

Towers Watson & Co.  
Form S-1/A  
September 13, 2010  
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As filed with the Securities and Exchange Commission on September 13, 2010

Registration No. 333-168201

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**TOWERS WATSON & CO.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>6719</b> (Primary Standard Industrial Classification Code Number) 875 Third Avenue New York, NY 10022 (212) 725-7550	<b>27-0676603</b> (I.R.S. Employer Identification No.)
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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**John J. Haley**  
Chairman of the Board of Directors and  
Chief Executive Officer  
Towers Watson & Co.  
875 Third Avenue  
New York, NY 10022  
(212) 725-7550

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. "

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. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer "

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer "

Smaller reporting company "

## CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed	
	Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee (3)
Class A Common Stock, \$0.01 par value per share	\$250,000,000	\$17,825

(1) Includes 641,884 shares as to which the underwriters have been granted an option to cover overallocments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) Amount previously paid.

**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.**

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

Subject to Completion

Preliminary Prospectus dated September 13, 2010

**PROSPECTUS**

**4,279,233 Shares**

**Towers Watson & Co.**

**Class A Common Stock**

The selling stockholders are selling 4,279,233 shares of our Class A Common Stock. We will not receive any of the proceeds from the sale of shares of Class A Common Stock by the selling stockholders.

Our shares trade on the New York Stock Exchange and on the NASDAQ Stock Market under the symbol TW. On September 10, 2010, the last sale price of the shares on the New York Stock Exchange and the NASDAQ Stock Market was \$47.48 per share.

**Investing in the Class A Common Stock involves risks that are described in the Risk Factors section beginning on page 11 of this prospectus.**

	<b>Per Share</b>	<b>Total</b>
Price to the public	\$	\$
Underwriting discount	\$	\$
Proceeds to selling stockholders	\$	\$

The underwriters may also purchase up to an additional 641,884 shares from the selling stockholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallocments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about \_\_\_\_\_, 2010.

**BofA Merrill Lynch**

**Goldman, Sachs & Co.**

**J.P. Morgan**

**Baird Citi**

**Stifel Nicolaus Weisel**

**SunTrust Robinson Humphrey**

The date of this prospectus is \_\_\_\_\_, 2010.

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We are responsible for the information contained or incorporated by reference in this prospectus and any free writing prospectus prepared by or on behalf of us that we have referred to you. We have not, the selling stockholders have not and the underwriters have not authorized anyone to provide you with additional or different information from that contained or incorporated by reference in this prospectus, and we take no responsibility for any other information that others may give you. The selling stockholders are offering to sell, and seeking offers to buy, shares of our Class A Common Stock only in jurisdictions where offers and sales are permitted. The information in this document may only be accurate on the date of this prospectus, regardless of its time of delivery or of any sales of shares of our Class A Common Stock. Our business, financial condition, results of operations or cash flows may have changed since such date.

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**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in shares of our Class A Common Stock. You should read the following summary together with the more detailed information appearing in this prospectus, including Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors, Business and our consolidated financial statements and related notes before deciding whether to invest in shares of our Class A Common Stock. Unless the context otherwise requires, the terms Towers Watson, the Company, we, us and our in this prospectus refer to Towers Watson & Co. and its subsidiaries. On January 1, 2010, pursuant to the Agreement and Plan of Merger, as amended by Amendment No. 1 (the Merger Agreement), Watson Wyatt Worldwide, Inc. (Watson Wyatt) and Towers, Perrin, Forster & Crosby, Inc. (Towers Perrin) combined their businesses through two simultaneous mergers (the Merger) and became wholly owned subsidiaries of Jupiter Saturn Holding Company, which subsequently changed its name to Towers Watson & Co. Since the consummation of the Merger, Towers Perrin changed its name to Towers Watson Pennsylvania Inc., and Watson Wyatt changed its name to Towers Watson Delaware Holdings Inc. However, for ease of reference, we continue to use the legacy Towers Perrin and Watson Wyatt names throughout this prospectus.*

**Our Company**

Towers Watson is a leading global professional services firm focused on providing consulting and other professional services related to employee benefits, human capital and risk and financial management. We provide advisory services on critical human capital management issues to help our clients effectively manage their costs, talent and risk. We offer our clients comprehensive services across three business segments, Benefits, Risk and Financial Services and Talent and Rewards, through a strong talent pool of approximately 12,750 full-time associates across 34 countries. Our professional staff are trusted advisors and experts in their fields and include over 2,480 fully accredited actuaries. Towers Watson was formed on January 1, 2010, from the merger of Towers Perrin and Watson Wyatt, two leading professional services firms that trace their roots back more than 100 years.

We help our clients enhance business performance by improving their ability to attract, retain, and motivate employees and to manage and mitigate risk. We focus on delivering consulting services and technology solutions to help organizations anticipate, identify and capitalize on emerging opportunities in benefits and human capital management. We also provide independent advice and risk management solutions to insurance companies and corporate clients, as well as investment advice to help our clients develop disciplined and efficient strategies to manage risk and meet their investment goals.

Our target market is generally large, multi-national and domestic companies, with additional focus on the insurance industry. Our clients include many of the world's leading corporations, including approximately 85 percent of the Fortune Global 500 companies, 84 percent of the Fortune 1000, 76 percent of the FTSE and 100 percent of the Dax 30. We also advise more than three-quarters of the world's leading insurance companies. We work with major corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries. Our client base is broad and geographically diverse. For the year ended June 30, 2010, no individual client represented more than one percent of our consolidated revenue.

The Benefits segment is our largest segment. This segment provides benefits consulting and administration services through four primary lines of business. Retirement supports organizations worldwide in designing, managing, administering and communicating all types of retirement plans. Health and Group Benefits provides advice on the strategy, design, financing, delivery, ongoing plan management and communication of health and group benefit programs. Through our Technology and Administration Solutions line of business, we

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deliver cost-effective benefit outsourcing solutions. The International Consulting Group provides expertise in dealing with international human capital management and related benefits and compensation issues for our clients and their subsidiaries. A significant portion of the revenue in this segment is from recurring work, driven in large part by the heavily regulated nature of employee benefits plans and our clients' annual needs for these services. The Benefits segment contributed approximately 59 percent of revenue during the six months ended June 30, 2010.

The Risk and Financial Services segment, our second largest segment, has three primary lines of business. Risk Consulting and Software provides the insurance industry with consulting and industry-specific software solutions that range from asset-liability modeling and product development to economic capital aggregation and allocation. Reinsurance and Insurance Brokerage principally provides reinsurance brokerage services. Investment Consulting and Solutions provides investment strategy consulting and solutions for institutional investors, primarily to defined benefit and defined contribution pension plans. A significant portion of the revenue in this segment is from recurring work, driven in large part by the heavily regulated nature of the insurance industry and industry demands for these services, such as reinsurance brokerage. The Risk and Financial Services segment contributed approximately 23 percent of revenue during the six months ended June 30, 2010.

The Talent and Rewards segment has three primary lines of business. Executive Compensation advises our clients' management and boards of directors on executive pay and incentive programs. Rewards, Talent and Communication provides consulting on a number of issues facing employers including employee rewards (pay and incentives), talent management, employee communication and change management. Data, Surveys and Technology provides data, analytics, consulting and technology solutions, such as compensation and human capital benchmarking data, employee opinion surveys, and reward administration and talent management technology, to help employers more effectively manage their employees and human resources programs. The revenues in this segment are largely comprised of project-based work from a stable client base. The Talent and Rewards segment contributed approximately 16 percent of revenue during the six months ended June 30, 2010.

### **Our Industry and Market Opportunities**

As leading economies worldwide become more service-oriented and interconnected, effective human resources, financial and risk management are increasingly becoming a source of competitive advantage for companies and other organizations. Employers, regardless of geography or industry, are facing unprecedented challenges involving the management of their people. Changing technology, expectations for innovation and quality enhancements, skill shortages in selected areas, and an aging population in many developed countries have increased employers' focus on attracting and retaining talented employees. Further, employers are focused on achieving productivity improvements and effectively managing the overall size and volatility of their labor costs. The growing demand for employee benefits and human capital management services is directly related to the size, complexity and rapid changes associated with the effective design, financial management and administration of human resources programs.

Kennedy Information defines the human resources consulting industry as services aimed at managing the employee lifecycle, consulting around the people component of change management and improving the effectiveness of the human resources function. These services include, but are not limited to, advising on human capital strategy; providing human resources financial guidance; consulting on benefits, compensation, and talent management; and providing human resources technology and transformation advisory services. According to Kennedy's HR Consulting Marketplace 2009-2011: Key Trends, Profiles and Forecasts, the size of the global human resources consulting industry was \$21 billion in 2009 and is forecasted to grow to approximately \$23 billion in 2011, representing a compound annual growth rate of 4.1 percent. (Source: Kennedy Consulting Research & Advisory: HR Consulting Marketplace 2009-2011; ©2009 BNA Subsidiaries, LLC. Provided under license.)



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Our clients continue to face increasingly complex risk management and investment decisions that we believe will drive demand for consulting services and solutions, as clients look for assistance to better manage these complexities. Our risk management and insurance clients look to us to help them better identify, measure and manage key risks to help them avoid major losses, enhance risk-adjusted returns and improve business performance. As mergers and acquisitions activity picks up within the insurance industry, clients also look to us as actuarial advisors on these transactions. Additionally, growth of insurance markets and regulatory change in emerging economies such as China and India will also provide an opportunity for us to provide insurance consulting services to these growing markets.

We believe the key drivers of demand for our services include:

**Complex and Changing Regulatory Environment.** Employee benefits programs in most industrialized countries are subject to complex government regulations. These regulations change as governments address social and economic policy issues and as private employers implement changes in plan designs. Employers throughout the world are increasingly seeking human capital management consultants to assist them with plan design, compliance and regulatory advice. Legislative and regulatory changes also affect the insurance industry, which is one of the most heavily regulated industries in the world.

**Importance of Employer-Sponsored Benefits Programs.** According to the U.S. Census Bureau, currently less than eight percent of the world's population is 65 and older, but this number is expected to increase significantly to reach 12 percent by 2030 and 16 percent by 2050. Additionally, health care costs in the United States are continuing to climb at rates well above the general Consumer Price Index. As these numbers increase over the long term, private employers may be required to provide more benefits and stretch benefit dollars further to attract and retain talent by, for example, providing health and wealth accumulation vehicles for retirement.

**Strategic Importance of Effective Human Capital Management.** The focus on increased productivity, risks related to attrition of key employees, competition for skilled employees and unprecedented changes in workforce demographics, along with rising employee-related costs, have increased the importance of effective human capital management, particularly as many developed economies shift from manufacturing to services.

**Increasing Complexity and Importance of Insurance and Risk Management Decision-Making.** The global insurance industry is large and becoming increasingly complex, driven by changing economies, new legislation and regulation, and dynamic financial markets. Our risk management clients look to us to help them better identify, measure and manage key risks to help them avoid major losses, enhance risk-adjusted returns and improve business performance.

### **Our Competitive Strengths**

As a leading global professional services firm focused on providing consulting and professional services related to employee benefits, human capital and risk and financial management, we believe we are well positioned for continued growth due to our leadership and expertise in each of our respective lines of business along with the breadth and depth of our offerings. Our recently completed merger greatly enhanced our global footprint and our portfolio of products and services to better serve our clients. We believe the following strengths distinguish us from our competitors:

**Deep, Longstanding Relationships with Many of the World's Largest Corporations.** We work closely with senior management at many of the world's largest corporations. In fiscal year 2010, we provided services to approximately 85 percent of the Fortune Global 500 companies, 84 percent of the Fortune 1000 companies, 76 percent of the FTSE and 100 percent of the Dax 30. We provide services across more than one line of business for 99 of our top 100 largest clients. A number of these client relationships span several decades.

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Of our 100 largest clients in fiscal year 2010, ranked in terms of revenue, 97 were clients in each of the last three years. We believe our focus on delivering consistent and high-quality services to our clients has allowed us to maintain client relationships and gives us an ongoing opportunity to present existing clients with new and innovative services.

**Global Reach and Scale.** We have an extensive global presence, with offices in more than 100 cities and 34 countries. We have a strong presence in major markets across North America and Europe, as well as offices in Latin America and the Asia-Pacific region. As examples of our global reach, we are a leading provider of global actuarial coordination services for retirement benefits, we are the largest employer of actuaries focused on the insurance industry, we have one of the world's largest databases of manager performance research on unaffiliated investment managers, and we are a leader in global employee attitudinal and compensation data.

**Reputation for In-depth Industry Knowledge, Client Service and Quality.** Our professional staff are consistently recognized by their peers, clients and the media for their in-depth knowledge of employee benefits and human capital management issues across a wide variety of industries, including financial services, pharmaceuticals, oil and gas and utilities. We also have deep, specialized expertise within the insurance industry. Our professional staff are known for their innovative and leading-edge services and solutions, particularly in the areas of pension cost and risk management, design and management of health and group benefits, risk and capital management within the insurance industry, investment consulting and manager research, and design of total rewards programs.

**Highly Educated and Accredited Professional Staff.** Our professional staff are trusted advisors and experts in their fields. They include over 2,480 fully accredited actuaries, and a significant number of our associates have advanced degrees including MBAs, PhDs, medical degrees and law degrees. Because of our deep expertise, our associates frequently speak at major industry conferences, are regularly quoted in the business press and frequently contribute articles to human capital, financial and insurance publications.

**Depth and Breadth of Research and Data.** We have extensive and detailed data about all aspects of the workforce across the globe. The combination of data about compensation levels, benefit programs, typical employment practices, employee opinions, attrition and promotion patterns and the human resources function enables us to provide insights about the workforce in almost any part of the world.

**Highly Recognized Global Brand.** We believe we have one of the most highly recognized brand names in both the human capital and risk management businesses. We trace our roots back more than 130 years, when Rueben Watson formed R. Watson & Sons, the world's oldest actuarial firm, and Henry W. Brown formed Henry W. Brown & Co. Through the recent merger of Watson Wyatt and Towers Perrin in January 2010, two of the leading professional services firms with two of the most respected global brands joined together. Both companies have had a long history of success and strong reputation for their client service, trusted advice and thought leadership.

**Attractive Business Model with Significant Recurring and Diversified Revenues.** We derive our revenue through a diversified service offering across Benefits, Risk and Financial Services and Talent and Rewards. Through each of these business segments, we provide a variety of services to a highly diversified client base. The nature of our business, our in-depth knowledge of our clients and our client relationships provide opportunities for significant recurring revenues. We have a large number of recurring assignments because of our clients' annual needs for certain of our services, many of which are driven by compliance with regulatory requirements, particularly for retirement and insurance services.

**Experienced Management Team Focused on Professional Excellence, Integrity and Business Performance.** The eight members of our executive committee have been with us for an average of 27.5 years. Several of our senior leaders have been named top professionals by influential industry publications, and many are widely regarded as leaders in their respective fields.

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**Our Business Strategy**

To achieve our mission and vision, we are aggressively pursuing the following strategic initiatives:

**Strengthen Our Relationships and Expand Our Services with Our Existing Clients.** Our client base consists of over 18,000 companies and their subsidiaries worldwide. As a result of the merger of Towers Perrin and Watson Wyatt and our enhanced service portfolio, we believe we have significant cross-selling opportunities to expand our existing client relationships across lines of business. With our focus on clients first, we will evaluate their needs and introduce our expanded services that would effectively address those needs. Additionally, we have designated account directors and business development associates who are responsible for developing our most significant client relationships into long-term partnerships and deepening the integration of our services with our clients' overall business strategies. These account directors and business development associates work with client teams of subject matter experts to anticipate broad client business issues and understand how they may affect the human capital and risk management concerns of the organization.

