board Committees

Audit Committee

The Audit Committee operates pursuant to a written charter adopted by the board of directors, a copy of which was attached to our proxy statement proxy statement dated October 15, 2004 for our annual meeting of stockholders held on November 19, 2004, which information is incorporated by reference into this proxy statement/prospectus. A copy also is available on Watson Wyatt Holdings' website located at www.watsonwyatt.com under "Investor Relations," or may be obtained upon request, addressed to the Secretary of Watson Wyatt & Company Holdings at 1717 H Street, N.W., Washington, D.C. 20006-3900. The Audit Committee's principal responsibilities, as set forth in its charter, are to assist the board in overseeing Watson Wyatt Holdings' financial reporting process that is established and implemented by management. The Audit Committee oversees the work of the independent auditor and also reviews information provided by Watson Wyatt Holdings' internal auditor, independent auditor, and management concerning internal accounting procedures and controls. The Audit Committee is currently composed of four independent directors, John J. Gabarro, R. Michael McCullough, Gilbert T. Ray and John C. Wright (Chair), all of whom meet the independence requirements of the New York Stock Exchange's listing standards. The board of directors has determined that Mr. Wright is both independent and an audit committee financial expert, as defined by SEC and NYSE guidelines. The Audit Committee held 12 meetings during fiscal year 2004.

Report of the Audit Committee

Management has the primary responsibility for the financial statements and the reporting process. Watson Wyatt Holdings' independent auditor is responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles. The Audit Committee reviews Watson Wyatt Holdings' financial reporting process on behalf of the board of directors, although the committee members are not engaged in the practice of accounting or auditing.

The Committee meets regularly with management and Watson Wyatt Holdings' independent auditor to review Watson Wyatt Holdings' financial statements, financial press releases, and quarterly and annual SEC filings; to receive the independent auditor's report of its review of Watson Wyatt Holdings' quarterly financial statements and its audit of Watson Wyatt Holdings' annual financial statements; to review significant developments in generally accepted accounting principles and financial reporting requirements; to discuss the application of significant accounting policies; and to review Watson Wyatt Holdings' internal controls and the activities of Watson Wyatt Holdings' internal auditor.

The Committee meets regularly in executive session, and also meets separately with (1) the independent auditor, (2) Watson Wyatt Holdings' Chief Financial Officer, and (3) Watson Wyatt Holdings' internal auditor.

With respect to Watson Wyatt Holdings' audited financial statements for the fiscal year ended June 30, 2004, the Audit Committee:

1. Reviewed the audited financial statements included in the Annual Report, including Management's Discussion and Analysis, with management; and discussed the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and subjective amounts, and the clarity of disclosures in the financial statements.

2. Discussed with the independent auditor the scope and plan for its audit and the results of the audit; and also reviewed and discussed with management and the independent auditor the audited financial statements, as well as the auditor's report concerning its examination of Watson Wyatt Holdings' audited financial statements.

3. Discussed with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

4. Received from the independent auditor the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), considered whether the provision of non-audit services is compatible with maintaining the auditor's independence, and discussed with the auditor its independence from Watson Wyatt Holdings and its management.

Following the reviews and discussions referred to above, the Audit Committee recommended to the board of directors that the audited financial statements be included in Watson Wyatt Holdings' Annual Report to Stockholders on SEC Form 10-K for the fiscal year ended June 30, 2004 that was filed with the Securities and Exchange Commission on August 17, 2004.

Submitted by the Watson Wyatt Holdings Audit Committee:

John C. Wright-Chair
John J. Gabarro
R. Michael McCullough
Gilbert T. Ray

Compensation Committee

The Compensation Committee operates pursuant to a written charter adopted by the board of directors, a copy of which is available on Watson Wyatt Holdings' website located at www.watsonwyatt.com under "Investor Relations," or may be obtained upon request, addressed to the Secretary of Watson Wyatt & Company Holdings at 1717 H Street, N.W., Washington, D.C. 20006-3900. The Compensation Committee oversees executive compensation policies, including the compensation of the Chief Executive Officer (CEO), and oversees administration of the 2001 Employee Stock Purchase Plan, the 2001 Deferred Stock Unit Plan for Selected Employees, and the 2000 Long-Term Incentive Plan. The board has delegated to the Compensation Committee matters associated with succession planning for Watson Wyatt Holdings' Chief Executive Officer. The Compensation Committee currently is composed of John J. Gabarro, Linda D. Rabbitt, Gilbert T. Ray (Chair) and John B. Shoven, all independent directors, and all of whom meet the independence requirements of the New York Stock Exchange's listing standards. The Compensation Committee held four meetings during fiscal year 2004.

Nominating and Governance Committee

The Nominating and Governance Committee operates pursuant to a written charter adopted by the board of directors, a copy of which is available on Watson Wyatt Holdings' website, located at www.watsonwyatt.com under "Investor Relations," or may be obtained upon request, addressed to the Secretary of Watson Wyatt & Company Holdings at 1717 H Street, N.W., Washington, D.C. 20006-3900. The Nominating and Governance Committee provides assistance to the board of directors of Watson Wyatt Holdings in fulfilling its responsibilities by identifying individuals qualified to become directors and approving the nomination of candidates for all directorships to be filled by the board of directors or by the stockholders of Watson Wyatt Holdings; identifying directors qualified to serve on the committees established by the board of directors and recommending to the board of directors members for each committee to be filled by the board of directors; maintaining and reviewing the Corporate Governance Guidelines; and otherwise taking a leadership role in shaping the corporate governance of Watson Wyatt Holdings. The Nominating and Governance Committee currently is composed of R. Michael McCullough (Chair), Linda D. Rabbitt, John B. Shoven and John C. Wright, all independent directors, and all of whom meet the independence requirements of the New York Stock Exchange's listing standards. The Nominating and Governance Committee held three meetings during fiscal year 2004.

The membership of these committees may change after this special meeting.

Operation of the Board

Board Meetings

The board of directors conducted four meetings during fiscal year 2004. All directors attended 75% or more of the meetings of the board and the committees on which they served. None of the current directors who are employed by Watson Wyatt Holdings are compensated separately for his or her services as a director or as a member of any committee of the board. The Amended and Restated Bylaws of Watson Wyatt Holdings allow directors who are not active associates to receive compensation for their services on the board.

Director Compensation

In fiscal year 2004, under the Outside Directors' Compensation Plan (the "Outside Directors' Plan"), outside directors were paid a quarterly retainer of $11,250 plus $1,500 per day for board meetings; $1,000 per day for regular committee meetings ($750 if held in conjunction with a board meeting); $2,000 per day for committee meetings if the outside director chaired that committee ($1,000 if held in conjunction with a board meeting); and $1,000 per day for other meetings. Telephone meetings of the Audit Committee were compensated at $1,000 per meeting; other telephone meetings of less than four hours duration were compensated at 40% of the applicable per day fee. In addition, under the Outside Directors' Plan, each outside director is granted 1,000 shares of Watson Wyatt common stock, issued at the end of the fiscal year at the fiscal year-end share price for services performed during the preceding fiscal year.

In fiscal year 2004, the fees paid to outside directors were paid in cash and in shares of Watson Wyatt common stock under the Outside Directors' Plan. Watson Wyatt also established the Voluntary Deferred Compensation Plan for Non-Employee Directors to enable outside directors who hold 5,000 or more shares of Watson Wyatt Holdings' common stock, at their election, to defer receipt of any or all of their director's fees until they are no longer serving as directors of Watson Wyatt Holdings.

Director Independence

The board is composed of a majority of directors who qualify as independent directors pursuant to the corporate governance standards for companies listed on the New York Stock Exchange. The board committee structure includes an Audit Committee, a Compensation Committee and a Nominating and Governance Committee consisting entirely of independent directors.

In determining independence, each year the board affirmatively determines whether directors have any material relationship with Watson Wyatt Holdings. When assessing the materiality of a director's relationship with Watson Wyatt Holdings, the board considers all relevant facts and circumstances, not merely from the director's standpoint, but from that of the persons or organizations with which the director has an affiliation, and the frequency or regularity of the services, if any, provided to or by such persons or organizations, whether the services are being carried out at arm's length in the ordinary course of business and whether the services are being provided substantially on the same terms to Watson Wyatt Holdings as those prevailing at the time from unrelated parties for comparable transactions. Material relationships can include commercial, banking, industrial, consulting, legal, accounting, charitable and familial relationships. A director will not be considered independent if:

(1) the director is, or in the past three years has been, an employee of Watson Wyatt Holdings, or an immediate family member of the director is, or in the past three years has been, an executive officer of Watson Wyatt Holdings;

(2) the director, or a member of the director's immediate family, is receiving or has in the past three years received direct compensation from Watson Wyatt Holdings in excess of $100,000 per year, other than compensation for board service, compensation received by the director's immediate family member for service as a non-executive employee of Watson Wyatt Holdings, and pension or other forms of deferred compensation for prior service with Watson Wyatt Holdings;

(3) the director, or a member of the director's immediate family, is or in the past three years has been, an executive officer of another company where any of Watson Wyatt Holdings' present executives serves or served in the past three years on the compensation committee;

(4) the director is, or in the past three years has been, affiliated with or employed by Watson Wyatt Holdings' present or former internal or outside auditor, or a member of the director's immediate family is, or in the past three years has been, affiliated with or employed in a professional capacity by Watson Wyatt Holdings' present or former internal or outside auditor; or

(5) the director is an executive officer or employee, or a member of the director's immediate family is an executive officer, of another company that makes payments to or receives payments from Watson Wyatt Holdings, or during any of the past three years has made payments to or received payments from Watson Wyatt Holdings, for property or services in an amount that, in any single fiscal year, exceeded the greater of $1 million or 2% of the other company's consolidated gross revenues.

