

WATSON WYATT & CO HOLDINGS
Form 10-Q
November 09, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended September 30, 2005

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from to

Commission File Number: 001-16159

WATSON WYATT & COMPANY HOLDINGS

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

52-2211537
(I.R.S. Employer Identification No.)

901 N. Glebe Road

Arlington, VA 22203

(Address of principal executive offices, including zip code)

(703) 258-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 31, 2005.

Class	Number of Shares
Class A Common Stock, \$.01 par value	42,136,837

WATSON WYATT & COMPANY HOLDINGS

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For the Three months Ended September 30, 2005

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WATSON WYATT & COMPANY HOLDINGS

Consolidated Statements of Operations

(Thousands of U.S. Dollars, Except Per Share Data)

	Three months ended September 30	
	2005	2004
	(Unaudited)	
Revenue	\$ 265,886	\$ 175,391
Costs of providing services:		
Salaries and employee benefits	147,550	97,076
Professional and subcontracted services	19,011	11,979
Occupancy, communications and other	32,853	24,100
General and administrative expenses	31,389	16,888
Depreciation and amortization	9,677	4,683
	240,480	154,726
Income from operations	25,406	20,665
Income from affiliates	1,351	2,206
Interest (expense)/income, net	(88)	455
Other non-operating (loss)/income	(1,862)	28
Income from continuing operations before income taxes	24,807	23,354
Provision for income taxes	10,915	9,603
Income from continuing operations	13,892	13,751
Discontinued operations:		
Sublease income from discontinued operations, less applicable income tax expense for the three months ended September 30, 2005 and 2004	9	2
Net income	\$ 13,901	\$ 13,753
Basic earnings per share:		
Income from continuing operations	\$ 0.36	\$ 0.42
Income from discontinued operations		
Net income	\$ 0.36	\$ 0.42
Diluted earnings per share:		
Income from continuing operations	\$ 0.36	\$ 0.42
Income from discontinued operations		
Net income	\$ 0.36	\$ 0.42
Weighted average shares of common stock, basic (000)	38,841	32,358
Weighted average shares of common stock, diluted (000)	39,095	32,679

See accompanying notes to the
consolidated financial statements

WATSON WYATT & COMPANY HOLDINGS

Consolidated Balance Sheets

(Thousands of U.S. Dollars, Except Share and Per Share Data)

	September 30, 2005 (unaudited)	June 30, 2005
Assets		
Cash and cash equivalents	\$ 72,188	\$ 168,076
Receivables from clients:		
Billed, net of allowances of \$4,765 and \$2,114	160,478	95,977
Unbilled, net of allowances of \$1,980 and \$264	111,128	62,840