**Expand Our Service Offerings Through Innovative Solutions.** One of our critical priorities is to expand our intellectual capital, tools and methodologies to effectively serve our clients with the best solutions available in the market, leveraging the depth of our data and analytics. We continue to focus on developing new intellectual capital and new service offerings as we look to meet our clients' emerging needs across both the human capital and risk and financial management areas.

**Expand our Market Share.** We believe our well-recognized brand name, global reputation for quality service and extensive and widely cited research enable us to promote our services effectively to new clients and expand our market share. We also believe there are significant opportunities to develop new client relationships, and our account directors and business development associates actively seek opportunities to engage new buyers through existing clients and re-engage with decision makers at former clients and prospective clients. Our plans to increase market share also include expanding our presence in emerging markets for our services, including Asia-Pacific as well as the Middle East.

**Improve Operating Margins.** An important element of our growth strategy is to continue to improve the efficiency with which we deliver our services and to capture cost synergies from the merger of Towers Perrin and Watson Wyatt. We expect our margins to improve as our revenues grow and we leverage our existing investments. We have plans in place to improve operating margins through a number of initiatives, including: completion of integration of our legacy firms' technology, tools and methodologies following the Merger; increased pursuit of product solutions and implementation services where pricing is value-driven rather than based on hourly rates; a greater focus on revenue-generating activities with lower variable costs (such as subscription or bundled services); efficiency improvements through better staff leverage and standardization of repeatable processes; and reduction of our selling, general and administrative costs.

**Pursue Strategic Acquisitions and Alliances.** Through strategic acquisitions and alliances, we will seek to build scale, capitalize on industry consolidation and expand the range of our service offerings. Through our Strategy and Corporate Development group, we follow a disciplined approach to pursuing acquisitions, focusing on selective best-in-class acquisitions of niche providers that are consistent with our growth strategy. Moreover, we also selectively pursue alliances to fill key product, service or geographic gaps and complement our existing portfolio of services in areas where acquiring or building those capabilities internally does not fit with our strategic goals.

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**Risk Factors**

Our business and an investment in our Class A Common Stock are subject to numerous risks and uncertainties, including those highlighted in the section entitled "Risk Factors" immediately following this prospectus summary. Such risk factors include, among others:

If we are not able to successfully integrate the operations of Towers Perrin and Watson Wyatt, we may fail to realize the anticipated growth opportunities and other anticipated benefits of the Merger.

The effects of the Merger may be dilutive to our earnings per share in the short term, and our estimates of the operational cost savings we expect to result from the Merger and of the costs we expect will be required to achieve such savings are inherently uncertain and may not be accurate, and we may not be able to achieve the operational cost savings in the expected time frame or at all.

The loss of key associates could damage or result in the loss of client relationships and could result in such associates competing against Towers Watson.

The trend of employers shifting from defined benefit plans to defined contribution plans could materially adversely affect our business and results of operations.

We could be subject to claims arising from our work, as well as government inquiries and investigations, which could materially adversely affect our reputation and business.

Our clients could terminate or reduce our services at any time, which could decrease associate utilization, adversely impacting our profitability and results of operations.

Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government regulations or if government regulations decrease the need for our services or increase our costs.

We are subject to risks of doing business internationally.

Shares of Towers Watson common stock eligible for public sale could adversely affect the stock price.

**Additional Information**

Towers Watson & Co. was incorporated in Delaware in 2009 as Jupiter Saturn Holding Company. Our principal executive offices are located at 875 Third Avenue, New York, NY 10022, and our telephone number at that address is (212) 725-7550. Our website address is [www.towerswatson.com](http://www.towerswatson.com). The information on our website is not part of this prospectus, and you should not rely on any such information in deciding to invest in shares of our Class A Common Stock.

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**THE OFFERING**

Class A Common Stock offered by the selling stockholders <sup>(1)</sup>	4,279,233 shares
Overallotment option	The selling stockholders have granted the underwriters a 30-day overallotment option to purchase up to 641,884 additional shares of our Class A Common Stock.
Class A Common Stock outstanding immediately after this offering	51,487,919 shares (52,129,803 shares if the underwriters exercise their overallotment option in full)
Class B Common Stock outstanding immediately after this offering	22,748,696.86 shares (22,106,812.86 shares if the underwriters exercise their overallotment option in full)
Use of proceeds	The selling stockholders will receive all of the net proceeds from the offering and we will not receive any proceeds from the sale of shares in this offering. See Use of Proceeds.
Dividends	Our Board of Directors recently determined to establish and pay regular quarterly cash dividends in the amount of \$0.075 per share (at an annual rate of \$0.30 per share) on all of our outstanding Class A Common Stock and Class B Common Stock, with such dividend payments having begun at the end of the third quarter of fiscal year 2010. See Dividend Policy.
NYSE and NASDAQ symbol	TW
Risk factors	See Risk Factors beginning on page 11 for a discussion of certain material risks that prospective purchasers should consider before deciding to invest in our Class A Common Stock.

Unless otherwise indicated, references in this prospectus to the number of shares of Class A Common Stock outstanding are calculated as of September 7, 2010 and:

do not give effect to the anticipated conversion of 4,279,233 shares of Class B-1 Common Stock into shares of Class A Common Stock offered hereby;

exclude 291,857 shares of Class A Common Stock reserved for future issuance in connection with the exercise of equity awards; and

assume no exercise of the underwriters' overallotment option to purchase up to 641,884 additional shares of Class A Common Stock.

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<sup>(1)</sup> As described in a proxy statement filed with the Securities and Exchange Commission ( SEC ) on July 30, 2010, at a special meeting to be held on September 9, 2010, our stockholders approved a proposal to eliminate the restriction on the number of shares of restricted Class B Common Stock that the Board of Directors can convert into shares of Class A Common Stock. Accordingly, the Company will convert, on a one-for-one basis, shares of Class B-1 Common Stock into the shares of Class A Common Stock being offered hereby.

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The following selected historical financial information for the three fiscal years ended June 30, 2010, 2009 and 2008 is presented in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ). Watson Wyatt is the accounting predecessor in the Merger and as such, the historical results of Watson Wyatt through December 31, 2009 have become those of Towers Watson. Towers Watson's condensed consolidated financial statements as of and for the fiscal year ended June 30, 2010 include the results of Towers Perrin's operations beginning January 1, 2010. We derived the summary historical statement of operations data for the fiscal years ended June 30, 2010, 2009 and 2008 and the balance sheet data as of June 30, 2010 and 2009 from our historical audited consolidated financial statements included elsewhere in this prospectus. The historical balance sheet data as of June 30, 2008 is derived from our historical audited consolidated financial statements not included in this prospectus. This historical data is only a summary. You should read this information in conjunction with our and our predecessor's historical audited and unaudited financial statements and related notes in this prospectus and the section in this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following selected unaudited pro forma combined statement of operations data for Towers Watson gives effect to the Merger as if it occurred as of July 1, 2009 and as of July 1, 2008. The pro forma combined statement of operations data for the fiscal year ended June 30, 2009 combines Watson Wyatt's historical audited consolidated statement of operations data for the fiscal year ended June 30, 2009 with Towers Perrin's historical unaudited consolidated statement of operations data for the twelve months ended June 30, 2009. The unaudited pro forma combined statement of operations data for the fiscal year ended June 30, 2010 combines Towers Watson's historical unaudited consolidated statement of operations data for the six months ended June 30, 2010 with Watson Wyatt's and Towers Perrin's historical unaudited consolidated statement of operations data for the six months ended December 31, 2009. Watson Wyatt's fiscal year ended on June 30 while Towers Perrin's fiscal year ended on December 31. Towers Perrin's financial information has been recast to conform with Watson Wyatt's fiscal year end. The unaudited pro forma combined statement of operations data should be read together with the respective historical financial statements and related notes and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." For more information, including a description of the assumptions on which this pro forma financial information is based, and other details, see the section entitled "Unaudited Supplemental Pro Forma Condensed Combined Statements of Operations."

	<b>Pro Forma</b>				
	<b>As of and for the Year Ended June 30,</b>			<b>Year Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>	<b>2009</b>
<b>(In thousands, except share and per share amounts)</b>					
<b>Consolidated Statement of Operations Data:</b>					
Revenue	\$ 2,387,829	\$ 1,676,029	\$ 1,760,055	\$ 3,180,916	\$ 3,251,323
Income from operations	164,445	209,383	226,773	243,851	88,554
Net income attributable to controlling interests	\$ 120,597	\$ 146,458	\$ 155,441	\$ 186,319	\$ 40,034
<b>Per Share Data:</b>					
Earnings per share:					
Basic	\$ 2.04	\$ 3.43	\$ 3.65	\$ 3.14	\$ 0.68
Diluted	\$ 2.03	\$ 3.42	\$ 3.50	\$ 3.14	\$ 0.67
Dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Weighted average shares of common stock:					
Basic (000)	59,257	42,690	42,577	59,257	59,257
Diluted (000)	59,372	42,861	44,381	59,372	59,372

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	As of and for the Year Ended June 30,		
	2010	2009	2008
	(In thousands, except share and per share amounts)		
<b>Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 600,466	\$ 209,832	\$ 124,632
Working capital	479,688	231,938	172,241
Goodwill and intangible assets	2,410,652	728,987	870,943
Total assets	\$ 4,573,450	\$ 1,626,319	\$ 1,715,976
Revolving credit facility			
Other long-term obligations (1)	1,643,165	438,021	346,335
Total stockholders' equity	\$ 1,955,607	\$ 853,638	\$ 984,395
<b>Other Operating Data:</b>			
EBITDA (2)	\$ 275,559	\$ 296,107	\$ 301,990
Adjusted EBITDA (2)	\$ 401,179	\$ 282,831	\$ 229,201
Adjusted Net Income Attributable to Controlling Interests (2)	\$ 219,292		
Adjusted Diluted Earnings Per Share (2)	\$ 3.69		

- (1) Other long-term obligations includes accrued retirement benefits, deferred rent and accrued lease losses, deferred income taxes and other long-term tax liabilities, professional liability claims reserve, contingency stock payable and other non-current liabilities.
- (2) We use EBITDA, Adjusted EBITDA, Adjusted Net Income Attributable to Controlling Interests and Adjusted Diluted Earnings Per Share, non-U.S. GAAP measures, to evaluate our financial performance and separately evaluate our performance of the transaction and integration activities as well as changes in tax law. We believe these measures are useful in evaluating our results of operations and in providing a baseline for the evaluation of future operating results. We define EBITDA as net income before non-controlling interests adjusted for provision for income taxes, interest, net and depreciation and amortization. Reconciliation of EBITDA and Adjusted EBITDA to net income before non-controlling interests, Adjusted Net Income Attributable to Controlling Interests to net income attributable to controlling interests and Adjusted Diluted Earnings Per Share to diluted earnings per share are included in the tables below. These non-U.S. GAAP measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies.

Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the information contained within our financial statements.

	Year Ended June 30,		
	2010	2009	2008
	(In thousands)		
Reconciliation of EBITDA and Adjusted EBITDA to net income before non-controlling interests:			
Net income before non-controlling interests	\$ 119,010	\$ 146,627	\$ 155,699
Provision for income taxes	50,907	75,276	73,470
Interest, net	4,558	756	393
Depreciation and amortization	101,084	73,448	72,428
EBITDA	275,559	296,107	301,990
Transaction and integration expenses	87,644		
Stock-based compensation (a)	48,006		
Other non-operating income (b)	(10,030)	(13,276)	(2,789)



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Adjusted EBITDA	\$ 401,179	\$ 282,831	\$ 299,201
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- (a) Stock-based compensation awarded to former Towers Perrin employees in connection with the Merger is included in salaries and employee benefits expense.

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- (b) Other non-operating income includes (income)/loss from affiliates, and other non-operating income.

A reconciliation of net income attributable to controlling interests, as reported under U.S. GAAP, to adjusted net income attributable to controlling interests, and of diluted earnings per share as reported under U.S. GAAP to adjusted diluted earnings per share is as follows:

	<b>Year Ended June 30, 2010</b>
	<b>(In thousands, except share and per share amounts)</b>
Net Income Attributable to Controlling Interests	\$ 120,597
Adjusted for expenses as a result of the Merger (c):	
Amortization of intangible assets	21,020
Transaction and integration expenses including severance	58,214
Gain on sale of investment	(5,760)
Stock-based compensation from Restricted Class A Shares	31,636
Other Merger-related tax items	(17,013)
Loss of Medicare Part D subsidy	10,598
<b>Adjusted Net Income Attributable to Controlling Interests</b>	<b>\$ 219,292</b>
Weighted Average Shares of Common Stock - Diluted (000)	59,372
<b>Earnings Per Share - Diluted, As Reported</b>	<b>\$ 2.03</b>
Adjusted for expenses as a result of the Merger (c):	
Amortization of intangible assets	0.36
Transaction and integration expenses including severance	0.98
Gain on sale of investment	(0.10)
Stock-based compensation from Restricted Class A Shares	0.53
Other Merger-related tax items	(0.29)
Loss of Medicare Part D subsidy	0.18
<b>Adjusted Earnings Per Share - Diluted</b>	<b>\$ 3.69</b>

- (c) The expenses that are adjusted as a result of the Merger for the year ended June 30, 2010 are net of tax. In calculating the net of tax amounts, the effective tax rate for amortization of intangible assets is 32.8 percent, transaction and integration expenses including severance is 35.1 percent and stock-based compensation from Restricted Class A shares is 34.1 percent. The \$10.6 million related to the loss of Medicare Part D subsidy and \$17.0 million of other Merger-related tax items are items included in the consolidated statement of operations under provision for income taxes.

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**RISK FACTORS**

*Investing in our Class A Common Stock involves a high degree of risk. You should carefully consider the risks described below before making a decision to buy our Class A Common Stock. If any of the following risks actually occurs, our business, results of operations, financial condition or cash flows could be adversely affected. In that case, the trading price of our Class A Common Stock could decline, and you might lose all or part of your investment in our Class A Common Stock. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business, results of operations, financial condition or cash flows. In deciding whether to invest in our Class A Common Stock, you should also refer to the other information set forth in this prospectus, including Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes.*

**Risks Relating to Our Business**

*If we are not able to successfully integrate the operations of Towers Perrin and Watson Wyatt, we may fail to realize the anticipated growth opportunities and other anticipated benefits of the Merger.*

We face significant challenges in integrating Towers Perrin's and Watson Wyatt's technologies, organizations, procedures, policies and operations, as well as in addressing differences in the business cultures of the two companies, and retaining key Towers Perrin and Watson Wyatt personnel. The integration process is complex and time consuming and requires substantial resources and effort. These efforts could divert management's focus and resources from other strategic opportunities and from business operations during the integration process. Difficulties may occur during the integration process, including:

Loss of key officers and employees;

Loss of key clients;

Loss of revenues; and

Increases in operating, tax or other costs.

The success of the Merger will depend in part on our ability to realize the anticipated growth opportunities and cost savings from integrating the businesses of Towers Perrin and Watson Wyatt, while minimizing or eliminating any difficulties that may occur. Even if the integration of the businesses of Towers Perrin and Watson Wyatt is successful, it may not result in the realization of the full benefits of the growth opportunities that we currently expect or these benefits may not be achieved within the anticipated time frame. Any failure to timely realize these anticipated benefits could have a material adverse effect on our revenues, expenses and results of operations.