For these purposes, an "immediate family" member includes a director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director's home.

Applying these standards, the board has determined that the following directors qualify as independent: John J. Gabarro, R. Michael McCullough, Linda D. Rabbitt, Gilbert T. Ray, John B. Shoven and John C. Wright.

Executive Compensation

Summary Compensation Table

The following table sets forth compensation paid to Mr. Haley, the President and Chief Executive Officer, and the other four most highly compensated executive officers of Watson Wyatt Holdings.

Annual Compensation

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(a)(b)	All Other Compensation ($)(c)
John J. Haley	2004	$ 710,606	$ 464,105	$ 25,483
President, Chief Executive Officer, Chairman of the Board and	2003	695,300	400,000	59,578
Director	2002	680,000	588,500	95,614
Ira T. Kay	2004	488,750	275,000	44,151
Vice President and Director of US Compensation Practice	2003	483,750	275,000	67,404
	2002	480,000	214,500	67,371
Carl D. Mautz	2004	408,750	235,000	1,905
Vice President and Chief Financial Officer	2003	351,250	225,000	18,554
	2002	325,000	247,500	19,789
Gene H. Wickes	2004	363,750	235,000	26,114
Vice President, Global Retirement Practice Director	2003	336,250	212,500	37,933
and Director	2002	325,000	324,500	42,062
Walter W. Bardenwerper	2004	395,000	190,000	3,584
Vice President, General Counsel and Secretary	2003	375,000	180,000	23,230
	2002	360,000	220,000	26,290

(a) 25% of each eligible associate's fiscal year end bonus for fiscal years 2002, 2003 and 2004 was delivered in the form of stock under the 2001 Deferred Stock Unit Plan for Selected Employees. All deferred stock units were fully vested upon issuance.

(b) Mr. Wickes' bonus was computed based on a new base salary when he became the Global Retirement Practice Director in April 2004.

(c) "All Other Compensation" for fiscal year 2004 consists of the following amounts: (1) Company matching contributions made in December 2004 to a non-qualified savings plan of 3% of total compensation above the 2003 IRS compensation limit of $200,000 received by June 30, 2003, if individual 401(k) contributions equaled the IRS maximum by June 30, 2003, and interest earned in FY 2004 on previous contributions; and (2) payment for the annual cash out of excess unused paid time off (all associates are subject to the same paid time off limits).

Name	All Other Compensation Components for Fiscal Year 2004 c(1)	c(2)	Total
Haley	$ 12,439	$ 13,044	$ 25,483
Kay	6,459	37,692	44,151
Mautz	1,905	0	1,905
Wickes	2,893	23,221	26,114
Bardenwerper	3,584	0	3,584

Option Grants in Fiscal Year 2004

Under the 2000 Long-Term Incentive Plan, each associate was granted options in October 2000 (at the time of the IPO) to purchase stock valued at 40% of his or her target bonus amount, subject to a minimum grant of 100 options. Watson Wyatt Holdings' executive officers and directors were granted options at that time using the same formula. These options will expire after seven years, subject to early termination in specified circumstances, and vest in five equal annual installments over a period of five years. Watson Wyatt Holdings did not grant any options under the Plan to the named executive officers in fiscal year 2004. Watson Wyatt Holdings does not currently intend to issue further stock options under the 2000 Long-Term Incentive Plan.

Aggregated Option Exercises and Fiscal Year 2004 Year-End Option Values

The following table sets forth information concerning option exercises in fiscal year 2004 and the number and value of unexercised options held by the named executive officers at fiscal year 2004 year-end. The value of unexercised in-the-money options held at fiscal year 2004 year-end represents the pre-tax total gain which the option holder would realize if he exercised all of the in-the-money options held at fiscal year 2004 year-end, and is determined by multiplying the number of shares of common stock underlying the options by the difference between $26.65, which was the closing price per share of Watson Wyatt Holdings' common stock on the New York Stock Exchange on June 30, 2004 (the last trading day of fiscal year 2004), and the applicable per share option exercise price, which is $12.50. An option is in-the-money if the fair market value of the underlying shares exceeds the exercise price of the option.

	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options As of June 30, 2004 (#)		Value of Unexercised In-the-Money Options As of June 30, 2004 ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Haley	0	0	9,141	6,094	$ 129,345	$ 86,230
Kay	0	0	4,608	3,072	65,032	43,469
Mautz	3,120	$ 41,184	0	2,080	0	29,432
Wickes	0	0	3,120	2,080	44,148	29,432
Bardenwerper	217	2,341	2,087	2,304	29,531	32,602

Securities Authorized for Issuance Under Equity Compensation Plans

Our equity compensation plans include the 2000 Long-Term Incentive Plan, which provides for the granting of nonqualified stock options and stock appreciation rights, the 2001 Employee Stock Purchase Plan, the 2001 Deferred Stock Unit Plan for Selected Employees and the Amended Compensation Plan for Outside Directors. We grant deferred stock units to our senior associates as a part of their annual discretionary compensation and have discontinued the issuance of stock options. All deferred stock units issued in connection with the 2001 Deferred Stock Unit Plan were fully vested upon issuance. All of our equity compensation plans have been approved by stockholders.

The following chart gives aggregate information regarding outstanding grants under all of Watson Wyatt Holdings' equity compensation plans through June 30, 2004:

Plan Category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by stockholders	1,076,262(a)	$ 13.45(a)	4,935,782(b)
Total	1,076,262	$ 13.45	4,935,782

(a) Includes 4,347 deferred stock units that have not been paid out in stock at the election of the recipient. These rights have no exercise price and therefore are not reflected in the calculation of the weighted average exercise price of outstanding options.

(b) Includes 2,548,915 shares remaining available for future issuance under the 2000 Long-Term Incentive Plan, 1,304,577 shares under the 2001 Employee Stock Purchase Plan, 1,059,181 shares under the 2001 Deferred Stock Unit Plan for Selected Employees and 23,109 shares under the Compensation Plan for Outside Directors.

Defined Benefit Plans

The following table sets forth the estimated annual benefits payable on a single life annuity basis (excluding Social Security) under Watson Wyatt Holdings' qualified pension plan and non-qualified excess pension plans to a US associate, who qualifies for normal retirement in 2004 and is grandfathered under the plan pursuant to amendments adopted effective July 1, 2003 (as described further below), with the specified average compensation equal to the average of the highest 36 consecutive months of compensation prior to retirement and the specified years of continuous service:

	Annual Benefit Amounts(1)			
	Years of Continuous Service			
Average Annual Compensation for 36 Consecutive Months with the Highest Average Preceding Retirement(2)	10	15	20	25
$ 200,000	$ 40,149	$ 60,223	$ 80,297	$ 100,372
300,000	61,149	91,723	122,297	152,872
400,000	82,149	123,223	164,297	205,372
500,000	103,149	154,723	206,297	257,872
600,000	124,149	186,223	248,297	310,372
700,000	145,149	217,723	290,297	362,872
800,000	166,149	249,223	332,297	415,372
900,000	187,149	280,723	374,297	467,872
1,000,000	208,149	312,223	416,297	520,372
1,100,000	229,149	343,723	458,297	572,872
1,200,000	250,149	375,223	500,297	625,372
1,300,000	271,149	406,723	542,297	677,872
1,400,000	292,149	438,223	584,297	730,372
1,500,000	313,149	469,723	626,297	782,872

(1)

The annual benefit at normal retirement (age 65) under the qualified plan is equal to 1.7% times the associate's average compensation for the 36 consecutive months with the highest compensation plus 0.4% times the associate's average compensation for the 36 consecutive months with the highest compensation that exceeds Social Security Covered Compensation, all times the number of completed years and months of continuous service up to 25 years.

(2) As required by Section 415 of the Internal Revenue Code, qualified plan payments may not provide annual benefits exceeding a maximum amount, currently $165,000. For those associates who are covered under the excess plans, amounts above this maximum will be paid under the terms of the excess plans, up to the amounts shown in the table above. Pursuant to Section 401(a)(17) of the IRC, annual compensation in excess of $205,000 cannot be taken into account in determining qualified plan benefits.

The following changes were made to the qualified pension plan and non-qualified excess pension plans effective July 1, 2003:

- the five-year certain and life normal form of payment was changed to a single life annuity. After July 1, 2003, the benefit of an associate will be actuarially reduced if the associate elects the five-year certain and life annuity.

- The period used to determine average annual compensation was changed from 36 consecutive months to 60 consecutive months.

- Early retirement upon attainment of age 50 with 10 years of continuous service has been eliminated. Early retirement upon attainment of age 55 with 5 years of continuous service remains in effect.

- The reduction for early retirement has been changed. An associate's benefit will be reduced by 8% per year for the first four years and 6% for years in excess of four that the associate's benefit commences before age 62. Before the change, an associate's benefit was reduced 5% per year for commencement prior to age 60.