*The effects of the Merger may be dilutive to our earnings per share in the short term, and our estimates of the operational cost savings we expect to result from the Merger and of the costs we expect will be required to achieve such savings are inherently uncertain and may not be accurate, and we may not be able to achieve the operational cost savings in the expected time frame or at all.*

While we expect to realize significant savings during the first two years following completion of the Merger, it is uncertain if we will achieve these savings, and the effects of the Merger may be dilutive to our earnings per share in the short term. We anticipate that full realization of pretax annual operational cost savings will take at least three years to achieve. Our operational cost savings estimates are based on a number of assumptions, including the assumption that we will be able to implement cost saving programs such as personnel reductions and consolidation of operations, technologies, and administrative functions. In addition, our estimated expenses required to achieve operational cost savings do not include certain other costs we expect to incur, including those relating to rebranding, lease termination costs and facilities consolidation, among others. We may not be able to achieve the operational cost savings that we anticipate in the expected time frame, based on the

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expected costs or at all. Failure to successfully implement cost savings programs on a timely basis, or the need to spend more than anticipated to implement such programs, will result in lower than expected cost savings in connection with the Merger and could have a material adverse effect on our operating results.

***Changes in Towers Watson's compensation structure relative to each of Towers Perrin's and Watson Wyatt's current compensation structures could impair Towers Watson's ability to retain certain current associates of each of Towers Perrin and Watson Wyatt.***

In order to meet our operating margin goals and increase our level of retained earnings, we will change Towers Perrin's and Watson Wyatt's respective compensation structures. In particular, Towers Perrin, as a private company, had not retained a significant amount of annual earnings, resulting in significant flexibility to vary its levels of cash compensation. Our compensation practices will be different from Towers Perrin's pre-merger practices, because a larger proportion of earnings will be retained compared to Towers Perrin's historical practice, which may affect, in particular, Towers Watson's ability to retain current associates formerly of Towers Perrin accustomed to the historical compensation structure of Towers Perrin as a private company. The changes in compensation structure could materially adversely affect Towers Watson's ability to retain current former Towers Perrin and Watson Wyatt associates if they do not perceive Towers Watson's total compensation program to be competitive with that of other firms.

***The loss of key associates could damage or result in the loss of client relationships and could result in such associates competing against Towers Watson.***

Our success depends on our ability to attract, retain and motivate qualified personnel, including key managers and associates. In addition, our success largely depends upon our associates' abilities to generate business and provide quality services. In particular, our associates' business relationships with our clients are a critical element of obtaining and maintaining client engagements. If we lose associates who manage substantial client relationships or possess substantial experience or expertise or if we are unable to successfully attract new talent, it could materially adversely affect our ability to secure and complete engagements, which would materially adversely affect our results of operations and prospects. In addition, if any of our key associates were to join a competitor or form a competing company, existing and potential clients could choose to use the services of that competitor instead of Towers Watson's services.

There can be no assurance that confidentiality and non-solicitation/non-competition agreements signed by senior associates who were former Towers Perrin or Watson Wyatt associates before the merger of equals between the two entities, or agreements signed by Towers Watson associates in the future, will be effective in preventing a loss of business.

***Our clients could terminate or reduce our services at any time, which could decrease associate utilization, adversely impacting our profitability and results of operations.***

Our clients generally are able to terminate or reduce our engagements at any time. If a client reduces the scope of, or terminates the use of, our services with little or no notice, our associate utilization will decline. In such cases, we will need to rapidly re-deploy our associates to other engagements (if possible) in order to minimize the potential negative impact on our financial performance. In addition, because a sizeable portion of our work is project-based rather than recurring in nature, our associate utilization will depend on our ability to continually secure additional engagements.

***Our quarterly revenues could fluctuate while our expenses are relatively fixed.***

Quarterly variations in our revenues and results of operations have occurred in the past and could occur as a result of a number of factors, such as:

The significance of client engagements commenced and completed during a quarter;

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The seasonality of certain types of services. For example, our retirement revenues typically are more heavily weighted toward the first and fourth quarters of the calendar year, when annual actuarial valuations are required to be completed for calendar year-end companies and the related services are performed;

The number of business days in a quarter;

Associate hiring and utilization rates;

Clients' ability to terminate engagements without penalty;

The size and scope of assignments; and

General economic conditions.

A sizeable portion of our total operating expenses is relatively fixed, encompassing the majority of administrative, occupancy, communications and other expenses, depreciation and amortization, and salaries and employee benefits excluding fiscal year-end incentive bonuses. Therefore, a variation in the number of client assignments or in the timing of the initiation or the completion of client assignments or our inability to forecast demand can cause significant variations in quarterly operating results and could result in losses and volatility in our stock price.

### ***Improper management of our engagements could hurt our financial results.***

Most of our contracts are structured on a fixed-fee basis or a time and expense basis. The profitability of our fixed-fee engagements depends on our ability to correctly estimate the costs and timing required for completion of the engagements and our ability to control our costs and improve our efficiency. The profitability of the engagements that are priced on a time-and-expense basis depends on our ability to maintain competitive billing rates, as well as our ability to control our costs. If we do not correctly estimate the costs and manage the performance of our engagements, we may incur losses on individual engagements and experience lower profit margins and, as a result, our overall financial results could be materially adversely affected.

### ***The trend of employers shifting from defined benefit plans to defined contribution plans could materially adversely affect our business and results of operations.***

Our retirement consulting and actuarial business comprises a substantial portion of our revenue and profit. We provide clients with actuarial and consulting services relating to both defined benefit and defined contribution pension plans. Defined benefit pension 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. If organizations shift to defined contribution plans more rapidly than we anticipate, or if we are unable to otherwise compensate for the decline in our business that results from employers moving away from defined benefit plans, our business operations and related results of operations will be materially adversely affected.

### ***Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government regulations or if government regulations decrease the need for our services or increase our costs.***

A material portion of our revenue is affected by statutory changes. Many areas in which we provide services are the subject of government regulation, which is constantly evolving. Changes in government and accounting regulations in the United States and the United Kingdom, two of our principal geographic markets, affecting the value, use or delivery of benefits and human capital programs, including recent changes in regulations relating to health care (such as medical plans), defined contribution plans (such as 401(k) plans), defined benefit plans (such as pension plans) or executive compensation, may materially adversely affect the

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demand for, or the profitability of, our services. Changes to insurance regulatory schemes, or our failure to keep pace with such changes, could negatively affect demand for services in our Risk and Financial Services business segment. For example, our continuing ability to provide investment advisory services or reinsurance brokerage services depends on compliance with the rules and regulations in each of these jurisdictions. Any failure to comply with these regulations could lead to disciplinary action, including compensating clients for loss, the imposition of fines or the revocation of the authorization to operate as well as damage to our reputation.

In addition, we have significant operations throughout the world, which further subject us to applicable laws and regulations of countries outside the United States and the United Kingdom. Changes in legislation or regulations and actions by regulators in particular countries, including changes in administration and enforcement policies, could require operational improvements or modifications, which may result in higher costs or hinder our ability to operate our business in those countries.

If we are unable to adapt our services to applicable laws and regulations, our ability to provide effective services in these areas will be substantially diminished.

### ***Our business could be negatively affected by recent or future legislative or regulatory activity concerning compensation consultants.***

Recent legislative and regulatory activity in the United States has focused on the independence of compensation consultants retained to provide advice to compensation committees of publicly traded companies. For example, on June 30, 2010, the U.S. President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires any compensation consultant or other similar advisor to the compensation committee of a listed company to meet standards for independence to be established by SEC regulation. Companies that violate this requirement will be prohibited from listing any class of equity security with the national securities exchanges and associations.

On December 16, 2009, the SEC published final rules, which became effective in February 2010, with respect to issuer disclosures on compensation consultants. Among other requirements, the rules require disclosure of fees paid to compensation consultants as well as a description of any additional services provided to the issuer by the compensation consultant and its affiliates and the aggregate fees paid for such services. Due in part to this regulation and continued legislative activity, some clients of Towers Perrin and Watson Wyatt decided to terminate their relationships with the respective company (either with respect to compensation consulting services or with respect to other consulting services) to avoid perceived or potential conflicts of interest. Additional clients of Towers Watson may decide to terminate their relationships with Towers Watson and, as a result, our business, financial condition and results of operations could be materially adversely impacted.

In addition, due in part to such regulation and continued legislative activity, some former Towers Perrin and Watson Wyatt consultants terminated their relationships with us, and some have indicated that they intend to compete with us. Such talent migration, and any future such talent migration, could have a material adverse effect on our business, financial condition and results of operations.

### ***Competition could result in loss of our market share and reduced profitability.***

The markets for our principal services are highly competitive. Our competitors include other human capital and risk management consulting and actuarial firms, as well as the human capital and risk management divisions of diversified professional services, insurance, brokerage and accounting firms. Some of our competitors have greater financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. Some competitors have or may develop a lower cost structure. New competitors or alliances among competitors could emerge, creating additional competition and gaining significant market share, resulting in a

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loss of business for us and a corresponding decline in revenues and profit margin. In order to respond to increased competition and pricing pressure, we may have to lower our prices, which would also have an adverse effect on our revenues and profit margin.

***Consolidation in the industries that we serve could materially adversely affect our business.***

Companies in the industries that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our clients merge or consolidate and combine their operations, we may experience a decrease in the amount of services we perform for these clients. If one of our clients merges or consolidates with a company that relies on another provider for its services, we may lose work from that client or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on us. Any of these possible results of industry consolidation could materially adversely affect our revenues and profits. Our reinsurance brokerage business is especially susceptible to this risk given the limited number of insurance companies seeking reinsurance and reinsurance providers in the marketplace.

***We are subject to risks of doing business internationally.***

For the six months ended June 30, 2010, 48 percent of our revenue related to business located outside the United States. As a result, a significant portion of our business operations is subject to foreign financial, tax and business risks, which could arise in the event of:

Currency exchange rate fluctuations;

Unexpected increases in taxes or changes in U.S. or foreign tax laws;

Compliance with a variety of international laws and regulations, such as data privacy, employment regulations, trade barriers and restrictions on the import and export of technologies, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act of 1977 and sanctions programs administered by the U.S. Department of the Treasury Office of Foreign Assets Control;

Absence in some jurisdictions of effective laws to protect our intellectual property rights;

New regulatory requirements 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 and inflation risk;

The length of payment cycles and potential difficulties in collecting accounts receivable, particularly in light of the number of insolvencies in the current economic environment and the numerous bankruptcy laws to which they are subject;

Unusual and unexpected monetary exchange controls, price controls or restrictions on transfers of cash; or

Civil disturbance, terrorism or other catastrophic events that reduce business activity in other parts of the world.

These factors may lead to decreased revenues or profits and therefore may have a material adverse effect on our business, financial condition and results of operations.





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***Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.***

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with regard to particular areas of our operations.

In particular, our ability to recover from any disaster or other business continuity problem will depend on our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster.

We will continue to regularly assess and take steps to improve upon our business continuity plans. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

***Demand for our services could decrease for various reasons, including a continued general economic downturn, a decline in a client's or an industry's financial condition or prospects, or a decline in defined benefit pension plans that could materially adversely affect our results of operations.***

We can give no assurance that the demand for our services will grow or that we will compete successfully with our existing competitors, new competitors or our clients' internal capabilities. Client demand for our services may change based on the clients' needs and financial conditions.

Our results of operations are affected directly by the level of business activity of our clients, which in turn are affected by the level of economic activity in the industries and markets that they serve. Economic slowdowns in some markets, particularly in the United States, have caused and may continue to cause reduction in discretionary spending by our clients, result in longer client payment terms, an increase in late payments by clients and an increase in uncollectible accounts receivable, each of which may reduce the demand for our services, increase price competition and adversely impact our growth, profit margins and liquidity. If our clients enter bankruptcy or liquidate their operations (which has already occurred with respect to some of our current clients), our revenues could be materially adversely affected.

In addition, the demand for many of our core benefit services, including compliance-related services, is affected by government regulation and taxation of employee benefit plans. Significant changes in tax or social welfare policy or other regulations could lead some employers to discontinue their employee benefit plans, including defined benefit pension plans, thereby reducing the demand for our services. A simplification of regulations or tax policy also could reduce the need for our services.

***The unaudited pro forma financial data included in this prospectus are illustrative and the actual financial condition and results of operations of Towers Watson may differ materially from the historical financial statements of Watson Wyatt and the unaudited pro forma financial data included in this prospectus.***

The unaudited pro forma financial data included in this prospectus are presented solely for illustrative purposes and are not necessarily indicative of what our results of operations would have been had the Merger been completed on the date indicated. The pro forma financial data reflect adjustments that were developed using preliminary estimates based on currently available information and certain assumptions, and may be revised as additional information becomes available. Accordingly, the unaudited pro forma financial data included in this

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prospectus are illustrative only. The results of operations of Towers Watson will differ materially from the historical financial statements of Watson Wyatt and may also differ materially from the unaudited pro forma financial data included in this prospectus.

***Our growth strategy depends, in part, on our ability to make acquisitions, and if we have difficulty in acquiring, overpay for, or are unable to acquire other businesses, our business may be materially adversely affected.***

Our growth depends in part on our ability to make acquisitions. We may not be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms acceptable or favorable to us, on the proposed timetables, or at all. We also face additional risks related to acquisitions, including that we could overpay for acquired businesses and that any acquired business could significantly underperform relative to our expectations. If we are unable to identify and successfully make acquisitions, our business could be materially adversely affected.

***We face risks when we acquire businesses, and may have difficulty integrating or managing acquired businesses, which may harm our business, financial condition, results of operations or reputation.***

We may acquire other companies in the future. We cannot be certain that our acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses, and acquired businesses may not achieve the levels of revenue, profit or productivity we anticipate or otherwise perform as we expect. In addition, if the operating performance of an acquired business deteriorates significantly, we may need to write down the value of the goodwill and other acquisition-related intangible assets recorded on our balance sheet.

We may be unable to effectively integrate an acquired business into our organization, and may not succeed in managing such acquired businesses or the larger company that results from such acquisitions. The process of integration of an acquired business may subject us to a number of risks, including:

Diversion of management attention;

Amortization of intangible assets, adversely affecting our reported results of operations;

Inability to retain the management, key personnel and other employees of the acquired business;

Inability to establish uniform standards, controls, systems, procedures and policies;

Inability to retain the acquired company's clients;

Exposure to legal claims for activities of the acquired business prior to acquisition; and

Incurrence of additional expenses in connection with the integration process.

If acquisitions are not successfully integrated, our business, financial condition and results of operations could be materially adversely affected, as well as our professional reputation.

***Damage to our reputation could damage our businesses.***

Maintaining a positive reputation is critical to our ability to attract and maintain relationships with clients and associates. Damage to our reputation could therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory action, failure to deliver minimum standards of service and quality,



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compliance failures and unethical behavior. Negative publicity regarding us, whether or not true, may also result in harm to our prospects.

We could also suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. The failure or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions. There can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

*We could be subject to claims arising from our work, as well as government inquiries and investigations, which could materially adversely affect our reputation, business and financial condition.*

Professional services providers, including those in the human capital and risk management sectors such as Towers Watson, depend in large part on their relationships with clients and their reputation for high-quality services. Clients that may become dissatisfied with our services may terminate their business relationships with us and clients and third parties that claim they suffered damages caused by our services may bring lawsuits against us. The nature of our work, particularly our actuarial services, necessarily involves the use of assumptions and the preparation of estimates relating to future and contingent events, the actual outcome of which we cannot know in advance. Our actuarial services also rely on substantial amounts of data provided by clients, the accuracy and quality of which we cannot ensure. In addition, we could make computational, software programming or data management errors in connection with the services we provide to clients.

Clients may seek to hold us responsible for the financial consequences of variances between assumptions and estimates and actual outcomes or for errors. For example, clients may make:

Claims that actuarial assumptions were unreasonable or that there were computational errors leading to pension plan underfunding or under-reserving for insurance claim liabilities;

Claims of failure to review adequately or detect deficiencies in data, which could lead to an underestimation of pension plan or insurance claim liabilities; and

Claims that employee benefit plan documents were misinterpreted or plan amendments were faulty, leading to unintended plan benefits or overpayments to beneficiaries.

Given that we frequently work with large pension funds and insurance companies, relatively small percentage errors or variances can create significant financial variances and result in significant claims for unintended or unfunded liabilities. The risks from such variances or errors could be aggravated in an environment of declining pension fund asset values and insurance company capital levels. In almost all cases, our exposure to liability with respect to a particular engagement is substantially greater than the revenue opportunity that the engagement generates for us.

In the case of liability for pension plan actuarial errors, a client's claims might focus on the client's alleged reliance that actuarial assumptions were reasonable and, based on such reliance, the client made benefit commitments the client may later claim are not affordable or funding decisions that result in plan underfunding if and when actual outcomes vary from actuarial assumptions.

Claims may also arise as a result of an alleged misinterpretation or misunderstanding of the benefits conferred under defined benefit plan documentation by us or our failure to detect inconsistencies between plan documentation and the administration of plan benefits and valuation of plan liabilities leading to the accrual by plan participants of unintended benefits and undervaluation of plan liabilities. The current ExxonMobil superannuation plan litigation pending in Australia, described in Note 11, Debt, Commitments and Contingent Liabilities, of the Notes to our Consolidated Financial Statements contained herein, is an example of a claim arising from an inconsistency between the benefits the plan sponsor intended to confer and the actual language in the plan documents.

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Lawsuits arising out of any of our services could adversely affect our financial performance and financial condition and could result in increased insurance costs or a reduction in the amount of available insurance coverage. In addition to defense costs and liability exposure, which may be significant, claims may produce negative publicity that could hurt our reputation and business and could require substantial amounts of management attention, which could affect management's focus on operations.

Finally, we may be subject to inquiries and investigations by federal, state or other governmental agencies regarding aspects of our clients' businesses or our own businesses, especially regulated businesses such as our broker-dealer and investment advisory services. Such inquiries or investigations may consume significant management time and result in regulatory sanctions, fines or other actions as well as significant legal fees, which could have a material adverse impact on our business, results of operations and liquidity.

***We advise or act on behalf of clients regarding investments whose results are not guaranteed, and clients that experience investment return shortfalls may assert claims against us.***

We provide advice on both asset allocation and selection of investment managers. For some clients, we are responsible for making decisions on both these matters, or we may serve in a fiduciary capacity. Asset classes may experience poor absolute performance, and investment managers may underperform their benchmarks; in both cases the investment return shortfall can be significant. Clients experiencing this underperformance may assert claims against us, and such claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Our ability to limit our potential liability may be limited in certain jurisdictions or in connection with claims involving breaches of fiduciary duties or other alleged errors or omissions.

***Our investment activities may require specialized operational competencies, and if we fail to properly execute our role in cash and investment management, our clients or third parties may assert claims against us.***

For certain clients, we are responsible for some portions of cash and investment management, including rebalancing of investment portfolios and guidance to third parties on structure of derivatives and securities transactions. Our failure to properly execute our role can cause monetary damage to our clients or such third parties for which we might be found liable, and such claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs. Our ability to limit our potential liability may be constrained in certain jurisdictions.

***Towers Watson may be engaged in providing services outside the core human capital and risk management business currently conducted by Towers Perrin and Watson Wyatt, which may carry greater risk of liability.***

We continue to grow the business of providing professional services to institutional investors and financial services companies. The risk of claims from these lines of business may be greater than from our core human capital and risk management business, and such claims may be for significant amounts. For example, we may assist a pension plan to hedge its exposure to changes in interest rates. If the hedge does not perform as expected, we could be exposed to claims. Contractual provisions intended to mitigate risk may not be enforceable.

***Our business faces rapid technological change, and our failure to respond to this change quickly could materially adversely affect our business.***

To remain competitive in the business lines in which we engage, we have to identify and offer the most current technologies and methodologies. In some cases, significant technology choices and investments are required. If we do not respond correctly, quickly or in a cost-effective manner, our business and results of operations might be harmed.

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The effort to gain technological expertise and develop new technologies in our business may require us to incur significant expenses and, in some cases, to implement these new technologies globally. If we cannot offer new technologies as quickly or effectively as our competitors, we could lose market share. We also could lose market share if our competitors develop more cost-effective technologies than we will offer or develop.

***Limited protection of our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.***

We cannot guarantee that trade secret, trademark and copyright law protections are adequate to deter misappropriation of our intellectual property (including our software, which may become an increasingly important part of our business). Existing laws of some countries in which we provide services or products may offer only limited protection of our intellectual property rights. Redressing infringements may consume significant management time and financial resources. Also, we may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights, which may have a material adverse impact on our business, financial condition or results of operations. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability and prevent us from offering some services or products.

***We could have liability or our reputation could be damaged if we do not protect client data or information systems or if our information systems are breached.***

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners and clients. Security breaches could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. We also are required at times to manage, utilize and store sensitive or confidential client or employee data. As a result, we are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the European Union Directive on Data Protection and various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our associates, fails to comply with, disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, accident, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our associates or third parties, could result in significant additional expenses (including expenses relating to notification of data security breaches and costs of credit monitoring services), negative publicity, legal liability and damage to our reputation, as well as require substantial resources and effort of management, thereby diverting management's focus and resources from business operations.

***Insurance may become more difficult or expensive to obtain.***

The availability, terms and price of insurance are subject to many variables, including general insurance market conditions, loss experience in related industries and in the actuarial and benefits consulting industry, and the specific claims experience of an individual firm. We are subject to various regulatory requirements relating to insurance as well as client requirements. There can be no assurance that we will be able to obtain insurance at cost-effective rates or with reasonable retentions. Increases in the cost of insurance could affect our profitability and the unavailability of insurance to cover certain risks could have a material adverse effect on our financial condition or our ability to transact business in certain geographic areas, particularly in any specific period.

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***Towers Watson and its subsidiaries could encounter significant obstacles in securing adequate insurance coverage for errors and omissions liability risks on favorable or acceptable terms.***

Towers Perrin and Watson Wyatt each obtained primary insurance for errors and omissions liability risks from a Vermont-regulated group captive insurance company known as Professional Consultants Insurance Company, Inc. (which we refer to as PCIC). The stockholders and insureds of PCIC were legacy Towers Perrin, legacy Watson Wyatt and Milliman, Inc. (Milliman). On January 1, 2010, the effective date of the Merger of Towers Perrin and Watson Wyatt, Towers Watson became the owner of 72.86 percent of the stock of PCIC.

Towers Perrin and Watson Wyatt provided PCIC with notice of non-renewal of the respective PCIC policies of insurance that expired at 12:01 a.m. on July 1, 2010. PCIC provided a notice of non-renewal to Milliman and will not issue a policy of insurance to Milliman for the policy period starting July 1, 2010 or thereafter. PCIC will continue to operate in order to pay losses arising from claims reported by its insureds during the periods covered by previously issued policies of insurance.

Since July 1, 2010, we have obtained our primary insurance for errors and omissions liability risks from a Vermont-regulated wholly owned captive insurance company known as Stone Mountain Insurance Company (Stone Mountain). Stone Mountain has secured reinsurance for a portion of the Towers Watson risks it underwrites. Towers Watson has secured excess errors and omissions liability coverage above the coverage provided by Stone Mountain in amounts we consider to be prudent. Stone Mountain has issued a policy of insurance to us that is substantially similar in form to the policy of insurance issued by PCIC.

The combination of the formation of Stone Mountain, which essentially results in self-insurance by us of our primary errors and omissions risk, and our controlling ownership interest in PCIC and the accompanying requirement that we consolidate PCIC's financial results into our financial results is likely to result in increased earnings volatility for us. In addition, the inability of Stone Mountain to secure reinsurance or our inability to secure excess errors and omissions professional liability coverage could have a material adverse impact on our financial condition or our ability to transact business in certain geographic areas, particularly in any specific period.

***We have material pension liabilities that can fluctuate significantly.***

Towers Perrin and Watson Wyatt have material pension liabilities, which were assumed by us on January 1, 2010. The combined projected benefit obligation for legacy Towers Perrin and legacy Watson Wyatt pension and other postretirement benefit plans at June 30, 2010 was \$3.5 billion, of which \$1.1 billion was unfunded. Movements in the interest rate environment, inflation or changes in other assumptions that are used for the estimates of our benefit obligations and other factors could have a material effect on the level of liabilities in these plans at any given time. These pension plans have minimum funding requirements that may require material amounts of periodic additional funding. Cash required to fund pension plans may have to be diverted from other corporate initiatives.

***Towers Perrin and Towers Watson are defendants in several lawsuits commenced by former Towers Perrin shareholders.***

On November 5, 2009, certain former Towers Perrin shareholders commenced a legal proceeding in the United States District Court for the Eastern District of Pennsylvania (the Dugan Action) against Towers Perrin, members of its board of directors, and certain members of senior management. Plaintiffs are former members of Towers Perrin's senior management who left Towers Perrin at various times between 1995 and 2000. They seek to represent a class of former Towers Perrin shareholders who separated from service on or after January 1, 1971, and who meet certain other specified criteria. Although the complaint in the Dugan Action does not contain a quantification of the damages sought, on December 9, 2009, plaintiffs made a settlement demand on Towers Perrin of \$800 million to settle the action on behalf of the proposed class.

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On December 17, 2009, four other former Towers Perrin shareholders, all of whom voluntarily left Towers Perrin in May or June 2005 and all of whom are excluded from the proposed class in the Dugan Action, commenced a separate legal proceeding (the Allen Action) in the United States District Court for the Eastern District of Pennsylvania alleging the same claims in a form similar to those alleged in the Dugan Action. These plaintiffs are proceeding in their individual capacities and do not seek to represent a proposed class.

On January 15, 2010, another former Towers Perrin shareholder who separated from service in March 2005 when Towers Perrin and Electronic Data Systems, Inc. launched a joint venture that led to the creation of a corporate entity known as ExcellerateHRO (eHRO), commenced a separate legal proceeding (the Pao Action) in the United States District Court for the Eastern District of Pennsylvania, also alleging the same claims in a form similar to those alleged in the Dugan Action. The plaintiff in this action, in which Towers Watson also is named as a defendant, seeks to represent a class of former Towers Perrin shareholders who separated from service in connection with the formation of eHRO and who are excluded from the proposed class in the Dugan Action.

The complaints assert claims for breach of contract, breach of express trust, breach of fiduciary duty, promissory estoppel, quasi-contract/unjust enrichment, and constructive trust, and seek equitable relief including an accounting, disgorgement, rescission and/or restitution, and the imposition of a constructive trust. On January 20, 2010, the United States District Court for the Eastern District of Pennsylvania consolidated the three actions for all purposes. We believe the claims are without merit, have filed a motion to dismiss the complaints in their entirety, and intend to continue to vigorously defend against the actions. We could incur significant costs defending against these claims. The outcome of this legal proceeding is inherently uncertain and could be unfavorable to us.

***Our reinsurance brokerage business could be subject to claims arising from its work, which could materially adversely affect our reputation and business.***

Our reinsurance brokerage business may be subject to claims brought against it by clients or third parties. Clients are likely to assert claims if they fail to make full recoveries in respect of their own claims. If reinsurers with whom we place business for our clients become insolvent or otherwise fail to make claims payments, this may also result in claims against us.

Our reinsurance business assists its clients in placing reinsurance and handling related claims, which could involve substantial amounts of money. If our work results in claims, claimants may seek large damage awards and defending these claims can involve potentially significant costs and may not be successful. Claims could, by way of example, arise as a result of our reinsurance brokers failing to:

Place the reinsurance coverage requested by the client;

Report claims on a timely basis or as required by the reinsurance contract or program;

Communicate complete and accurate information to reinsurers relating to the risks being reinsured; or

Appropriately model or advise our clients in relation to the extent and scope of reinsurance coverage that is advisable for a client's needs.

Moreover, Towers Perrin's reinsurance brokerage contracts generally do not limit the maximum liability to which Towers Perrin, as a subsidiary of Towers Watson, may be exposed for claims involving alleged errors or omissions.



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***Reinsurance brokerage revenue is influenced by factors that are beyond our control, and volatility or declines in premiums or other trends in the insurance and reinsurance markets could significantly undermine the profitability of our reinsurance brokerage business.***

For the six months ended June 30, 2010, we derived approximately five percent of our consolidated revenue from our reinsurance brokerage business, which in turn derives a majority of its revenue from commissions. Revenue earned in our capacity as a reinsurance broker is based in large part on the rates that the global reinsurance marketplace prices for risks. For example, we do not determine reinsurance premiums on which commissions are generally based.

Premiums are cyclical in nature and may vary widely based on market conditions. When premium rates decline, the commissions and fees earned for placing certain reinsurance contracts and programs also tend to decrease. When premium rates rise, we may not be able to earn increased revenue from providing brokerage services because clients may purchase less reinsurance, there may be less reinsurance capacity available, or clients may negotiate a reduction to the compensation rate or a reduced fee for our services.

To the extent our clients are or become materially adversely affected by declining business conditions in the current economic environment, they may choose to limit their purchases of insurance and reinsurance coverage, as applicable, which would limit our ability to generate commission revenue. Clients also may decide not to utilize our risk management services, which would limit our ability to generate fee revenue.

***We may not be able to obtain financing on favorable terms or at all.***

The maintenance and growth of our business depends on our access to capital, which will depend in large part on cash flow generated by our business and the availability of equity and debt financing. There can be no assurance that our operations will generate sufficient positive cash flow to finance all of our capital needs or that we will be able to obtain equity or debt financing on favorable terms or at all.

***Our revolving credit facility contains a number of restrictive covenants that restrict our operations.***

The Towers Watson \$500 million revolving credit facility contains a number of customary restrictive covenants imposing operating and financial restrictions on Towers Watson, including restrictions that limit our ability to engage in acts that may be in our long-term best interests. These covenants include, among others, limitations (and in some cases, prohibitions) that, directly or indirectly, restrict our ability to:

Incur liens or additional indebtedness (including guarantees or contingent obligations);

Engage in mergers and other fundamental changes;

Sell or otherwise dispose of property or assets;

Pay dividends and other distributions; and

Change the nature of our business.

The credit agreement also contains financial covenants that limit our interest expense and total debt relative to EBITDA.

The operating restrictions and financial covenants in our credit agreement do, and any future financing agreements may, limit our ability to finance future operations or capital needs or to engage in other business activities. Our ability to comply with any financial covenants could be materially affected by events beyond our control, and there can be no assurance that we will satisfy any such requirements. If we fail to comply with these

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covenants, we may need to seek waivers or amendments of such covenants, seek alternative or additional sources of financing or reduce our expenditures. We may be unable to obtain such waivers, amendments or alternative or additional financing at all, or on terms favorable to us.

The credit agreement specifies several events of default, including non-payment, certain cross-defaults, certain bankruptcy events, covenant or representation breaches and certain changes in control. If an event of default occurs, the lenders under the credit agreement are expected to be able to elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. We may not be able to repay all amounts due under the credit agreement in the event these amounts are declared due upon an event of default.