Under a grandfathering rule, all of the plan provisions in effect on June 30, 2003 except for the normal form of payment will remain in effect for five years for associates who were actively employed on that date. Associates who retired or terminated employment on or before June 30, 2003, and associates hired on or after July 1, 2003, are not eligible for the grandfathering.

The years of credited service for the associates named in the Summary Compensation Table as of June 30, 2004 are: Mr. Haley 27.17 years; Mr. Kay 10.58 years; Mr. Mautz 7.33 years; Mr. Wickes 7.50 years; Mr. Bardenwerper 17.08 years. Benefits are based solely on the compensation shown in the "Salary" and "Bonus" columns of the Summary Compensation Table.

Other Pension Plans. Watson Wyatt Holdings also has other pension plans that have been established in various countries for the benefit of eligible associates in those jurisdictions.

Compensation Committee Interlocks and Insider Participation

The members of Watson Wyatt Holdings' Compensation Committee for fiscal year 2004 were Gilbert T. Ray (Chair), John J. Gabarro, Linda D. Rabbitt and John B. Shoven.

All are independent directors of Watson Wyatt Holdings. No interlocking relationship exists between Watson Wyatt Holdings' board of directors or our Compensation Committee and any member of any other company's board of directors or their compensation committee, nor has any interlocking relationship existed in the past.

Report of the Compensation Committee on Executive Compensation

The Compensation Committee was comprised of four independent directors in fiscal year 2004. The Compensation Committee oversees executive compensation policies, including the compensation of the Chief Executive Officer (CEO), the 2001 Employee Stock Purchase Plan, the 2001 Deferred Stock

Unit Plan for Selected Employees and the 2000 Long-Term Incentive Plan. The Compensation Committee operates pursuant to a written charter adopted by the board of directors, a copy of which is available on Watson Wyatt Holdings' website located at www.watsonwyatt.com under "Investor Relations."

Compensation Philosophy

Watson Wyatt Holdings compensation philosophy is applied to all associates, including executive officers. The compensation program takes into consideration Watson Wyatt Holdings' business strategy and market conditions. Specifically, the compensation program has been designed to:

1. Attract, motivate and retain the most highly qualified and capable associates by providing competitive compensation based on individual performance and performance of Watson Wyatt Holdings' business;
2. Align associate compensation with Watson Wyatt Holdings' overall business strategies and values;
3. Focus management on maximizing stockholder value;
4. Provide competitive base compensation, supplemented with variable compensation based on individual achievement of annual and long-term results;
5. Foster an ownership mentality among associates and reward their focus on long-term objectives;
6. Compensate associates fairly on a global basis, relative to other associates and the market; and
7. Provide compensation that reflects Watson Wyatt Holdings' performance, relative to its key competitors.

The Committee periodically reviews data on executive compensation to determine key market considerations and competitive positioning. In making its determinations, the Committee relies on publicly available information, commissioned survey data and its knowledge of the market for key executives.

Base and Bonus Compensation

For the fiscal year ending June 30, 2004, the compensation of Watson Wyatt Holdings' executive officers and all other bonus-eligible associates was comprised primarily of two elements: base salary and fiscal year-end bonus.

Watson Wyatt Holdings' compensation program establishes target bonuses for all bonus-eligible associates, based on their position in Watson Wyatt Holdings and base salary. Funding for the bonus pool is based on Watson Wyatt Holdings' fiscal year-end net operating income and may be greater than or less than total target bonuses. Individual bonus awards are at each manager's discretion and are based on the manager's assessment of the associate's achievement of stated goals and support of Company values. In making its determinations, the Committee relied on publicly available information, the above-mentioned survey and its knowledge of the market for key executives. The Watson Wyatt Holdings bonus pool for 2004 was funded at 60% of target.

The CEO made recommendations to the Committee with respect to salary and bonus compensation for Watson Wyatt Holdings' executives who report to the CEO. With respect to salary for the CEO's direct reports, the decisions were based on each associate's experience, competencies, expected level of responsibility in the coming year, external market value and internal equity. Decisions with respect to bonus compensation for the CEO's direct reports were based on the CEO's subjective evaluation of Watson Wyatt Holdings' overall financial performance, business unit financial performance and individual achievement of other business objectives. The Committee approved the CEO's recommendations.

The CEO made recommendations to the Committee with respect to base and bonus compensation for Watson Wyatt Holdings' executives who report to the CEO. The Committee approved the CEO's recommendations.

Stock Programs

Watson Wyatt Holdings' long-term compensation plans are designed to recognize the individual's past, present and potential future contributions. Watson Wyatt Holdings believes that stock ownership aligns associate financial interest with those of other stockholders and Watson Wyatt Holdings.

Stock Options

In connection with the IPO in October 2000, Watson Wyatt Holdings implemented the 2000 Long-Term Incentive Plan, under which it may grant stock options. In October 2000, executive officers and other eligible associates were granted options to purchase Watson Wyatt Holdings' common stock pursuant to this plan, based on a formula related to their target bonus amounts. There were no grants of options under the plan in fiscal year 2004, and Watson Wyatt Holdings does not currently intend to issue any further stock options under the 2000 Long-Term Incentive Plan.

Stock Purchase Plan

Watson Wyatt Holdings continued the 2001 Employee Stock Purchase Plan during fiscal 2004. The Employee Stock Purchase Plan is available to all associates, and approximately 32% of eligible Company associates currently participate in this plan.

Deferred Stock Unit Plan

In September 2002, Watson Wyatt Holdings issued its first grants under its 2001 Deferred Stock Unit Plan for Selected Employees. Since that date, senior associates of Watson Wyatt Holdings, including the CEO and executive officers (approximately 255 in 2004) were granted deferred stock units in lieu of 25% of their discretionary bonus. Such deferred stock units were fully vested upon grant.

The Committee is currently considering making additional long-term bonus grants under this Plan in order to (i) strengthen incentives and align behaviors for senior executives to grow the business consistent with the strategic goals of Watson Wyatt Holdings, (ii) strengthen retention impact of total compensation of senior executives, and (iii) address competitive deficiency in long-term incentives for senior executives.

Compensation of the Chief Executive Officer

During fiscal year 2004, Mr. Haley's base salary was $714,008, an increase of $13,608, or 2%, over his fiscal year 2003 base salary of $700,400.

Mr. Haley's fiscal year 2004 bonus was approved by the board of directors based on the recommendation of the Compensation Committee. The Committee recommended, and the board approved, a bonus equal to 65% ($464,105) of Mr. Haley's target bonus. His target bonus for fiscal year 2004 was increased from 87.5% to 100% of his base compensation. Following are some of the factors that were taken into account:

1. Success in Watson Wyatt Holdings meeting established financial goals;

2. Leadership in representing Watson Wyatt Holdings with the investment community;

3. Influence on strategic direction and long-term strength and performance;

4. Successful promotion of continuous quality improvements and effective risk management;

5. Actions taken to strengthen operations of Watson Wyatt Holdings in Asia-Pacific, Canada and Latin America;

6. Development of succession plans for leadership teams and key client service teams;

7. Progress in implementing a diversity program throughout Watson Wyatt Holdings;

8. Actions taken to ensure that the senior management team is organized and operating effectively; and

9. Relativity to the average bonus compensation level of Watson Wyatt Holdings' associates.

In summary, in establishing the base and bonus compensation for the Chief Executive Officer, the Committee took into consideration the specific factors listed above, and the quantitative and qualitative factors mentioned in the Base and Bonus Compensation section. In 2004, the total compensation for the CEO was below the median of the peer group included in the above-mentioned survey.

Deductibility of Executive Compensation

In order to maximize the deductibility for federal income tax purposes of compensation paid to executive officers, Watson Wyatt Holdings has a Senior Officers Deferred Compensation Plan that requires deferral of compensation in excess of $1.0 million that would otherwise be payable to the Chief Executive Officer and the four other highest compensated executive officers.

Submitted by the Watson Wyatt Holdings Compensation Committee:

Gilbert T. Ray-Chair
John J. Gabarro
Linda D. Rabbitt
John B. Shoven

Certain Relationships and Related Transactions

See "Material Relationships Between Watson Wyatt Holdings and Watson Wyatt LLP" at page .

Section 16(a) Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Watson Wyatt Holdings' executive officers and directors, among others, to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of Watson Wyatt Holdings' common stock. Persons subject to Section 16 are required by SEC regulations to furnish Watson Wyatt Holdings with copies of all Section 16(a) forms they file. As a matter of practice, Watson Wyatt Holdings assists Watson Wyatt Holdings' executive officers and directors in preparing initial reports of ownership and reports of changes in ownership, and files those reports with the SEC on their behalf.

Based solely on a review of the copies of such forms furnished to Watson Wyatt Holdings and written representations from Watson Wyatt Holdings' executive officers and directors, Watson Wyatt Holdings believes that all of its executive officers and directors filed required reports on a timely basis under Section 16(a), except that Mr. Haley filed a late report in connection with the deferral of stock units, and three former officers, Mr. Brown, Ms. Cotter and Mr. Marini, each filed late reports on the sale of stock. Watson Wyatt Holdings has streamlined its procedures to ensure improved compliance on an on-going basis.