***We rely on third parties to provide services and their failure to perform the services could harm our business.***

As part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our business and results of operations.

***If we are not able to implement any recommended improvements in our internal control over financial reporting or favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is not able to provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, our business, financial condition or results of operations could be materially adversely affected.***

If our internal control over financial reporting is not effective, the reliability of our financial statements could be impaired. Since January 1, 2010, the effective time of the Merger, we have devoted and continue to devote considerable resources, including management's time and other internal resources, to a continuing effort to comply with regulatory requirements relating to internal control and the preparation of financial statements, including implementing any changes recommended by our independent registered public accounting firm. In particular, these efforts have and will continue to focus on Towers Perrin and its subsidiaries, which prior to January 1, 2010 had not been subject to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and the rules promulgated thereunder by the SEC. We are required to certify to and report on, and our independent registered public accounting firm will be required to attest to, the effectiveness of our internal control over financial reporting of Towers Watson and its subsidiaries on an annual basis. If we cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock could be materially adversely affected.

There can be no assurance that we will be able to implement and maintain any recommended improvements in our internal control over financial reporting. Any failure to do so could cause the reliability of our financial statements to be impaired and could also cause us to fail to meet our reporting obligations under applicable law, either of which could cause our business, financial condition or results of operations to be materially adversely affected.

### **Risks Relating to an Investment in Our Class A Common Stock**

***The stock price of Class A Common Stock may be volatile.***

The stock price of the Class A Common Stock may in the future be volatile and subject to wide fluctuations. In addition, the trading volume of the Class A Common Stock may in the future fluctuate and cause

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significant price variations to occur. Some of the factors that could cause fluctuations in the stock price or trading volume of the Class A Common Stock include:

General market and economic conditions, including market conditions in the human capital and risk and financial management consulting industries and regulatory developments in the United States, foreign countries or both;

Actual or expected variations in our quarterly results of operations and in the quarterly results of operations of companies perceived to be similar to us;

Differences between actual results of operations and those expected by investors and analysts;

Changes in recommendations by securities analysts;

Operations and stock performance of competitors;

Accounting charges, including charges relating to the impairment of goodwill or other intangible assets;

Significant acquisitions, dispositions or strategic alliances by us or by competitors;

Sales of the Class A Common Stock, including sales by our directors and officers or significant investors;

Incurrence of additional debt;

Dilutive issuance of equity;

Recruitment or departure of key personnel;

Loss or gain of key clients;

Litigation involving us, our general industry or both; and

Changes in reserves for professional liability claims.

There can be no assurance that the stock price of the Class A Common Stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to our performance.

*Shares of Towers Watson common stock eligible for public sale could adversely affect the stock price.*

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On January 1, 2010, the then-former Towers Perrin security holders received, in the aggregate, 44 percent of Towers Watson's voting common stock then outstanding. Those shares are subject to various restrictions. For example, shares of Class B Common Stock automatically convert into freely tradable Class A Common Stock in equal annual installments over four years beginning on January 1, 2011. In addition, transfer restrictions on restricted shares of Class A Common Stock received by a holder of Towers Perrin restricted stock units lapse over the course of a three-year vesting schedule (or such other vesting schedule as may be set forth in the holder's Towers Perrin restricted stock unit award agreement) beginning on January 1, 2011. As of September 7, 2010, we had the following shares outstanding: (i) 47,208,686 shares of Class A Common Stock (including 4,029,911.506 shares of restricted Class A Common Stock), (ii) 10,535,627.16 shares of Class B-1 Common Stock, (iii) 5,561,630.05 shares of Class B-2 Common Stock, (iv) 5,561,630.05 shares of Class B-3 Common Stock, and (v) 5,369,042.60 shares of Class B-4 Common Stock.

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Pursuant to our certificate of incorporation, our Board of Directors had the discretion to accelerate the conversion of any shares of Class B Common Stock into shares of freely tradable Class A Common Stock, provided that the total number of shares so converted did not exceed, in the aggregate, five percent of the total shares of Class B Common Stock. On July 30, 2010, we filed a proxy statement with the SEC regarding a special meeting of stockholders held on September 9, 2010. At the special meeting, stockholders approved a proposal to amend our certificate of incorporation to eliminate the restriction on the number of shares of Class B Common Stock that the Board of Directors can convert into shares of Class A Common Stock. The amendment to our certificate of incorporation provides us with the flexibility to release converted shares of Class B Common Stock into the public market, if our Board of Directors determined that such action were advisable.

The sales or potential sales of a substantial number of shares of Class A Common Stock in the public market after the Class B Common Stock converts or shares of restricted Class A Common Stock vest could depress the market price of Class A Common Stock at such time and could then impair our ability to raise capital through the sale of additional securities.

*We will only pay dividends if and when declared by our Board of Directors.*

Any determination to pay dividends in the future is at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law, rule or regulation, business and investment strategy, and other factors that our Board of Directors deems relevant. If we do not pay dividends, then the return on an investment in our common stock will depend entirely upon any future appreciation in its stock price. There is no guarantee that our common stock will appreciate in value or maintain its value.

*We have various mechanisms in place that could prevent a change in control that a stockholder might favor.*

Our certificate of incorporation and bylaws contain provisions that might discourage, delay or prevent a change in control that a stockholder might favor. Our certificate of incorporation or bylaws:

Authorize the issuance of preferred stock without fixed characteristics, which could be issued by our Board of Directors pursuant to a stockholder rights plan and deter a takeover attempt;

Provide that only the Chief Executive Officer, President or our Board of Directors may call a special meeting of stockholders;

Limit business at special stockholder meetings to such business as is brought before the meeting by or at the direction of our Board of Directors;

Prohibit stockholder action by written consent, and require all stockholder actions to be taken at an annual or special meeting of the stockholders;

Provide our Board of Directors with exclusive power to change the number of directors;

Provide that all vacancies on our Board of Directors, including new directorships, may only be filled by a resolution adopted by a majority of the directors then in office;

Do not opt out of Section 203 of the Delaware General Corporation Law, which prohibits business combinations between a corporation and any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder;

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Require a supermajority vote for the stockholders to amend the bylaws; and

Prohibit any stockholder from presenting a proposal or director nomination at an annual stockholders meeting unless such stockholder provides us with sufficient advance notice.

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**SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS**

This prospectus, including the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements. You can identify these statements and other forward-looking statements in this filing by words such as may, will, expect, anticipate, believe, estimate, plan, intend, continue, or similar words, expressions or the negative of such terms or other comparable terminology. You should read these statements carefully because they contain projections of our future results of operations or financial condition, or state other forward-looking information. A number of risks and uncertainties exist which could cause actual results to differ materially from the results reflected in these forward-looking statements. The factors discussed in the section in this prospectus entitled Risk Factors, among others, could cause actual results to differ from those set forth in the forward-looking statements.

These statements are based on assumptions that may not come true. All forward-looking disclosure is speculative by its nature. We undertake no obligation to update any of the forward-looking information included in this prospectus, whether as a result of new information, future events, changed expectations or otherwise, except as required by law. You should review this prospectus carefully, including the section entitled Risk Factors, for a more complete discussion of the risks of an investment in our Class A Common Stock.

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**USE OF PROCEEDS**

The selling stockholders are selling all of the shares of Class A Common Stock being sold in the offering, including any shares sold on exercise of the underwriters' overallotment option, and therefore will receive all of the proceeds from the offering. We will not receive any proceeds from the offering.

**PRICE RANGE OF CLASS A COMMON STOCK**

Our Class A Common Stock is quoted on the New York Stock Exchange LLC (the "NYSE") and the NASDAQ Stock Market LLC ("NASDAQ") under the symbol "TW". There is no trading market for our shares of Class B Common Stock.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our Class A Common Stock since January 4, 2010, the first trading day of the Class A Common Stock following consummation of the Merger between Towers Perrin and Watson Wyatt.

	High	Low
<b>Fiscal Year 2010</b>		
Third quarter (January 4, 2010 - March 31, 2010)	\$ 51.48	\$ 42.72
Fourth quarter (April 1, 2010 - June 30, 2010)	\$ 50.05	\$ 38.65
<b>Fiscal Year 2011</b>		
First quarter (July 1, 2010 - September 7, 2010)	\$ 48.29	\$ 38.04

On September 7, 2010, the closing price per share of our Class A Common Stock on the NYSE and NASDAQ was \$47.67. As of September 7, 2010, there were 133 stockholders of record of our Class A Common Stock, and there were 631 stockholders of record of our Class B Common Stock.

**DIVIDEND POLICY**

Our Board of Directors recently determined to declare and pay regular quarterly cash dividends in the amount of \$0.075 per share (at an annual rate of \$0.30 per share) on all of our outstanding Class A Common Stock and Class B Common Stock, with such dividend payments having begun at the end of the third quarter of fiscal year 2010. Since we began material operations on January 1, 2010, our Board of Directors has declared a regular quarterly cash dividend of \$0.075 per share for the quarters ending March 31, 2010, June 30, 2010 and September 30, 2010.

Notwithstanding the foregoing, any determination to declare and pay dividends is at the discretion of our Board of Directors and will depend upon Towers Watson's results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law, rule or regulation, business and investment strategy, and other factors that our Board of Directors deems relevant at such time.

On January 1, 2010, in connection with the Merger, Towers Watson entered into a credit agreement with a syndicate of banks for a three-year, \$500 million revolving credit facility. The credit agreement contains restrictions on the ability of Towers Watson to pay dividends.



**Table of Contents****CAPITALIZATION**

The following table sets forth our cash, cash equivalents and short-term investments and capitalization as of June 30, 2010. You should read this table in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus.

	As of June 30, 2010 (in thousands)
<b>Cash, cash equivalents and short-term investments</b>	\$ 651,475
<b>Debt</b>	
Notes Payable, short-term	\$ 201,967
Revolving Credit Facility	
Brazil Credit Facility	3,076
Note Payable, long-term	\$ 98,467
<b>Total Debt</b>	\$ 303,510
<b>Stockholders' equity</b>	
Class A Common Stock \$0.01 par value: 300,000,000 shares authorized; 47,160,497 issued and 47,160,497 outstanding	\$ 472
Class B Common Stock \$0.01 par value: 93,500,000 shares authorized; 27,043,196 issued and 27,043,196 outstanding	270
Additional paid-in capital	1,679,624
Treasury stock, at cost, 0 shares	
Retained earnings	711,570
Accumulated other comprehensive loss	(436,329)
Non-controlling interest	9,065
<b>Total equity</b>	1,964,672
<b>Total capitalization</b>	\$ 2,268,182

Unless otherwise indicated, references in this prospectus to the number of shares of Class A Common Stock outstanding are calculated as of September 7, 2010 and:

do not give effect to the anticipated conversion of 4,279,233 shares of Class B-1 Common Stock into shares of Class A Common Stock offered hereby;

exclude 291,857 shares of Class A Common Stock reserved for future issuance in connection with the exercise of equity awards; and

assume no exercise of the underwriters' overallotment option to purchase up to 641,884 additional shares of Class A Common Stock.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected historical financial data for the five fiscal years ended June 30, 2010, 2009, 2008, 2007 and 2006 is presented in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ). Watson Wyatt is the accounting predecessor in the Merger and as such, the historical results of Watson Wyatt through December 31, 2009 have become those of Towers Watson. Towers Watson's condensed consolidated financial statements as of and for the fiscal year ended June 30, 2010 include the results of Towers Perrin's operations beginning January 1, 2010. We derived the selected statement of operations data for the fiscal years ended June 30, 2010, 2009 and 2008 and the selected balance sheet data as of June 30, 2010 and 2009 from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the summary historical statement of operations data for the fiscal years ended June 30, 2007 and 2006 and the balance sheet data as of June 30, 2008, 2007 and 2006 from our audited consolidated financial statements not included in this prospectus. This historical data is only a summary. You should read this information in conjunction with our and our predecessor's historical audited and unaudited financial statements and related notes in this prospectus and the section in this prospectus entitled Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended June 30,				
	2010	2009	2008	2007	2006
<b>Consolidated Statement of Operations Data:</b>					
(amounts are in thousands, except per share data)					
Revenue	\$ 2,387,829	\$ 1,676,029	\$ 1,760,055	\$ 1,486,523	\$ 1,271,811
Income from operations	164,445	209,383	226,773	179,305	132,417
Net income attributable to controlling interests	\$ 120,597	\$ 146,458	\$ 155,441	\$ 116,275	\$ 87,191
<b>Per Share Data:</b>					
Earnings Per Share:					
Basic	\$ 2.04	\$ 3.43	\$ 3.65	\$ 2.74	\$ 2.11
Diluted	\$ 2.03	\$ 3.42	\$ 3.50	\$ 2.60	\$ 2.01
Dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Weighted average shares of common stock:					
Basic (000)	59,257	42,690	42,577	42,413	41,393
Diluted (000)	59,372	42,861	44,381	44,684	43,297
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 600,466	\$ 209,832	\$ 124,632	\$ 248,186	\$ 165,345
Working capital	479,688	231,938	172,241	326,354	197,312
Goodwill and intangible assets	2,410,652	728,987	870,943	594,651	511,116
Total assets	\$ 4,573,450	\$ 1,626,319	\$ 1,715,976	\$ 1,529,709	\$ 1,240,359
Revolving credit facility				105,000	30,000
Other long-term obligations (1)	1,643,165	438,021	346,335	326,782	265,263
Total stockholders' equity	\$ 1,955,607	\$ 853,638	\$ 984,395	\$ 787,519	\$ 648,761

- (1) Other long-term obligations includes accrued retirement benefits, deferred rent and accrued lease losses, deferred income taxes and other long-term tax liabilities, professional liability claims reserve, contingency stock payable and other non-current liabilities.

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**UNAUDITED SUPPLEMENTAL PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS**

The following unaudited supplemental pro forma combined statements of operations have been provided to present illustrative combined unaudited statements of operations for the fiscal years ended June 30, 2010 and 2009, giving effect to the business combination as if it had been completed on July 1, 2009 and 2008, respectively. The pro forma condensed combined statement of operations for the fiscal year ended June 30, 2009 combines Watson Wyatt's historical audited consolidated statement of operations for the fiscal year ended June 30, 2009 with Towers Perrin's historical unaudited consolidated statement of operations for the twelve months ended June 30, 2009. The pro forma condensed consolidated statement of operations for the fiscal year ended June 30, 2010 combines Towers Watson's historical unaudited consolidated statement of operations for the six months ended June 30, 2010 with Watson Wyatt's and Towers Perrin's historical unaudited consolidated statements of operations for the six months ended December 31, 2009. Watson Wyatt's fiscal year ended on June 30 while Towers Perrin's fiscal year ended on December 31. Towers Perrin's financial information has been recast to conform to Watson Wyatt's fiscal year end. Towers Perrin's historical statement of operations for the twelve months ended June 30, 2009 was derived by subtracting (1) Towers Perrin's unaudited consolidated statement of operations for the six months ended June 30, 2008 from (2) Towers Perrin's audited consolidated statement of operations for the twelve months ended December 31, 2008, and adding (3) Towers Perrin's unaudited consolidated statement of operations for the six months ended June 30, 2009. Towers Perrin's historical unaudited consolidated statement of operations for the six months ended December 31, 2009 was derived by subtracting Towers Perrin's unaudited consolidated statement of operations for the six months ended June 30, 2009 from Towers Perrin's audited consolidated statement of operations for the year ended December 31, 2009. The unaudited pro forma condensed combined financial statements should be read together with the respective historical financial statements and related notes of Towers Perrin and Watson Wyatt.

The unaudited pro forma condensed combined statements of operations give effect to the Merger including:

related Merger consideration;

adjustments made to record the assets and liabilities of Towers Perrin at their estimated fair values;

reclassifications made to conform Towers Perrin's and Watson Wyatt's historical financial statement presentation to Towers Watson's; and

the consolidation of Professional Consultants Insurance Company, Inc., which we refer to as PCIC.

Towers Perrin was a private, employee-owned corporation. As a result, Towers Perrin's historical unaudited consolidated statement of operations for the twelve months ended June 30, 2009 does not reflect the level of net income that Towers Perrin is expected to contribute to Towers Watson, as a public company. Further, the revenue growth that we expect Towers Watson to achieve from strengthening core services and expanding the existing portfolio of services is not reflected in the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined statements of operations do not reflect certain financial targets relating to the Merger, such as our targeted synergy cost savings, reductions in compensation and benefits expense resulting from the retirement of Class R participants, and a further targeted reduction in compensation expense resulting from the elimination of the principal bonus payments historically paid to legacy Towers Perrin Principals.

Pro forma earnings per share reflect the impact of significant non-cash and non-recurring expenses resulting from the Merger, including compensation expense incurred as a result of the issuance of Towers Watson Restricted Class A Common Stock to Towers Perrin restricted stock unit (RSU) holders and the incremental amortization of acquired intangible assets.

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For purposes of these unaudited pro forma condensed combined statements of operations, we have provided the fair value of the consideration and the allocation to Towers Perrin's tangible and intangible assets acquired and liabilities assumed.

As of the date of this prospectus, the initial accounting for this business combination is not yet complete. In particular, we are currently performing an assessment of the key internally developed and developed technology software for internal use and for sale acquired from Towers Perrin. The assessment will involve decisions regarding duplicate, overlapping systems or preferred technology of the two legacy companies, which could lead to a decision to cease use of a system. In addition, the fair value of fixed assets is currently being evaluated. Although we do not anticipate any significant adjustments, to the extent that the estimates used need to be refined, we will do so upon making that determination but not later than one year from the business combination date.

The following unaudited pro forma condensed combined statements of operations are provided for informational purposes only. They do not purport to represent what Towers Watson's results of operations would have been had the Merger been completed as of the date indicated and do not purport to be indicative of the results of operations that Towers Watson may achieve in the future.

**Table of Contents****Unaudited Supplemental Pro Forma Combined Statement of Operations****Year Ended June 30, 2010**

	Year Ended	Six Months Ended		Year Ended	
	June 30, 2010	December 31, 2009		June 30, 2010	
	As Reported Towers Watson	Historical Towers Perrin	PCIC	Pro Forma Adjustments	As Adjusted
	(In thousands, except share and per share data)				
Revenue	\$ 2,387,829	\$ 798,131	\$ 12,750	\$ (9,404)	<b>H</b> \$ 3,180,916
				(8,390)	<b>K</b>
Costs of providing services:					
Salaries and employee benefits	1,540,417	558,855	107	46,832	<b>B</b> 2,146,211
Professional and subcontracted services	163,848	79,421	483		243,752
Occupancy	109,454	35,406		1,835	<b>A</b> 146,695
General and administrative expenses	220,937	40,351	16,924	(9,404)	<b>H</b> 268,808
Depreciation and amortization	101,084	19,007		11,508	<b>A</b> 131,599
Transaction and integration expenses	87,644	15,734		(103,378)	<b>E</b>
	2,223,384	748,774	17,514	(52,607)	2,937,065
Income from operations	164,445	49,357	(4,764)	34,813	243,851
Loss from affiliates	(1,274)	(164)		353	<b>J</b> (1,085)
Interest income	2,950	530	1,517	(266)	<b>C</b> 4,731
Interest expense	(7,508)	(1,536)		(2,000)	<b>D</b> (11,991)
				(947)	<b>G</b>
Other non-operating income	11,304	5,281			16,585
Income before income taxes	169,917	53,468	(3,247)	31,953	252,091
Provision for income taxes	50,907	9,779	(1,187)	8,419	<b>F</b> 67,918
Net income (loss) before non-controlling interest	\$ 119,010	\$ 43,689	\$ (2,060)	\$ 23,534	\$ 184,173
Net loss attributable to non-controlling interests	\$ (1,587)	\$	\$	\$ (559)	<b>I</b> \$ (2,146)
Net income attributable to controlling interests	\$ 120,597	\$ 43,689	\$ (2,060)	\$ 24,093	\$ 186,319
Earnings per share:					
Net income attributable to controlling interests basic	\$ 2.04				<b>L</b> \$ 3.14
Net income attributable to controlling interests diluted	\$ 2.03				<b>L</b> \$ 3.14
Weighted average shares of common stock, basic (000)	59,257				<b>L</b> 59,257
Weighted average shares of common stock, diluted (000)	59,372				<b>L</b> 59,372

**Table of Contents****Unaudited Supplemental Pro Forma Combined Statement of Operations****Year Ended June 30, 2009**

	Watson Wyatt	Historical Towers Perrin (In thousands, except share and per share data)	PCIC	Pro Forma Adjustments		As Adjusted
Revenue	\$ 1,676,029	\$ 1,586,299	\$ 39,873	\$ (27,804) (23,074)	<b>H</b> <b>K</b>	\$ 3,251,323
<b>Costs of providing services:</b>						
Salaries and employee benefits	1,029,299	1,107,619	147	99,397	<b>B</b>	2,236,462
Professional and subcontracted services	119,323	172,825	1,144			293,292
Occupancy	72,566	68,157		3,669	<b>A</b>	144,392
General and administrative expenses	172,010	200,047	19,226	(27,804) (11,370)	<b>H</b> <b>E</b>	352,109
Depreciation and amortization	73,448	38,758		24,308	<b>A</b>	136,514
Transaction and integration expenses					<b>E</b>	
	1,466,646	1,587,406	20,517	88,200		3,162,769
Income (loss) from operations	209,383	(1,107)	19,356	(139,078)		88,554
Income from affiliates	8,350	5,257		(13,313)	<b>J</b>	294
Interest income	2,022	4,708	4,924	(3,087)	<b>C</b>	8,567
Interest expense	(2,778)	(3,489)		(4,000) (1,893)	<b>D</b> <b>G</b>	(12,160)
Other non-operating income	4,926	14,884				19,810
Income before income taxes	221,903	20,253	24,280	(161,371)		105,065
Provision for income taxes	75,276	40,223	8,268	(63,251)	<b>F</b>	60,516
Net income (loss) before non-controlling interests	\$ 146,627	\$ (19,970)	\$ 16,012	\$ (98,120)		\$ 44,549
Net income attributable to non-controlling interests	\$ 169	\$	\$	\$ 4,346	<b>I</b>	\$ 4,515
Net income (loss) attributable to controlling interests	\$ 146,458	\$ (19,970)	\$ 16,012	\$ (102,466)		\$ 40,034
<b>Earnings per share:</b>						
Net income attributable to controlling interests basic	\$ 3.43				<b>L</b>	\$ 0.68
Net income attributable to controlling interests diluted	\$ 3.42				<b>L</b>	\$ 0.67
Weighted average shares of common stock, basic (000)	42,690				<b>L</b>	59,257
Weighted average shares of common stock, diluted (000)	42,861				<b>L</b>	59,372

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****1. Professional Consultants Insurance Company, Inc.**

PCIC provided professional liability insurance on a claims-made basis to Towers Perrin, Watson Wyatt and a third member firm; each of Towers Perrin and Watson Wyatt owned a 36.43% equity investment in PCIC. As of January 1, 2010, Towers Watson owns 72.86% of PCIC and, as the primary beneficiary of PCIC, is required to consolidate PCIC into its consolidated financial statements.

As a result of the consolidation of PCIC into Towers Watson's financial statements, all transactions between PCIC and each of Towers Perrin and Watson Wyatt have been eliminated, including all transactions involving premium revenue, insurance expense, prepaid premium, unearned premium, equity and gain/loss on earnings of the equity method investee. The minority interest attributable to the third member firm of PCIC is reflected as a separate line in total equity on the unaudited pro forma condensed combined balance sheet and the net income attributed to the non-controlling interest held by the third member firm is included in the unaudited pro forma condensed combined statement of operations.

Towers Watson's fiscal year ends on June 30. Historically, PCIC's fiscal year ended on December 31, which was changed to a fiscal year ending on June 30 post-merger. PCIC's financial information has been recast for the twelve months ended June 30, 2010 and 2009. PCIC's unaudited historical statement of operations for the 12 months ended June 30, 2010 and 2009 was derived from PCIC's historical audited consolidated statement of operations for the twelve months ended December 31, 2009 and 2008 less PCIC's unaudited historical statement of operations for the six months ended June 30, 2009 and 2008 plus PCIC's unaudited historical statement of operations for the six months ended June 30, 2010 and 2009.

**2. Conforming Year End**

Towers Perrin's financial information has been recast to conform with Watson Wyatt's June 30 fiscal year end as follows:

	Twelve Months Ended December 31, 2008 (i)	Six Months Ended June 30, 2008 (ii)	Six Months Ended December 31, 2008 (iii)=(i)-(ii) (In thousands)	Six Months Ended June 30, 2009 (iv)	Twelve Months Ended June 30, 2009 (iii) + (iv)
Revenue	\$ 1,719,769	\$ 892,131	\$ 827,638	\$ 758,661	\$ 1,586,299
Costs of providing services:					
Salaries and employee benefits	1,206,637	636,612	570,025	537,594	1,107,619
Professional and subcontracted services	122,379	59,361	63,018	109,807	172,825
Occupancy, communications and other	68,561	34,872	33,689	34,468	68,157
General and administrative expenses	255,983	123,810	132,173	67,874	200,047
Depreciation and amortization	36,986	16,592	20,394	18,364	38,758
	1,690,546	871,247	819,299	768,107	1,587,406
Income (loss) from operations	29,223	20,884	8,339	(9,446)	(1,107)
Other non-operating income	10,167	4,227	5,940	15,420	21,360
Income before income taxes	39,390	25,111	14,279	5,974	20,253
Provision for income taxes	34,450	6,107	28,343	11,880	40,223
Net income (loss)	\$ 4,940	\$ 19,004	\$ (14,064)	\$ (5,906)	\$ (19,970)





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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**3. Fair Value of Consideration and of Net Assets Acquired and Intangibles**

*Fair Value of Consideration*

The business combination has been accounted for using the acquisition method of accounting as prescribed in Accounting Standards Codification (ASC) 805, *Business Combinations*. The total consideration of \$1.8 billion is comprised of \$200 million of cash and \$200 million of notes payable to Class R shareholders and of stock consideration for the following: Class A shares for certain foreign shareholders of \$9.9 million, Restricted Class B-1, B-2, B-3 and B-4 shares of \$1.3 billion and Restricted Class A shares of \$43.7 million.

The consideration given in the form of cash and notes payable was measured in the amount of cash paid and notes payable issued. According to ASC 805, the fair value of the securities traded in the market the day before the Merger is consummated is used to determine the fair value of the equity consideration. As accounting predecessor, Watson Wyatt's closing share price on the NYSE on December 31, 2009 of \$47.52 was used to determine the fair value of equity consideration. The equity consideration for the Class A shares issued to certain foreign shareholders of \$9.9 million is valued at \$47.52 multiplied by 209,013, the number of shares issued. The estimated fair value of the restricted Class B1-B4 shares of \$1.3 billion was calculated at \$47.52 multiplied by 29,483,008, the number of shares issued and using a discount to approximate the fair value of the one-, two-, three- and four-year period of restriction lapse until the shares are converted into freely tradable Towers Watson Class A common stock. The estimated fair value of the Restricted Class A shares of \$43.7 million includes (i) the vested portion of the Towers Perrin restricted stock units which was earned by employees related to the service condition from grant date in October 2009 until the Merger date January 1, 2010 valued at \$47.52 per share and (ii) 10 percent of the unvested portion of the Towers Perrin restricted stock units which is the estimate of forfeitures that will result from employees not fulfilling the service condition during the three-year vesting post-Merger which will be proportionately distributed to Class F shareholders, the Towers Perrin shareholders as of the Merger date.

As a result of closing of the Merger, all outstanding Towers Perrin and Watson Wyatt common stock, restricted stock units and derivative securities were converted into the right to receive the following forms of consideration:

46,911,275 shares of Towers Watson Class A Common Stock (less a number of shares that were withheld for tax purposes in respect of Watson Wyatt deferred stock units and deferred shares), including 4,248,984 shares of Restricted Towers Watson Class A Common Stock;

29,483,008 shares of Towers Watson Class B Common Stock, including:

12,798,118 shares of Class B-1 Common Stock;

5,561,630 shares of Class B-2 Common Stock;

5,561,630 shares of Class B-3 Common Stock; and

5,561,630 shares of Class B-4 Common Stock;

8,548,835 shares of Towers Watson Class R Common Stock, which subsequently were redeemed automatically in exchange for the right to receive:

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\$200 million in cash (subject to applicable tax withholding and gross-up adjustments); and

Towers Watson Notes in an aggregate principal amount of \$200 million.

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

In addition, on January 1, 2010, Towers Watson issued shares of Class F stock, no par value, pro rata to all holders of Towers Perrin common stock, which shares represent only the contingent right to receive, three years after the Merger, a pro rata portion of a number of shares of Towers Watson Class A common stock equal to the number of shares of Restricted Towers Watson Class A common stock forfeited by former Towers Perrin employees plus a number of shares of Towers Watson Class A common stock with a value equivalent to the amount of dividends attributed to such forfeited shares.

***Fair value of net assets acquired and intangibles***

According to ASC 805, the assets acquired and liabilities of Towers Perrin assumed by Towers Watson were recorded at their respective fair values as of the combination date, January 1, 2010. The valuation and determination of estimated fair value include significant estimates and assumptions. Management also evaluated the methodology and valuation models to determine the estimated useful lives and amortization method.

***Customer relationships***

Customer relationship intangible was identified separately from goodwill based on determination of the length, strength and contractual nature of the relationship that Towers Perrin shared with its clients. This customer relationship information was analyzed via the application of the multi-period excess earnings method, an income approach. Several assumptions used in the income approach are revenue growth, retention rate, operating expenses, charge for contributory assets and trade name and the discount rate used to calculate the present value of the cash flows. The customer relationship intangible, valued at \$140.8 million, is amortized on an accelerated amortization basis over the estimated useful life of 12 years, which correlated to the years of material results included in the income approach model.

***Trademarks and trade names***

The Towers Perrin trade name was identified separately from goodwill based on evaluation of the importance of the Towers Perrin trade name to the Towers Perrin business through understanding the brand recognition in the market, importance of the trade name to the customer, and the amount of revenue associated with the trade name. In developing the estimated fair value, the trade name was valued utilizing the relief from royalty method, an income approach. Significant assumptions used in the relief from royalty method were revenue growth, royalty rate, and discount rate used to calculate the present value of cash flows. The Towers Perrin trade name, valued at \$275.5 million, has an estimated indefinite-lived asset and is not amortized but tested annually for impairment or more frequently if factors exist to indicate impairment.