Future Stockholder Proposals

Any stockholder wishing to present a proposal to be included in the proxy statement for the 2005 Annual Meeting of Watson Wyatt Holdings, currently expected to be held on or about November 14, 2005, may submit such proposal in writing to Watson Wyatt & Company Holdings, Office of the Secretary, 1717 H Street, N.W., Washington, D.C. 20006-3900. Such proposals must be received no later than June 17, 2005. Submitting a stockholder proposal does not guarantee that we will include it in our proxy statement.

Alternatively, stockholders of record may introduce certain types of proposals that they believe should be voted upon at the Annual Meeting or nominate persons for election to the board of directors. Under Watson Wyatt Holdings' Amended and Restated Bylaws, unless the date of the 2005 Annual Meeting of stockholders is advanced by more than 40 days or delayed by more than 40 days from the anniversary of the 2004 Annual Meeting, notice of any such proposal or nomination must be provided in writing to the Secretary of Watson Wyatt Holdings no later than the close of business on July 22, 2005. In addition, stockholders wishing to make such proposals or recommendations of candidates for director must satisfy other requirements set forth in Watson Wyatt Holdings' Amended and Restated Bylaws. If a stockholder does not also comply with the requirements of Rule 14a-4 under the Securities Exchange Act of 1934, Watson Wyatt Holdings may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any proposal submitted by that stockholder.

3. OTHER MATTERS

OWNERSHIP OF WATSON WYATT HOLDINGS' COMMON STOCK AND WATSON WYATT LLP INTERESTS

Beneficial Ownership of Watson Wyatt Holdings' Common Stock. The following table sets forth information known to Watson Wyatt Holdings concerning the shares of common stock beneficially owned, as of , 2005, by (i) the directors and nominee for director of Watson Wyatt Holdings; (ii) the executive officers named in the Summary Compensation Table herein under "Election of Director Executive Compensation;" and (iii) all executive officers and directors as a group. Except as otherwise indicated in the footnotes to the tables below, Watson Wyatt Holdings believes that the beneficial owners of the common stock, based on information furnished by such owners, have sole investment power and voting power with respect to such shares.

	Number of Outstanding Shares Beneficially Owned on , 2005		
	Number and Class		Percent of Class(b)
Name of Beneficial Owner(a)	Class A	Class A (Options)(c)	Class A
John J. Haley			*
Ira T. Kay			*
Carl D. Mautz			*
Gene H. Wickes			*
Walter W. Bardenwerper			*
John J. Gabarro			*
R. Michael McCullough			*
Gilbert T. Ray			*
Paul N. Thornton			*
Linda D. Rabbitt			*
John B. Shoven			*
John C. Wright			*
Chandrasekhar Ramamurthy			
All directors and executive officers as a group			

(a) Unless noted otherwise, the address for each of the beneficial owners identified in this table is Watson Wyatt & Company Holdings, 1717 H Street, N.W., Washington, D.C. 20006.

(b) Beneficial ownership of 1% or less of all of the outstanding common stock is indicated with an asterisk (*).

(c) Options granted under the 2000 Long-Term Incentive Plan that are exercisable on or within 60 days after , 2005.

As of , 2005, the Watson Wyatt LLP members who either serve on the Watson Wyatt LLP partnership board or are otherwise regarded as Watson Wyatt LLP executive management, and all such Watson Wyatt LLP members as a group, beneficially owned % of outstanding shares of Watson Wyatt Holdings' common stock.

Beneficial Ownership of Watson Wyatt LLP Interests. The following table sets forth certain information regarding the beneficial ownership of Watson Wyatt LLP's ownership interests as of , 2005 by Watson Wyatt LLP members who either serve on the Watson Wyatt LLP partnership board or are otherwise regarded as Watson Wyatt LLP executive management, each person who is known by Watson Wyatt LLP to own beneficially 5% or more of the Watson Wyatt LLP ownership interests and all such Watson Wyatt LLP members as a group. Also included are the number of shares and percentage of Watson Wyatt Holdings' common stock to be owned by such persons and by directors and executive officers as a group, assuming that the distribution of Watson Wyatt Holdings' common stock to the Watson Wyatt LLP members has occurred. Unless otherwise indicated, based on information furnished by such members, management of Watson Wyatt LLP believes that each person has sole voting and dispositive power with respect to all ownership interests of which he is the beneficial owner and the address of such stockholder is the same as Watson Wyatt LLP's address.

		Beneficial Ownership of Watson Wyatt LLP Membership Interests		**Pro Forma Beneficial Ownership of Watson Wyatt Holdings' Common Stock**	
Name of Beneficial Owner	**Position with Watson Wyatt LLP**	**Number**	**Percentage (a)**	**Number**	**Percentage (a)**

(a) Beneficial ownership of 1% or less of all of the outstanding common stock is indicated with an asterisk (*).

COMPARISON OF RIGHTS OF STOCKHOLDERS OF WATSON WYATT HOLDINGS AND MEMBERS OF WATSON WYATT LLP

Watson Wyatt Holdings and Watson Wyatt LLP are fundamentally different forms of business entities. Watson Wyatt Holdings is a Delaware corporation, and the rights of Watson Wyatt Holdings' stockholders generally are governed by the Delaware General Corporation Law, the listing standards of the New York Stock Exchange and Watson Wyatt Holdings' Amended and Restated Certificate of Incorporation and its Amended and Restated Bylaws. The rights associated with Watson Wyatt Holdings' common stock are summarized in Item 1 of our Registration Statement on Form 8-A, filed with the SEC on October 4, 2000, which is incorporated herein by reference.

Watson Wyatt LLP is a limited liability partnership incorporated under the laws of England. The rights of Watson Wyatt LLP members are generally governed by the limited liability partnership agreement of Watson Wyatt LLP, the Limited Liability Partnerships Act 2000, the Limited Liability Partnerships Regulations 2001 and other applicable English law. After the closing of the acquisition, Watson Wyatt LLP members will become Watson Wyatt Holdings' stockholders and will have the rights provided in the Watson Wyatt Holdings Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, New York Stock Exchange listing standards and the Delaware General Corporation Law.

The following summarizes the material differences between the rights of a holder of shares of Watson Wyatt Holdings' common stock and the rights of a Watson Wyatt LLP member. These differences arise from the differences between the corporate laws of Delaware and the limited liability partnership laws of England, the governing instruments of the two entities, the securities laws and regulations governing the two entities, and the listing standards of the New York Stock Exchange. However, it is not intended to be a complete description of the laws of Delaware or of England, nor of the other rules or laws referred to in this summary.

Organizational Differences

Watson Wyatt Holdings. Because Watson Wyatt Holdings is a corporation, the business and affairs of Watson Wyatt Holdings are managed under the direction of Watson Wyatt Holdings' board of directors, the members of which are elected by the holders of Watson Wyatt Holdings' common stock. Watson Wyatt Holdings' stockholders do not participate directly in the oversight or management of Watson Wyatt Holdings or in day-to-day operations. Watson Wyatt Holdings' stockholders have the right to vote only on specified matters, such as election of directors, significant business combination transactions and amendment of Watson Wyatt Holdings' articles of incorporation. Watson Wyatt Holdings' stockholders do not have any right to elect or appoint officers or members of management of Watson Wyatt Holdings.

Watson Wyatt LLP. Watson Wyatt LLP is a limited liability partnership that is registered and organized under the laws of England. Subject to the terms of the applicable membership agreement, members of an English limited liability partnership usually have a right to take part in the management, a right to share in capital and profits and a right to have access to limited liability partnership books and records. The business and affairs of Watson Wyatt LLP are managed under the direction of Watson Wyatt LLP's partnership board, which consults with both voting and non-voting members. Because Watson Wyatt LLP is closely held by a relatively small number of voting members, each voting member generally has substantial influence over the management of Watson Wyatt LLP.

Differences in Rights Relating to Stock and Members' Interests

Watson Wyatt Holdings. Shares of Watson Wyatt Holdings common stock are generally freely transferable without restriction on the New York Stock Exchange, subject to certain restrictions that may be imposed under applicable securities laws. As of , 2005, Watson Wyatt Holdings had

99 million shares of Watson Wyatt Holdings' common stock authorized, of which approximately 33 million shares were outstanding and held by approximately 650 holders of record. Further, each holder of Watson Wyatt Holdings' common stock is entitled to one vote per share on matters submitted to the Watson Wyatt Holdings stockholders for their approval. As a result, without a significant ownership position, an individual holder of Watson Wyatt Holdings' common stock is unlikely to exert significant influence on Watson Wyatt Holdings.

The total available capital stock of Watson Wyatt Holdings is set forth in its certificate of incorporation, which provides for 100 million shares of authorized capital stock, consisting of 99 million shares of Class A common stock (referred to in this proxy statement/prospectus as the "common stock") and 1 million shares of preferred stock. Watson Wyatt Holdings only has Class A common stock outstanding.

With certain exceptions, the Watson Wyatt Holdings board of directors has the right to issue additional shares of common stock (up to the maximized authorized amount), without the approval of existing stockholders. The Watson Wyatt Holdings board of directors has the authority to issue shares of preferred stock from time to time on terms it determines, which may include rights that are senior to those of common shares, without the approval of existing stockholders.