***Developed technology***

Developed technology identified separately from goodwill consists of intellectual property such as proprietary software used internally for revenue-producing activities or by clients. Developed technology can provide significant advantages to the owner in terms of product differentiation, cost advantages and other competitive advantages. Three external-use technologies of Towers Perrin: Moses, EVALUE and the Global Compensation technology are offered for sale or subscription and have associated revenue streams. In addition, 22 internally developed technology applications were identified as primary applications used in Towers Perrin's business but did not have associated revenue streams. The external-use technologies, for which revenue sources were directly identified, were valued by applying the multi-period excess earnings method, an income approach. The internal-use technologies were valued by applying the cost to replicate method, a cost approach. Significant assumptions used in the multi-period excess earnings method were revenue growth, decay rate, cost of revenue, operating expenses, charge for use of contributory assets and trade name and discount rate used to calculate the present value of the cash flows. The external-use technology, valued at \$58.2 million, is amortized on an accelerated basis over a weighted-average useful life of 3.6 years. Significant assumptions used in the cost to replicate method were cost to replace including the number and skill level of man hours and cost per hour based on fully burdened salary of staff; profit margin if the work were performed by a third party; and obsolescence factor. The internal-use technology, valued at \$67.2 million, is amortized on a straight-line basis over the weighted-average estimated useful life of 4.2 years.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS*****Favorable and unfavorable lease contracts***

Assets and liabilities for favorable and unfavorable lease contracts were identified separately from goodwill related to 39 of Towers Perrin's real estate lease agreements. The assets and liabilities were valued by comparing cash obligations for each material lease agreement to the estimated market rent at the time of the transaction. The resulting favorable or unfavorable positions are recorded gross as assets or liabilities on the balance sheet. Significant assumptions used in the valuation were market rent, annual escalation percentages based on current inflation rates and a discount rate used to calculate the present value of the cash flows. Both the assets for favorable lease agreements, valued at \$11.1 million, and the liabilities for unfavorable lease agreements, valued at \$28.6 million, are amortized on a straight-line basis over the life of the respective lease to occupancy costs. The weighted-average estimated useful life for the leases is 7.3 years.

The table below sets forth a preliminary estimate of the Merger consideration transferred to Towers Perrin shareholders and the preliminary estimate of tangible and intangible net assets received in the Merger:

	<b>January 1, 2010</b>	
	<b>(In thousands, except share and per share data)</b>	
<i>Calculation of Consideration Transferred</i>		
Cash paid		\$ 200,000
Notes payable issued to Towers Perrin shareholders		200,000
Towers Perrin shares converted to Towers Watson shares	42,489,840	
Less Class R shares	(8,548,835)	
Less 10% of consideration in RSU's	(4,248,984)	
Shares of Towers Watson stock issued	29,692,021	
Closing price of Watson Wyatt stock, December 31, 2009	\$ 47.52	
Average discount for restricted stock		7%
Aggregate fair value of the Towers Watson common stock issued		1,313,650
Fair value of RSU's assumed in the Merger		43,729
Total consideration transferred		\$ 1,757,379
<i>Estimated Tangible and Intangible Net Assets:</i>		
Current assets	\$ 1,002,567	
Other non-current assets	221,131	
Identifiable intangible assets	552,785	
Deferred tax asset, net	138,850	
Current liabilities	(671,866)	
Other long-term liabilities	(760,708)	
Goodwill	1,274,620	
Total estimated tangible and intangible net assets		\$ 1,757,379

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**4. Pro Forma Adjustments**

The pro forma adjustments reflected in the unaudited supplemental pro forma condensed combined financial information are as follows:

- A) Reflects estimated amortization of Towers Perrin's acquired intangible assets on an accelerated amortization basis over their estimated useful lives. Customer-related intangible assets are amortized over a 12-year estimated life and developed technology intangible assets are amortized over a weighted-average four-year estimated life. The trademark and trade names intangible asset has an indefinite life. Also reflects one year of an adjustment to rent expense to approximate fair value.
- B) Reflects non-cash compensation expense in connection with the issuance of Towers Watson Restricted Class A Common Stock to Towers Perrin RSU holders in the Merger and \$4.6 million of Class A Common Stock issued pursuant to the acceleration of vesting of Watson Wyatt's outstanding stock options and RSU awards due to change-in-control provisions. The graded method of expense methodology assumes that the restricted shares are issued to Towers Perrin RSU holders in equal amounts of shares that vest over one year, two years and three years. The current estimate of total non-cash compensation expense relating to Towers Watson Restricted Class A Common Stock for the three-year period is \$158.2 million. This estimate was determined assuming a 10 percent annual forfeiture rate based on actual and expected attrition.
- C) Reflects interest income forgone as a result of the cash consideration of \$200 million paid to Towers Perrin Class R Participants in conjunction with the redemption of Towers Watson Class R Common Stock.
- D) Reflects interest accrued on \$200 million principal amount of Towers Watson Notes issued to Towers Perrin Class R Participants. Interest on the Towers Watson Notes accrued at a 2.0 percent fixed rate per annum, compounded annually.
- E) Reflects the elimination of Merger-related transaction costs (including financial advisory, legal and valuation fees). Because transaction costs will not have a continuing impact, they are not reflected in the unaudited pro forma condensed combined statement of operations.
- F) Reflects the provision for taxes, adjustments to deferred tax asset, deferred tax liability, goodwill and retained earnings as a result of the Merger, fair value adjustments to the net assets of Towers Perrin and other acquisition accounting adjustments. On January 1, 2010, Towers Watson recorded deferred taxes and other tax adjustments as part of the accounting for the Merger, including deferred taxes of \$235.7 million related to the estimated fair value adjustments for the acquired assets and liabilities. The deferred taxes have been calculated based on the U.S. and foreign statutory tax rates for jurisdictions where the fair value adjustments are estimated. A U.S. statutory rate of 39.6 percent was used, except for adjustments related to PCIC for which a 34 percent statutory rate was used since PCIC would not be included in the U.S. consolidated tax return. For purposes of determining the estimated income tax expense for the adjustments reflected in the unaudited pro forma condensed combined statement of operations, taxes were determined by applying the applicable statutory tax rate for jurisdictions where each pro forma adjustment is expected to be reported. Although not reflected in these unaudited pro forma condensed combined statements of operations, the effective tax rate of the combined company could be significantly different depending on post-acquisition activities, including repatriation decisions, the geographic mix of income, and post-Merger restructuring activities.

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

- G) Reflects one year of amortization of \$5.7 million of bank fees associated with the Towers Watson credit facility, which will be amortized over a three-year period.
- H) Reflects the elimination of premium revenue and unearned revenues from Watson Wyatt and Towers Perrin as recorded by PCIC, as well as related expense recorded by Watson Wyatt and Towers Perrin.
- I) Reflects the 27.14 percent non-controlling interest in PCIC of the remaining minority shareholder.
- J) Reflects the elimination of Watson Wyatt's and Towers Perrin's earnings from PCIC as recorded under the equity method.
- K) Reflects the reduction of revenue for the acquisition fair value adjustment of historical Towers Perrin deferred revenue to reflect the unrecognized revenue relating to the amount of effort that was performed prior to the Merger that would not be subsequently earned under acquisition accounting rules.
- L) Earnings per share calculations for the year ended June 30, 2010 and 2009 are based on Towers Watson's fully diluted shares outstanding as of June 30, 2010.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of our consolidated results of operations, financial condition and liquidity should be read in conjunction with our consolidated financial statements and the related notes included in this prospectus. This discussion contains forward-looking statements that reflect our current expectations, estimates, forecasts and projections. These forward-looking statements are not guarantees of future performance, and actual outcomes and results may differ materially from those expressed in these forward-looking statements. See **Risk Factors** and **Special Note About Forward-Looking Statements**.*

**Executive Overview**

***General***

We are a leading global professional services firm focused on providing consulting services related to employee benefits, human capital and financial risk management. In the short term, our revenue will be driven by many factors, including the general state of the global economy and the resulting level of discretionary spending, the continuing regulatory compliance requirements of our clients, changes in investment markets, the ability of our associates to attract new clients or provide additional services to existing clients, the impact of new regulations in the legal and accounting fields and the impact of our ongoing cost saving initiatives. In the long term, we expect that our financial results will depend in large part upon how well we succeed in deepening our existing client relationships through thought leadership and a focus on developing cross-practice solutions, actively pursuing new clients in our target markets, cross selling and making strategic acquisitions. We believe the highly fragmented industry in which we operate offers us tremendous growth opportunities, because we provide a unique business combination of benefits and human capital consulting, as well as risk and capital management and strategic technology solutions.

***Segments***

We provide services in three business segments: Benefits, Risk and Financial Services and Talent and Rewards.

**Benefits Segment.** The Benefits segment is our largest and most established segment. This segment has grown through business combinations as well as strong organic growth. It helps clients create and manage cost-effective benefits programs that help them attract, retain and motivate a talented workforce.

The primary lines of business within the Benefits segment are:

Retirement;

Health and Group Benefits;

Technology and Administration Solutions; and

International Consulting.

The Benefits segment provides benefits consulting and administration services through four primary lines of business. Retirement supports organizations worldwide in designing, managing, administering and communicating all types of retirement plans. Health and Group Benefits provides advice on the strategy, design, financing, delivery, ongoing plan management and communication of health and group benefit programs. Through our Technology and Administration Solutions line of business, we deliver cost-effective benefit outsourcing solutions. The International Consulting Group provides expertise in dealing with international





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human capital management and related benefits and compensation advice for corporate headquarters and their subsidiaries. A significant portion of the revenue in this segment is from recurring work, driven in large part by the heavily regulated nature of employee benefits plans and our clients' annual needs for these services. For the six months ended June 30, 2010, Benefits segment contributed 59 percent of our total revenue. For the same period, approximately 43 percent of the Benefits segment's revenue originates from outside the United States and is thus subject to translation exposure resulting from foreign exchange rate fluctuations.

**Risk and Financial Services Segment.** Within the Risk and Financial Services segment, our second largest segment, we have three primary lines of business:

Risk Consulting and Software ( RCS );

Investment Consulting and Solutions ( Investment ); and

Reinsurance and Insurance Brokerage ( Brokerage ).

The Risk and Financial Services segment accounted for 23 percent of our total revenue for the six months ended June 30, 2010. Approximately 63 percent of the segment's revenue originates from outside the United States and is thus subject to translation exposure resulting from foreign exchange rate fluctuations. The segment has a strong base of recurring revenue, driven by long-term client relationships in reinsurance brokerage services, retainer investment consulting relationships, consulting services on financial reporting, and actuarial opinions on property/casualty loss reserves. Some of these relationships have been in place for more than 20 years. A portion of the revenue is related to project work, which is more heavily dependent on the overall level of discretionary spending by clients. This work is favorably influenced by strong client relationships, particularly related to mergers and acquisitions consulting. Major revenue growth drivers include changes in regulations, the level of mergers and acquisitions activity in the insurance industry, growth in pension and other asset pools, and reinsurance retention and pricing trends.

**Talent and Rewards Segment.** Our third largest segment, Talent and Rewards, is focused on three primary lines of business:

Executive Compensation

Rewards, Talent and Communication; and

Data, Surveys and Technology.

The Talent and Rewards segment accounted for approximately 16 percent of our total revenue for the six months ended June 30, 2010. Few of the segment's projects have a recurring element. As a result, this segment is most sensitive to changes in discretionary spending due to cyclical economic fluctuations. Approximately 44 percent of the segment's revenue originates from outside the United States and is thus subject to translation exposure resulting from foreign exchange rate fluctuations. Revenue for Talent and Rewards consulting has minimal seasonality, with a small degree of heightened activity in the second half of the year during the annual compensation, benefits and survey cycles. Major revenue growth drivers in this group include demand for workforce productivity improvements and labor cost reductions, focus on high performance culture, globalization of the workforce, changes in regulations and benefits programs, mergers and acquisitions activity, and the demand for universal metrics related to workforce engagement.

**Table of Contents****Financial Statement Overview**

Towers Watson's fiscal year ends June 30.

Shown below are Towers Watson's top five markets based on percentage of consolidated revenue. The fiscal year ended June 30, 2010 includes data of Towers Watson's geographic regions. The fiscal years ended June 30, 2009 and 2008 include only data of historical Watson Wyatt's geographic regions.

Geographic Region	Fiscal Year		
	2010	2009	2008
United States	52%	43%	41%
United Kingdom	22	32	32
Canada	6	4	4
Germany	4	4	5
Netherlands	3	3	4

We derive the majority of our revenue from fees for consulting services, which generally are billed at standard hourly rates and expense reimbursement, which we refer to as time and expense, or on a fixed-fee basis. Management believes the approximate percentages for time and expense and fixed-fee basis engagements are 60 percent and 40 percent, respectively. Clients are typically invoiced on a monthly basis with revenue generally recognized as services are performed. No single client accounted for more than one percent of our consolidated revenues for any of our most recent three fiscal years.

Our most significant expense is compensation to associates, which typically comprises approximately 70 percent of total costs of providing services. In addition to payroll and related benefits and taxes, compensation to associates also includes incentive bonus expense, which is linked to our operating performance. Other significant costs of providing services include office rent and related costs, communications, general and administrative expenses and professional and subcontracted services.

We compensate our directors and select executives with incentive stock-based compensation plans from time to time. When granted, awards are governed by the Towers Watson & Co. 2009 Long Term Incentive Plan, which provides for the awards to be valued at their grant date fair value which is amortized over the expected term of the awards, generally three years. In connection with the issuance of Towers Watson Restricted Class A Common Stock to Towers Perrin RSU holders in the Merger, we expect the first year of non-cash compensation expense to be approximately \$94.8 million. The current estimate of total non-cash compensation expense relating to Towers Watson Restricted Class A Common Stock for the three-year period is \$158.2 million. This estimate was determined assuming a 10 percent annual forfeiture rate based on actual and expected attrition and the graded method of expense methodology. This expense methodology assumes that the restricted shares are issued to Towers Perrin RSU holders in equal amounts of shares that vest over one year, two years and three years giving the effect of more expense in the first year than the second and third. In the event that an associate is involuntarily terminated, vesting is accelerated and expense is recorded immediately.

In delivering consulting services, our principal direct expenses relate to compensation of personnel. Salaries and employee benefits are comprised of wages paid to associates, related taxes, severance, benefit expenses such as pension, medical and insurance costs, and fiscal year-end incentive bonuses.

Professional and subcontracted services represent fees paid to external service providers for employment, marketing and other services. For the most recent three fiscal years, approximately 40 to 60 percent of the professional and subcontracted services for Watson Wyatt were directly incurred on behalf of clients and were reimbursed by them, with such reimbursements being included in revenue. For the fiscal year ended June 30, 2010 for Towers Watson, approximately 40 percent of professional and subcontracted services represent these reimbursable services.

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Occupancy includes expenses for rent and utilities.

General and administrative expenses includes general counsel, marketing, human resources, finance, research, technology support, supplies, telephone and other costs to operate office locations as well as professional fees and insurance, including premiums on excess insurance and losses on professional liability claims, non-client-reimbursed travel by associates, publications and professional development. This line item also includes miscellaneous expenses, including gains and losses on foreign currency transactions.

Depreciation and amortization includes the depreciation of fixed assets and amortization of intangible assets and internally-developed software.

Transaction and integration expenses includes fees and charges associated with the Merger. Transaction and integration expenses principally consist of investment banker fees, regulatory filing expenses, integration consultants, as well as legal, accounting, marketing, and information technology integration expenses.

## **Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. The areas that we believe are critical accounting policies include revenue recognition, valuation of billed and unbilled receivables from clients, discretionary compensation, income taxes, pension assumptions, incurred but not reported claims, and goodwill and intangible assets. The critical accounting policies discussed below involve making difficult, subjective or complex accounting estimates that could have a material effect on our financial condition and results of operations. These critical accounting policies require us to make assumptions about matters that are highly uncertain at the time of the estimate or assumption. Different estimates that we could have used, or changes in estimates that are reasonably likely to occur, may have a material effect on our financial condition and results of operations.