Watson Wyatt LLP. There are no express limits on the number of members of a limited liability partnership organized under the laws of England. As a result, Watson Wyatt LLP may, subject to restrictions on its limited liability partnership agreement, admit an unlimited number of members with unlimited membership interests. Admission of new members or voluntary assignment of an interest in a limited liability partnership generally requires consent of the members. As of , 2005, Watson Wyatt LLP has 47 voting members, including two employees of subsidiaries of Watson Wyatt LLP who have the status of voting members under Watson Wyatt LLP's membership agreement, and 183 non-voting members, including 32 employees of subsidiaries of Watson Wyatt LLP who have the status of non-voting members under Watson Wyatt LLP's membership agreement.

Status as Stockholders / Members

Watson Wyatt Holdings. Holders of Watson Wyatt Holdings' common stock do not have any personal liability for debts or obligations of Watson Wyatt Holdings, and generally do not have any fiduciary duties running to the corporate entity. Watson Wyatt Holdings' common stock is non-assessable; therefore, Watson Wyatt Holdings' stockholders cannot be assessed for payments in respect of their equity interests. Absent specific authorization, stockholders generally cannot bind a corporation.

Watson Wyatt LLP. Under English law, members of a limited liability partnership are its agents, have a right to participate in its management (absent agreement to the contrary), and can bind it.

Members of an English limited liability partnership are somewhat analogous to directors of a corporation. English law imposes various statutory responsibilities on the limited liability partnership's designated members, including responsibility for ensuring that the limited liability partnership complies with governance requirements. In addition, by virtue of being an agent of the limited liability partnership, limited liability partnership members owe various fiduciary and other duties to the limited liability partnership. The members must act in good faith in the best interests of the limited liability partnership and exercise due skill and care in the performance of their functions.

Past or present members of an English limited liability partnership may be obligated to contribute financially to the entity's assets in the event of its winding up if they knowingly made withdrawals when the entity was, or could be foreseen as becoming, insolvent.

Dividends / Distributions

Watson Wyatt Holdings. Watson Wyatt Holdings' stockholders are not entitled to any dividends or other distributions, except those that may be declared by Watson Wyatt Holdings' board of directors, in their discretion, from time to time. Since July 2004, Watson Wyatt Holdings has paid quarterly dividends.

Watson Wyatt LLP. If not otherwise addressed in the members agreement, members of an English limited liability partnership are entitled to share equally in the capital and profits of the limited liability partnership. Under the Watson Wyatt LLP members agreement, distributions are made to the Watson Wyatt LLP members based on each member's interest in the profits of Watson Wyatt LLP.

Meetings of Stockholders / Members

Watson Wyatt Holdings. As a Delaware corporation and New York Stock Exchange listed company, Watson Wyatt Holdings is obligated to convene only one meeting of stockholders every year.

Watson Wyatt LLP. Under the Watson Wyatt LLP members agreement, meetings of the Watson Wyatt LLP members can be convened by the senior member, an authorized committee or by 25% of the voting members.

Proxy Solicitation and Public Disclosure Requirements

Watson Wyatt Holdings. Under the proxy rules promulgated under the Securities Exchange Act of 1934, Watson Wyatt Holdings must comply with notice and disclosure requirements relating to the solicitation of proxies for stockholder meetings. As a US public company, Watson Wyatt Holdings must file with the SEC, among other reports and notices, annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K upon the occurrence of specified important events.

Acquirers of Watson Wyatt Holdings' common stock are subject to disclosure requirements under US law, which provide that any person who becomes the beneficial owner of more than five percent of the outstanding common stock of Watson Wyatt Holdings must publicly disclose specified information to the SEC and the New York Stock Exchange.

Stockholders of Watson Wyatt Holdings have the right to inspect certain books and records of Watson Wyatt Holdings under limited circumstances for proper corporate purposes.

Watson Wyatt LLP. English limited liability partnerships are subject to certain public disclosure requirements, including financial reporting requirements and standards, a requirement to disclose the profit share of the highest paid member, and a requirement to disclose information regarding all members, including residential addresses, unless the entity has obtained an order permitting non-disclosure. Members of an English limited liability partnership may inspect the books and records of the limited liability partnership.

SELLING STOCKHOLDERS

The registration statement of which this proxy statement/prospectus forms a part will cover the distribution of shares of Watson Wyatt Holdings' common stock to Watson Wyatt LLP and to the Watson Wyatt LLP members pursuant to the plan of distribution set forth in resolutions adopted by Watson Wyatt LLP, as well as the resale of all of those shares following their distribution to the Watson Wyatt members who are either affiliates of Watson Wyatt LLP or will be affiliates of Watson Wyatt Holdings (collectively referred to in this section as the selling stockholders). Without this registration statement, these shares could only be resold by the selling stockholders subject to the restrictions on resale in Rules 144 and 145 of the Securities Act, or pursuant to another exemption from registration under the Securities Act.

The following table sets forth the names of the selling stockholders, the number of shares and percentage of shares of Watson Wyatt Holdings' common stock that the selling stockholders will have owned before the offering for resale of any of the shares of Watson Wyatt Holdings' common stock being registered hereby, the maximum number of shares of Watson Wyatt Holdings' common stock that may be offered for resale for the account of the selling stockholders pursuant to this proxy statement/prospectus and the percentage of shares of Watson Wyatt Holdings' common stock to be held by the selling stockholders after the offering of the shares available for resale (assuming all of the shares offered for resale are sold by the selling stockholders).

We believe, based on information supplied by the following selling stockholders that except as noted, each has sole voting and investment power with respect to all shares of common stock beneficially owned. The amount and percentage of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days.

			Percentage of Shares of Watson Wyatt Holdings' Common Stock Owned(2)	
Selling Stockholders	**Number of Shares of Watson Wyatt Holdings' Common Stock to be Resold in the Resale Offering(1)**	**Number of Shares of Watson Wyatt Holdings' Common Stock Owned Before the Resale Offering(1)**	**Before Resale Offering of the Shares**	**After Resale Offering of the Shares(3)**
Watson Wyatt LLP				
David M.E. Dow				
Nicholas J. Dumbreck				
Chandrasekhar Ramamurthy				
Colin G. Singer				
Ian R. Skinner				
Paul N. Thornton				
Roger C. Urwin				
TOTAL				

* Less than 1,000 shares

(1) Also includes any other shares of Watson Wyatt Holdings' common stock owned as of , 2005, based upon information supplied to Watson Wyatt Holdings by the selling stockholders.

(2) The percentage of shares owned is determined based upon the sum of (i) shares of Watson Wyatt Holdings' common stock issued and outstanding as of , 2005 and (ii) an aggregate of 9,090,571 shares of Watson Wyatt Holdings' common stock to be issued at the effective time of the acquisition (without taking into account any contingent stock consideration).

(3) Assumes that the selling stockholders sell all of the shares available for resale.

Relationship of Selling Stockholders to Watson Wyatt Holdings and Watson Wyatt LLP

Watson Wyatt Holdings and Watson Wyatt LLP have had a global alliance with one another since 1995, under which Watson Wyatt Holdings has shared resources, technologies, processes and business referrals with Watson Wyatt LLP. In connection with the acquisition, Watson Wyatt Holdings will be acquiring the European business from Watson Wyatt LLP. In partial consideration for the acquisition of the European business, Watson Wyatt Holdings will issue 9,090,571 shares of Watson Wyatt Holdings' common stock, to be delivered upon consummation of the acquisition, and up to an additional 1,950,000 shares to be issued after June 30, 2007, contingent upon the achievement by the European business of financial performance goals. These shares are expected to be distributed by Watson Wyatt LLP to the Watson Wyatt LLP voting members and then to non-voting members and others, as described in "The Business Transfer Agreement Distribution of Proceeds" at page . Only the voting members will receive contingent stock consideration. For a description of the prior business relationship between Watson Wyatt Holdings and Watson Wyatt LLP, see "Material Relationships Between Watson Wyatt Holdings and Watson Wyatt LLP" at page .

Each of the individual selling stockholders listed above is currently a voting member of Watson Wyatt LLP and a member of the Watson Wyatt LLP partnership board. In addition, each of the individual selling stockholders listed above will receive Watson Wyatt Holdings' common stock in connection with the acquisition. WW Limited has offered or agreed to offer employment to all Watson Wyatt LLP members at closing who remain with the European business after the consummation of the acquisition, and certain of the Watson Wyatt LLP members will serve as executive officers and/or directors of Watson Wyatt Holdings. See "The Acquisition Interests of Certain Persons in the Acquisition" at page and "Management and Operations of Watson Wyatt Holdings After the Acquisition" at page .

Mr. Thornton, the Senior Partner of Watson Wyatt LLP and a selling stockholder, has served as a director of Watson Wyatt Holdings since 2000.

Plan of Distribution

Other than the distributions of shares of common stock to be made by Watson Wyatt LLP in connection with the acquisition, Watson Wyatt Holdings does not know of any plan of distribution for the resale of Watson Wyatt Holdings' common stock by the selling stockholders. Watson Wyatt Holdings will not receive any of the proceeds from the sale by the selling stockholders of any of the resale shares. Watson Wyatt Holdings will pay all of its costs, expenses and fees in connection with the registration of the common stock, but the selling stockholders will pay any brokerage commissions, discounts or other expenses relating to the sale of the Watson Wyatt Holdings common stock.

Watson Wyatt Holdings expects that the selling stockholders or their transferees may sell the resale shares from time to time in transactions on the New York Stock Exchange, in privately negotiated transactions or a combination of such methods of sale, at fixed prices which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The selling stockholders may sell the resale shares to or through broker-dealers, and such broker-dealers may receive compensation from the selling stockholders or the purchasers of the resale shares, or both.

When selling the Watson Wyatt Holdings common stock, the selling stockholders may enter into hedging transactions. For example, the selling stockholders may:

- enter into transactions involving short sales of the shares of Watson Wyatt Holdings' common stock by broker-dealers;

- sell shares short themselves and redeliver such shares to close out their short positions;

- enter into option or other types of transactions that require the selling stockholder to deliver shares to a broker-dealer, who will then resell or transfer the shares under this prospectus; or

- loan or pledge the shares to a broker-dealer, who may sell the loaned shares or, in the event of default, sell the pledged shares.

The selling stockholders and any broker-dealers who act in connection with the sale of resale shares hereunder may be deemed to be "underwriters" as that term is defined in the Securities Act and any commissions received by them and profit on any resale of shares might be deemed to be underwriting discounts and commissions under the Securities Act. If the selling stockholders qualify as "underwriters," they will be subject to the prospectus delivery requirements of the Securities Act.

Any or all of the sales or other transactions involving the resale shares described above, whether by the selling stockholders, any broker-dealer or others, may be made pursuant to this proxy statement/prospectus. In addition, any resale shares that qualify for sale under Rule 144 or Rule 145 of the Securities Act may be sold under Rule 144 or Rule 145 rather than under this proxy statement/prospectus.

In order to comply with the securities laws of certain states, if applicable, the resale shares may be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

In addition to selling their common shares under this prospectus, the selling shareholders may:

- agree to indemnify any broker-dealer or agent against liabilities related to the selling of the shares of Watson Wyatt Holdings' common stock, including liabilities arising under the Securities Act; or

- transfer their shares in other ways not involving market makers or established trading markets, including directly by gift, distribution or other transfer.

The selling stockholders and any other persons participating in the sale or distribution of the resale shares will be subject to liability under the federal securities laws and must comply with the requirements of the Securities Act and the Securities Exchange Act of 1934 (the "Exchange Act") and the applicable rules under the Exchange Act, including Rule 10b-5 and Regulation M. These rules and regulations may limit the timing of purchases and sales of shares of Watson Wyatt Holdings' common stock by the selling stockholders or other persons. Under these rules and regulations, the selling stockholders and other persons participating in the sale or distribution:

- may not engage in any stabilization activity in connection with Watson Wyatt Holdings' common stock;

- must furnish each broker which offers resale shares covered by this proxy statement/prospectus with the number of copies of this proxy statement/prospectus and any supplement which are required by the broker; and

- may not bid for or purchase any Watson Wyatt Holdings common stock or attempt to induce any person to purchase any Watson Wyatt Holdings common stock other than as permitted under the Exchange Act.

These restrictions may affect the marketability of any resale shares offered by the selling stockholders.

LEGAL MATTERS

Gibson, Dunn & Crutcher LLP, counsel to Watson Wyatt Holdings, will pass upon the validity of the Watson Wyatt Holdings common stock to be issued in connection with the acquisition.

EXPERTS

The financial statements of Watson Wyatt Holdings as of June 30, 2004 and 2003 and for each of the three years in the period ended June 30, 2004, incorporated in this proxy statement/prospectus by reference to the Watson Wyatt Holdings Annual Report on Form 10-K for the year ended June 30, 2004, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The financial statements of Watson Wyatt LLP as of April 30, 2004 and 2003 and for each of the years in the three year period ended April 30, 2004 included in this proxy statement/prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Watson Wyatt Holdings files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any of the reports, statements or information that Watson Wyatt Holdings files at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for further information on the Public Reference Room. Watson Wyatt Holdings' SEC filings are also available to the public from commercial document retrieval services and at the Internet web site maintained by the SEC at www.sec.gov. Our website is located at www.watsonwyatt.com.

Watson Wyatt Holdings has filed with the SEC a registration statement on Form S-4 of which this proxy statement/prospectus forms a part. The registration statement registers the shares of Watson Wyatt Holdings' common stock to be issued to Watson Wyatt LLP in connection with the acquisition. The registration statement, including the attached exhibits and schedules, contains additional relevant information about Watson Wyatt Holdings' common stock. The rules and regulations of the SEC allow Watson Wyatt Holdings to omit certain information included in the registration statement from this proxy statement/prospectus.

In addition, the SEC allows Watson Wyatt Holdings to disclose important information to you by referring you to other documents filed separately with the SEC. This information is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information included directly in this document.

This proxy statement/prospectus incorporates by reference the documents listed below that Watson Wyatt Holdings has previously filed with the SEC:

- Annual Report on Form 10-K for the year ended June 30, 2004, filed with the Commission on August 17, 2004
- Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, as filed with the Commission on November 9, 2004
- Quarterly Report on Form 10-Q for the quarter ended December 31, 2004, as filed with the Commission on February 9, 2005

Current Reports on Form 8-K filed with the Commission on December 1, 2004, December 30, 2004 and April 18, 2004

Definitive Proxy Statement on Schedule 14A for the 2004 Annual Meeting of Stockholders, filed with the Commission on October 15, 2004

The description of Watson Wyatt Holdings' Common Stock contained in Item 1 of its Registration Statement on Form 8-A filed with the Commission on October 4, 2000, including any amendments or reports filed for the purpose of updating the description.

All additional documents that Watson Wyatt Holdings may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934 after the date of this proxy statement/prospectus and prior to the termination of the offering, shall also be deemed to be incorporated by reference.

Watson Wyatt Holdings has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to Watson Wyatt Holdings, and Watson Wyatt LLP has supplied all information contained in this proxy statement/prospectus relating to Watson Wyatt LLP.

If you are a stockholder, you may request a copy of these filings at no cost by writing or telephoning Watson Wyatt Holdings at the following address or telephone number:

WATSON WYATT & COMPANY HOLDINGS
1717 H Street, N.W.
Washington, D.C. 20006-3900
Attention: Secretary
(202) 715-7000

In order to ensure timely delivery of these documents, you should make your request by , 2005.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus to vote on the issuance of Watson Wyatt Holdings' common stock in connection with the acquisition. Watson Wyatt Holdings has not authorized anyone to provide you with information that is different from or adds to what is contained in this proxy statement/prospectus or the documents that Watson Wyatt Holdings publicly files with the Commission. Therefore, if anyone gives you different or additional information, you should not rely on it.

The information contained in this proxy statement/prospectus speaks only as of its date unless the information specifically indicates that another date applies.

WATSON WYATT LLP

Registered in England Number OC301975

CONSOLIDATED FINANCIAL STATEMENTS

Years ended April 30, 2002, 2003 and 2004

WATSON WYATT LLP

CONSOLIDATED FINANCIAL STATEMENTS

WATSON WYATT LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATSON WYATT LLP (the 'LLP')

We have audited the accompanying balance sheets of Watson Wyatt LLP as of April 30, 2004 and 2003, and the related statements of income, members' capital, and cash flows for the three years ended April 30, 2004. These financial statements are the responsibility of the LLP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The LLP is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LLP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management of the LLP, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the LLP at April 30, 2004 and 2003 and the results of its operations and its cash flows for the three years ended April 30, 2004 and are in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of these differences is presented in Note 26 to the consolidated financial statements. The reported net income of the LLP for the years ended April 30, 2004 and 2003 and LLP members' interests at April 30 , 2003 and 2004 as determined in accordance with accounting principles generally accepted in the United States of America, have been restated and the restated figures are set out in Note 26.

Deloitte and Touche LLP
Crawley, England

April , 2005

WATSON WYATT LLP

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Years ended April 30, 2004, 2003 and 2002

	Notes	2004 £'000	2003 £'000	2002 £'000
TURNOVER	2	242,252	224,058	193,753
Staff costs	7	(103,382)	(97,397)	(81,493)
Depreciation and other amounts written off tangible and intangible fixed assets	5	(6,493)	(6,153)	(8,819)
Other external charges		(63,663)	(61,070)	(54,945)
OPERATING PROFIT		68,714	59,438	48,496
Share of operating profits of associated undertakings				79
TOTAL OPERATING PROFIT		68,714	59,438	48,575
Profit on sale of subsidiary undertaking	3	64	57	43
Profit on sale of associated undertaking	3			2,694
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		68,778	59,495	51,312
Income from fixed asset investments		89	82	105
Interest receivable and similar income		896	441	158
Interest payable and similar charges	4	(1,088)	(829)	(2,372)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2, 5	68,675	59,189	49,203
Tax charge on profit on ordinary activities	8	(462)	(155)	(310)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		68,213	59,034	48,893
Equity minority interests		279	293	864
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES		68,492	59,327	49,757

PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES		68,492	59,327	49,757
Salaried remuneration of members	6	(20,950)	(18,256)	
PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DIVISION AMONG MEMBERS	16, 17	47,542	41,071	49,757

WATSON WYATT LLP

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the years ended April 30, 2004, 2003 and 2002

	Notes	2004 £'000	2003 £'000	2002 £'000
Profit for the financial year		47,542	41,071	49,757
Commitments in respect of widows' annuities	15	(734)		
Surplus/(deficit) arising on revaluation	11	200	(524)	495
Currency translation differences on net investment in subsidiary undertakings	16, 17	117	(425)	(11)
Other (losses)/gains in the financial year		(417)	(949)	484
Total recognised gains and losses related to the financial year		47,125	40,122	50,241

WATSON WYATT LLP

CONSOLIDATED BALANCE SHEET
as at April 30, 2004 and 2003

	Notes	2004 £'000	2003 £'000
FIXED ASSETS			
Intangible assets	9	2,025	2,776
Tangible assets	10	9,554	13,158
Investments	11	1,898	1,714
		13,477	17,648
CURRENT ASSETS			
Debtors: pension prepayment due in more than one year	20	7,308	825
Debtors: amounts falling due within one year	12	71,154	71,205
Total debtors		78,462	72,030
Investments: short term deposits		34,318	
Cash at bank and in hand		3,480	28,161
		116,260	100,191
CREDITORS: amounts falling due within one year	13	(51,744)	(50,987)
NET CURRENT ASSETS		64,516	49,204
TOTAL ASSETS LESS CURRENT LIABILITIES		77,993	66,852
CREDITORS: amounts falling due after more than one year	14	(13,714)	(12,698)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(6,468)	(4,787)
TOTAL NET ASSETS		57,811	49,367
MEMBERS' OTHER INTERESTS			
Members' capital	16	16,272	13,471
Revaluation reserve	16	1,330	1,130
Other reserves	16	42,860	37,115
TOTAL MEMBERS' OTHER INTERESTS	16	60,462	51,716
Minority interests: equity	25	(2,651)	(2,349)
		57,811	49,367
TOTAL MEMBERS' INTERESTS MEMORANDUM ITEM			
Loans and other debts due to members	16	14,268	10,053
Members' other interests	16	60,462	51,716
Less: amounts due from members	16	(1,834)	(3,370)
		72,896	58,399

The financial statements were approved by the Members on April   2005.
Signed on behalf of the Members

P N Thornton	N J Dumbreck
Designated member	Designated member

WATSON WYATT LLP

CONSOLIDATED CASH FLOW STATEMENT
for the years ended April 30, 2004, 2003 and 2002

	Notes	2004 £'000	2003 £'000	2002 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	65,013	77,214	41,522
DIVIDENDS FROM ASSOCIATES				120
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		884	412	139
Interest paid		(72)	(50)	(203)
Income from fixed asset investments		89	82	105
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		901	444	41
TAXATION				
UK Corporation tax (paid)/refunded		(227)	87	68
Overseas tax (paid)/refunded		(126)	23	(1,018)
TOTAL TAX (PAID)/REFUNDED		(353)	110	(950)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire tangible fixed assets		(2,281)	(3,915)	(7,123)
Receipts from sales of tangible fixed assets		56	93	30
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(2,225)	(3,822)	(7,093)
ACQUISITIONS AND DISPOSALS				
Purchase of subsidiary undertakings		(29)	(3)	(1,123)
Net cash acquired with subsidiaries				965
Purchase of business			(1,984)	
Sale of subsidiary undertaking		104	57	60
Sale of associated undertaking		313	3,062	(66)
Net cash disposed of with subsidiaries				(22)
NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS AND DISPOSALS		388	1,132	(186)
TRANSACTIONS WITH MEMBERS, FORMER MEMBERS AND PARTNERS				
Payments to members and partners		(57,189)	(54,921)	(37,223)
Contributions by members and partners		3,611	3,260	3,479
NET CASH OUTFLOW FROM TRANSACTIONS WITH MEMBERS, FORMER MEMBERS AND PARTNERS		(53,578)	(51,661)	(33,744)
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		10,146	23,417	(290)
MANAGEMENT OF LIQUID RESOURCES				
Increase in cash on deposit for more than one day	22	(34,318)	(17,634)	
FINANCING				
Issue of ordinary share capital to minority shareholder			1,250	
Repayment of capital element of finance lease repayments				(5)

	Notes	2004 £'000	2003 £'000	2002 £'000
NET CASH INFLOW/(OUTFLOW) FROM FINANCING			1,250	(5)
NET CASH OUTFLOW FROM MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(34,318)	(16,384)	(5)
(DECREASE)/INCREASE IN CASH	22	(24,172)	7,033	(295)

WATSON WYATT LLP

Notes to the accounts

for the years ended April 30, 2002, 2003 and 2004

1. ACCOUNTING POLICIES

a. Accounting convention

These financial statements present the profit and loss account and cash flow statement of Watson Wyatt Partners (the 'Partnership Group') for the year ended April 30, 2002, and the profit and loss accounts, cash flow statements and balance sheets of Watson Wyatt LLP (the 'LLP Group') for the years ended April 30, 2003 and 2004. On May 1, 2002, the trade and assets of Watson Wyatt Partners were transferred to the newly formed Watson Wyatt LLP. The transfer of the business previously carried on by the unlimited liability partnership has been accounted for in accordance with the principles of merger accounting since the members of Watson Wyatt LLP at the date of transfer were substantially the same as the former partners of the Watson Wyatt unlimited liability partnership and their rights, relative to each other, are unchanged. Therefore the members had a continuing interest in the business, both before and after its transfer to the limited liability partnership. Under the principles of merger accounting, the assets and liabilities of the former unlimited liability partnership have been brought in at their book values under the accounting policies of Watson Wyatt LLP.

The accounts of the LLP Group are prepared under the historical cost convention and in accordance with the Statement of Recommended Practice, 'Accounting by Limited Liability Partnerships', and applicable United Kingdom accounting standards, as modified by the revaluation of investments in marketable securities.

The 2002 accounts of the Partnership Group are prepared under the historical cost convention, as modified by the revaluation of investments in marketable securities. The accounts for the Partnership Group have been prepared on the same basis as for the LLP Group except where indicated in the following notes.

b. Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the LLP Group and the Partnership Group and their subsidiary undertakings. The results of undertakings that become, or cease to be, treated as subsidiary undertakings, are included in the consolidated profit and loss account up to, or from, the date that control passes. Intra-group charges are eliminated fully on consolidation.

On the acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values, reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the LLP Group and/or the Partnership Group have gained control of the subsidiary, are charged to the post acquisition profit and loss account.

The profit or loss on disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

The results and cash flows relating to the business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

c. Revenue recognition

Revenue is recognised in line with performance under contracts to the extent that a right to consideration exists. Included as accrued income within debtors are amounts in respect of income that have been recognised in excess of amounts billed during the year.

d. Research and development expenditure

Research and development expenditure is charged to the profit and loss account as incurred.

e. Share of profits and losses of associated undertakings

Undertakings other than subsidiary undertakings, in which the LLP Group and/or the Partnership Group have an investment representing not less than 20% of the voting rights, and over which it exerts significant influence, are treated as associated undertakings. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet.

f. Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is capitalised as an intangible fixed asset and amortised at a rate calculated to write off its value on a straight line basis over its estimated useful life. In 2004, the estimated useful economic life was revised from 20 to 7 years. The charge for that year includes a sum of £567,000 arising from this reappraisal of the estimated useful life.

The Companies Act 1985 normally requires that goodwill arising on the acquisition of a subsidiary undertaking is calculated as the difference between the total acquisition cost of the undertaking and the LLP Group's and/or the Partnership Group's share of the fair value of the identifiable assets and liabilities of the undertaking on the date that it became a subsidiary.

Financial Reporting Standard 2 (FRS 2), 'Accounting for Subsidiary Undertakings', recognises that, where an investment in an associated undertaking is increased and it becomes a subsidiary undertaking, in order to show a true and fair view goodwill should be calculated on each purchase as the difference between the cost of that purchase and the fair value at the date of that purchase. The cost of goodwill at April 30, 2004, calculated on the basis set out in the Companies Act 1985, would have amounted to £9,806,000 (2003 £10,218,000; 2002 £8,324,000).

g. Intangible fixed assets

Other than goodwill, these represent software licences. They are stated at cost and are amortised over a period of two years, which is the members'/partners' estimate of their useful economic life.

h. Tangible fixed assets

Tangible assets are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over the estimated useful lives as follows:

Short leasehold property	14% per annum or over the term of lease, if shorter
Computer equipment	25% to 33.33% per annum
Other equipment and fittings	between 6% and 33.33% per annum
Motor vehicles	25% per annum

Depreciation commences from the date on which the asset is first available for use.

i. Investments

Investments in marketable securities are stated at market valuation. All other investments are stated at cost less any provisions for impairment.

j. Taxation

Taxation on the profits of the LLP Group and the Partnership Group is solely the liability of the individual members and partners. Therefore neither income tax nor deferred tax of the members/partners, LLP and Partnership are reported in these financial statements. The companies dealt with in these consolidated financial statements are subject to corporate taxation and the charge or credit arising during the year is reported in the profit and loss account.

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.

k. Pensions and other post-retirement benefits

The LLP Group and the Partnership Group participate in certain funded defined benefit pension schemes, which require contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the LLP Group and/or the Partnership Group. The regular cost is attributed to individual years using the projected unit method. Variations in the pension cost, which are identified as a result of actuarial valuations, are amortised over the expected average remaining working lives of employees as a level percentage of pensionable payroll. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Disclosure represents the transitional requirements of FRS17, 'Retirement benefits'.

The LLP Group and/or the Partnership Group also incur costs in respect of defined contribution pension arrangements for certain employees, which are accounted for based on contributions falling due in the year.

l. Leases

Operating lease charges are written off to the profit and loss account in equal amounts over the lease terms.

m. Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries and branches are translated at average rates of exchange for the financial year.

Exchange differences arising from the retranslation at the closing rate of the opening net investment in overseas subsidiaries and branches and of their results for the year are taken directly to retained profits and are reported in the statement of total recognised gains and losses. Gains and losses on exchange on transactions in foreign currencies are dealt with in the profit and loss account.

n. Members'/Partners' remuneration

Salaried remuneration of the members of the LLP Group is charged to the profit and loss account and deducted from the members' drawings accounts as and when it falls due for payment. Members' profit shares are divided and credited to the members' drawings accounts immediately after the allocation of profits has been determined.

Partners of the Partnership did not receive salaried remuneration. Unpaid profits are shown as part of the partnership funds until paid to partners.

o. Retirement Benefits of Former Members/Partners

The liability for payment of retirement benefits to former members of the LLP and former partners of the predecessor partnership rests with the members and not with the LLP. Accordingly, no provision is made in the LLP Group accounts for such benefits.

In the Partnership Group accounts, the present value of the expected liability for future payments to a former partner, or in respect of a former partner, are provided in the accounts at the date of the partner's retirement.

Within both the LLP Group and Partnership Group accounts, provisions are held for the future costs of widows' annuities that are currently in payment and for widows' annuities contingent upon the death of former partners and members. Provisions are also held for the future cost of enhanced pension entitlements for certain former members and partners. These liabilities rest with the LLP and not with the members.

2. SEGMENTAL INFORMATION

The Group had operating subsidiaries providing actuarial and consulting services in Europe, the Far East and the Americas. Turnover, profit/(loss) before tax and net assets/(liabilities) for the whole Group were as follows:

Turnover

Year ended April 30, 2004 the LLP Group	Total 2004 £'000	Intersegment 2004 £'000	Third parties to the group 2004 £'000
Principal activities			
UK	204,477	(5,378)	199,099
Rest of Europe	37,535	(3,004)	34,531
Americas	3,690	(50)	3,640
Asia	5,710	(728)	4,982
Other services UK	11,720	(11,720)	
	263,132	(20,880)	242,252

Year ended April 30, 2003 the LLP Group	Total 2003 £'000	Intersegment 2003 £'000	Third parties to the group 2003 £'000
Principal activities			
UK	189,653	(3,131)	186,522
Rest of Europe	32,532	(3,100)	29,432
Americas	2,698	(91)	2,607
Asia	6,155	(658)	5,497
Other services UK	12,540	(12,540)	
	243,578	(19,520)	224,058

Year ended April 30, 2002 the Partnership Group	Total 2002 £'000	Intersegment 2002 £'000	Third parties to the group 2002 £'000
Principal activities			
UK	164,867	(3,469)	161,398
Rest of Europe	29,082	(1,351)	27,731
Americas	1,113	(1)	1,112
Asia	4,345	(833)	3,512
Other services UK	11,931	(11,931)	
	211,338	(17,585)	193,753

Turnover by location of customer is not significantly different from the information above.

Profit/(loss) and net assets/(liabilities)	Profit/(loss) on ordinary activities before taxation 2004 £'000	2003 £'000	2002 £'000	Net assets/(liabilities) 2004 £'000	2003 £'000
UK	72,798	61,849	53,532	58,149	45,751
Rest of Europe	2	57	(3,433)	10,866	11,893
Americas	(2,530)	(1,399)	(32)	2,153	4,302
Asia	(579)	(570)	(84)	357	119
Long term group loans	(1,016)	(748)	(780)	(13,714)	(12,698)
	68,675	59,189	49,203	57,811	49,367

3. PROFIT ON SALE OF SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

	2004 £'000	2003 £'000	2002 £'000
Profit on sale of subsidiary undertakings	64	57	43
Profit on sale of associated undertakings			2,694

In 2002 and 2003, the profit on sale of subsidiary undertakings relates to deferred consideration arising from the sale of the Guernsey operations in April 2001. In addition, in 2004, there was a loss of £40,000 on the sale of the operations based in Boston, the United States.

The profit on sale of associated undertakings in 2002 relates to the disposal of the Partnership Group's interest in Combined Actuarial Performance Services Limited on December 20, 2001.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts wholly repayable within five years	12	1	128
Discount on deferred purchase consideration	29	43	26
Discount on retired partner annuity provision			1,389
Related party loans (Note 25)	1,016	748	780
Other loans	31	37	49
	1,088	829	2,372

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

		2004 £'000	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):				
Loss/(profit) on disposal of tangible fixed assets		8	(1)	44
Amortisation of goodwill		689	76	260
Amortisation of software licences		73		
Depreciation of tangible fixed assets	owned	5,731	6,077	5,346
Operating lease rentals	plant and machinery	194	262	137
	&#15 1; other	9,341	8,465	7,778
Auditors' remuneration	audit of parent entity	146	134	157
	&#15 1; audit of rest of group	122	144	146
	&#15 1; other services	83	210	30
Exceptional item				
Impairment of goodwill				3,213

In 2002, goodwill arising on the acquisition by the Partnership of the European subsidiaries was written down by £3,213,000 in excess of the normal annual charge. This followed a review of the performance of these entities in difficult trading conditions.

6. MEMBERS/PARTNERS

Number of members/partners	**Members 2004 No.**	**Members 2003 No.**	**Partners 2002 No.**
Average number of members/partners	187	170	158

Member/partner with largest entitlement to profit	**2004 £'000**	**2003 £'000**	**2002 £'000**
Wyatt Trustee Limited acting as Trustee of the Wyatt Trust	3,009	3,056	3,146

Salaried remuneration of members	**2004 £'000**	**2003 £'000**	**2002 £'000**
Amounts payable under contracts	20,950	18,256	

No amounts were payable to partners under contracts for the year ended April 30, 2002 because of the different legal status of the Partnership (applicable to year ended April 30, 2002) and the LLP (applicable to subsequent year ends). The Partnership is not a separate legal entity to the Partners, whilst the LLP is a body corporate, distinct from its members. All amounts due to Partners for the year ended April 30, 2002 are included within the profit for the financial year available for division among Partners.

7. STAFF COSTS

	2004 £'000	2003 £'000	2002 £'000
Particulars of employee costs:			
Wages and salaries	86,480	81,510	70,066
Social security costs	9,913	9,041	6,916
Other pension costs	6,989	6,846	4,511
	103,382	97,397	81,493

The average number of persons employed by, or seconded to, the Group in the year was 1,906 (2003: 1,878; 2002: 1,825).

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000	2002 £'000
U.K. corporate tax charge on profit			
for the year at 30% (2003 30%; 2002 30%)			
current year	215	25	(24)
previous years	76	38	49
Overseas tax charge for the year			
current year	150	30	215
previous years	28	75	129
Total current taxes	469	168	369
Deferred tax			
origination and reversal of timing differences	(59)	(15)	124
previous years	52	2	(183)
Total deferred taxes	(7)	(13)	(59)
Total tax charge for the year	462	155	310
Profit on ordinary activities before tax	68,675	59,189	49,203
Less amounts taxable on members/partners	(74,752)	(61,963)	(56,196)
Loss on ordinary activities, as adjusted	(6,077)	(2,774)	(6,993)
Tax credit for the year at weighted average rate	(1,883)	(843)	(1,683)
Expenditure not deductible for tax purposes	408	429	1,025
Excess of depreciation over capital allowances	166	95	142
Capital gains not chargeable to taxation			(128)
Utilisation of tax losses of earlier periods	(94)	(718)	(45)
Carry forward of tax losses to future periods	1,713	1,092	880
Withholding taxes not recovered	55		
Adjustments in respect of prior periods	104	113	178
Current tax charge for the year	469	168	369

Taxation on the profits of the LLP and the Partnership is solely the responsibility of the individual members and partners, respectively, and is not reported in these financial statements. The tax charge for the year at the standard rate relates to the results of all other group undertakings of the LLP and/or the Partnership.

Deferred taxation	2004 £'000	2003 £'000	2002 £'000
Deferred tax at beginning of year	(251)	(200)	(111)
Profit and loss account credit	(7)	(13)	(59)
Acquisitions			(33)
Foreign exchange adjustment	11	(38)	3
Deferred tax asset at end of year	(247)	(251)	(200)

Deferred tax is reported in the accounts, as follows:

	Note	2004 £'000	2003 £'000
Debtors	12	(247)	(339)
Provisions for liabilities and charges	15		88
		(247)	(251)

Deferred taxation	Recognised 2004 £'000	Recognised 2003 £'000	Not Recognised 2004 £'000	Not Recognised 2003 £'000
Capital allowances in excess of depreciation			(946)	(845)
Pensions	(247)	(339)	33	22
Short term timing differences		88	(2,029)	(1,828)
Trading losses			(5,222)	(3,358)
	(247)	(251)	(8,164)	(6,009)

Deferred tax assets are recognised in companies where there is a history of profitable trading and where recovery of the asset against future tax liabilities can be reasonably assured.

Deferred tax assets have not been recognised for companies where there is insufficient evidence of taxable profits in future years.

9. INTANGIBLE FIXED ASSETS

Year ended April 30, 2004 the LLP Group	Cost £'000	Amortisation £'000	Net book Value £'000
Goodwill			