### ***Revenue Recognition***

Revenue includes fees primarily generated from consulting services provided. We recognize revenue from these consulting engagements when hours are worked, either on a time-and-expense basis or on a fixed-fee basis, depending on the terms and conditions defined at the inception of an engagement with a client. We have engagement letters with our clients that specify the terms and conditions upon which the engagements are based. These terms and conditions can only be changed upon agreement by both parties. Individual associates' billing rates are principally based on a multiple of salary and compensation costs.

Revenue for fixed-fee arrangements that span multiple months is based upon the percentage of completion method. We typically have three types of fixed-fee arrangements: annual recurring projects, projects of a short duration, and non-recurring system projects. Annual recurring projects and the projects of short duration are typically straightforward and highly predictable in nature. As a result, the project manager and financial staff are able to identify, as the project status is reviewed and bills are prepared monthly, the occasions when cost overruns could lead to the recording of a loss accrual.

We have non-recurring system projects that are longer in duration and subject to more changes in scope as the project progresses. We evaluate at least quarterly, and more often as needed, project managers' estimates-to-complete to assure that the projects' current statuses are accounted for properly. Certain software contracts generally provide that if the client terminates a contract, we are entitled to payment for services performed through termination.

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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/or the level of client participation. The periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stage of project completion that, in turn, affect how we recognize revenue. We recognize a loss on an engagement 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. We have experienced certain costs in excess of estimates from time to time. Management believes it is rare, however, for these excess costs to result in overall project losses.

We have developed various software programs and technologies that we provide to clients in connection with consulting services. In most instances, such software is hosted and maintained by us and ownership of the technology and rights to the related code remain with us. Software developed to be utilized in providing services to a client, but for which the client does not have the contractual right to take possession, is capitalized in accordance with generally accepted accounting principles of capitalized software. Revenue associated with the related contract, together with amortization of the related capitalized software, is recognized over the service period. As a result, we do not recognize revenue during the implementation phase of an engagement.

In connection with the Merger, we acquired the reinsurance brokerage business of Towers Perrin. In our capacity as a reinsurance broker, we collect premiums from reinsureds and, after deducting our brokerage commissions, we remit the premiums to the respective reinsurance underwriters on behalf of reinsureds. In general, compensation for reinsurance brokerage services is earned on a commission basis. Commissions are calculated as a percentage of a reinsurance premium as stipulated in the reinsurance contracts with our clients and reinsurers. We recognize brokerage services revenue on the later of the inception date or billing date of the contract. In addition, we hold cash needed to settle amounts due reinsurers or reinsureds, net of any commissions due to us, pending remittance to the ultimate recipient. We are permitted to invest these funds in high quality liquid instruments.

Revenue recognized in excess of billings is recorded as unbilled accounts receivable. Cash collections and invoices generated in excess of revenue recognized are recorded as deferred revenue until the revenue recognition criteria are met. Client reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included in revenue, and an equivalent amount of reimbursable expenses are included in professional and subcontracted services as a cost of revenue.

### ***Valuation of Billed and Unbilled Receivables from Clients***

We maintain allowances for doubtful accounts to reflect estimated losses resulting from the clients' failure to pay for the services after the services have been rendered, including allowances when customer disputes may exist. The related provision is recorded as a reduction to revenue. Our allowance policy is based on the aging of the billed and unbilled client receivables and has been developed based on the write-off history. Facts and circumstances such as the average length of time the receivables are past due, general market conditions, current economic trends and our clients' ability to pay may cause fluctuations in our valuation of billed and unbilled receivables.

### ***Discretionary Compensation***

Our compensation program includes a discretionary bonus that is determined by management and has historically been paid once per fiscal year in the form of cash and/or deferred stock units after our annual operating results are finalized. As a result of the Merger, interim bonuses were paid in March 2010 relating to the period ended December 31, 2009 and are expected to be paid in September 2010 relating to the six-month period ended June 30, 2010, after which time bonuses are expected to be paid annually each September.

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An estimated annual bonus amount is initially developed at the beginning of each fiscal year in conjunction with our budgeting process. Estimated annual operating performance is reviewed quarterly and the discretionary annual bonus amount is then adjusted, if necessary, by management to reflect changes in the forecast of pre-bonus profitability for the year.

### ***Income Taxes***

We account for income taxes in accordance with Accounting Standards Codification ( ASC ) 740, *Income Taxes*, which prescribes the use of the asset and liability approach to the recognition of deferred tax assets and liabilities related to the expected future tax consequences of events that have been recognized in our financial statements or income tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets when it is more likely than not that a portion or all of a given deferred tax asset will not be realized. In accordance with ASC 740, income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances and (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority plus amounts accrued for expected tax contingencies (including both tax and interest). ASC 740 prescribes a recognition threshold of more-likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those positions to be recognized in the financial statements. We continually review tax laws, regulations and related guidance in order to properly record any uncertain tax positions. We adjust these reserves in light of changing facts and circumstances, such as the outcome of tax audits. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

### ***Pension Assumptions***

We sponsor both qualified and non-qualified defined benefit pension plans and other post-employment benefit or OPEB plans in North America and Europe. These plans represent 98 percent of our total pension obligations. We also sponsor funded and unfunded defined benefit pension plans in certain other countries representing the remaining 2 percent of the liability.

Under the legacy Watson Wyatt plans in North America, benefits are based on the number of years of service and the associate's compensation during the five highest paid consecutive years of service. The non-qualified plan, included only in North America, provides for pension benefits that would be covered under the qualified plan but are limited by the Internal Revenue Code. The non-qualified plan has no assets and therefore is an unfunded arrangement. Beginning January 2008, Watson Wyatt made changes to the plan in the United Kingdom related to years of service used in calculating benefits for associates. Benefits earned prior to January 2008 are based on the number of years of service and the associate's compensation during the three years before leaving the plan and benefits earned after January 2008 are based on the number of years of service and the associate's average compensation during the associate's term of service since that date. The plan liabilities in Germany were a result of Watson Wyatt's acquisition of Heissmann GmbH in 2007. A significant percentage of the liabilities represent the grandfathered pension benefit for associates hired prior to a July 1991 plan amendment. The pension plan for those hired after July 1991 is a defined contribution type arrangement. In the Netherlands, the pension benefit is a percentage of service and average salary over the working life of the associate, where salary includes allowances and bonuses up to a set maximum salary and is offset by the current social security benefit. The benefit liability is reflected on the balance sheet. The measurement date for each of the plans is June 30.

The legacy Towers Perrin pension plans in the United States accrue benefits under a cash-balance formula for associates hired or rehired after 2002 and for all associates for service after 2007. For associates hired prior to 2003 and active as of January 2003, benefits prior to 2008 are based on a combination of a cash

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balance formula, for the period after 2002, and a final average pay formula based on years of plan service and the highest five consecutive years of plan compensation prior to 2008. Under the cash balance formula benefits are based on a percentage of each year of the associate's plan compensation. The Canadian Retirement Plan provides a choice of a defined benefit approach or a defined contribution approach. The non-qualified plans in North America provide for pension benefits that would be covered under the qualified plan in the respective country but are limited by statutory maximums. The non-qualified plans have no assets and therefore are unfunded arrangements. The U.K. Plan provides predominantly lump sum benefits. Benefit accruals under the U.K. Plan ceased on March 31, 2008. The plans in Germany mostly provide benefits under a cash balance benefit formula. Benefits under the Netherlands plan accrue on a final pay basis on earnings up to a maximum amount each year. The benefit assets and liabilities are reflected on the balance sheet. The measurement date for each of the plans has historically been December 31, but has been changed to June 30 as a result of the Merger.

The determination of our pension benefit obligations and related benefit expense under the plans is based on a number of assumptions that, given the longevity of the plans, are long-term in focus. A change in one or a combination of these assumptions could have a material impact on our pension benefit obligation and related expense. For this reason, management employs a long-term view so that assumptions do not change frequently in response to short-term volatility in the economy. Any difference between actual and assumed results is amortized into our pension expense over the average remaining service period of participating associates. We consider several factors prior to the start of each fiscal year when determining the appropriate annual assumptions, including economic forecasts, relevant benchmarks, historical trends, portfolio composition and peer comparisons.

*Assumptions Used in the Valuations of the Defined Benefit Pension Plans*

The following assumptions were used in the valuations of Towers Watson's defined benefit pension plans. The assumptions presented for the North American plans represent the weighted-average of rates for all U.S. and Canadian plans. The assumptions presented for Towers Watson's European plans represent the weighted-average of rates for the U.K., Germany and Netherlands plans. In relation to the acquisition of Towers Perrin on January 1, 2010, the legacy plans of Towers Perrin have been included in the assumptions as of and for the year ended June 30, 2010. The assumptions as of and for the years ended June 30, 2009 and 2008 represent only the legacy Watson Wyatt plans.

The assumptions used to determine net periodic benefit cost for the fiscal years ended June 30, 2010, 2009 and 2008 were as follows:

	Year Ended June 30, 2010		Year Ended June 30, 2009		Year Ended June 30, 2008	
	North	Europe	North	Europe	North	Europe
	America		America		America	
Discount rate	6.43%	6.03%	6.91%	6.47%	6.25%	5.72%
Expected long-term rate of return on assets	8.11%	6.48%	8.61%	6.53%	8.61%	6.74%
Rate of increase in compensation levels	3.93%	5.09%	4.08%	5.36%	3.84%	4.73%

The following table presents the assumptions used in the valuation to determine the projected benefit obligation for the fiscal years ended June 30, 2010 and 2009:

	June 30, 2010		June 30, 2009	
	North	Europe	North	Europe
	America		America	
Discount rate	5.86%	5.25%	7.21%	6.29%
Rate of increase in compensation levels	3.88%	3.88%	3.29%	5.15%

Towers Watson's discount rate assumptions were determined by matching expected future pension benefit payments with current AA corporate bond yields from the respective countries for the same periods. In

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the United States, specific bonds were selected to match plan cash flows. In Canada, yields were taken from a corporate bond yield curve. In Europe, the discount rate was set based on yields on European AA corporate bonds at the measurement date.

The expected rates of return assumptions at 8.11 percent and 6.48 percent per annum for North America and Europe, respectively, were supported by an analysis performed by Towers Watson of the weighted-average yield expected to be achieved with the anticipated makeup of investments.

The following information illustrates the sensitivity to a change in certain assumptions for the North American pension plans for fiscal year 2011:

Change in Assumption	Effect on FY 2011	
	Pre-Tax Pension Expense	
25 basis point decrease in discount rate	+\$	3.0 million
25 basis point increase in discount rate	-\$	2.9 million
25 basis point decrease in expected return on assets	+\$	2.8 million
25 basis point increase in expected return on assets	-\$	2.8 million

The above sensitivities reflect the impact of changing one assumption at a time. Economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear.

The following information illustrates the sensitivity to a change in certain assumptions for the Europe pension plans for fiscal year 2011:

Change in Assumption	Effect on FY 2011	
	Pre-Tax Pension Expense	
25 basis point decrease in discount rate	+\$	2.7 million
25 basis point increase in discount rate	-\$	2.6 million
25 basis point decrease in expected return on assets	+\$	1.0 million
25 basis point increase in expected return on assets	-\$	1.0 million

The sensitivities reflect the effect of assumption changes occurring after purchase accounting has been applied. The differences in the discount rate and compensation level assumption used for the North American and European plans above can be attributed to the differing interest rate environments associated with the currencies and economies to which the plans are subject. The differences in the expected return on assets are primarily driven by the respective asset allocation in each plan, coupled with the return expectations for assets in the respective currencies.

***Incurred But Not Reported Claims***

We use actuarial assumptions to estimate and record a liability for incurred but not reported ( IBNR ) professional liability claims. Our estimated IBNR liability is based on long-term trends and averages, and considers a number of factors, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, and legislation and economic decisions, but excludes the effect of claims data for large cases due to the insufficiency of actual experience with such cases. Our estimated IBNR liability will fluctuate if claims experience changes over time.

***Goodwill and Intangible Assets***

In applying the purchase method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of the acquisitions,

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with the remainder recorded as goodwill. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment annually as of June 30. The fair value of the intangible assets is compared with their carrying value and an impairment loss would be recognized for the amount by which the carrying amount exceeds the fair value. Goodwill is tested for impairment annually as of June 30, and whenever indicators of impairment exist.

The evaluation is a two-step process whereby the fair value of the reporting unit is compared with its carrying amount, including goodwill. In estimating the fair value of a reporting unit, we used valuation techniques that fall under income or market approaches. Under the discounted cash flow method, an income approach, the business enterprise value is determined by discounting to present value the terminal value which is calculated using debt-free after-tax cash flows for a finite period of years. Key estimates in this approach are internal financial projection estimates prepared by management, business risk, and expected rate of return on capital. The guideline company method, a market approach, develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key estimates and selection of valuation multiples rely on the selection of similar companies, obtaining estimates of forecasted revenue and EBITDA estimates for the similar companies and selection of valuation multiples as they apply to the reporting unit characteristics. Under the similar transactions method, a market approach, actual transaction prices and operating data from companies deemed reasonably similar to the reporting units is used to develop valuation multiples as an indication of how much a knowledgeable investor in the marketplace would be willing to pay for the business units. As the fair value of our reporting units exceeds their carrying value, we do not perform step two to determine the impairment loss. In the event that a reporting unit's carrying value exceeded its fair value, we would determine the implied fair value of the reporting unit used in step one to all the assets and liabilities of that reporting unit (including any recognized or unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. Then the implied fair value of goodwill would be compared to the carrying amount of goodwill to determine if goodwill is impaired. For the fiscal year ended June 30, 2010, we did not record any impairment losses of goodwill or intangibles.

## **Results of Operations**

Watson Wyatt is the accounting predecessor in the Merger; as such, the historical results of Watson Wyatt have become those of Towers Watson and are presented herein as historical results. The consolidated statement of operations of Towers Watson for the fiscal year ended June 30, 2010 includes the results of Towers Perrin's operations beginning January 1, 2010. The consolidated statement of operations of Towers Watson for the fiscal years ended June 30, 2009 and 2008 include only the financial results of Watson Wyatt.

In addition to the historical analysis of results of operations, we have prepared unaudited supplemental pro forma results of operations for the fiscal years ended 2010 and 2009 as if the Merger had occurred at the beginning of the periods presented and analysis of the pro forma results of operations by line item. The pro forma analysis is prepared and presented to aid in explaining the results of operations of the merged Towers Watson.

As a result of the Merger, Towers Watson aligned and grouped general and administrative accounts using a natural account methodology. The accounting predecessor, Watson Wyatt, allocated certain support service charges to general and administrative expenses from specific offices, teams and accounts. The results of operations for the fiscal years ended June 30, 2010, 2009 and 2008 have been retrospectively realigned to the new general and administrative expense methodology.



**Table of Contents****Historical Results of Operations**

The table below sets forth our consolidated statement of operations, on a historical basis, and data as a percentage of revenue for the periods indicated.

**Consolidated Statements of Operations**

(Thousands of U.S. dollars)

	2010		Year Ended June 30, 2009		2008	
Revenue	\$ 2,387,829	100%	\$ 1,676,029	100%	\$ 1,760,055	100%
Costs of providing services:						
Salaries and employee benefits	1,540,417	65%	1,029,299	61%	1,052,992	60%
Professional and subcontracted services	163,848	7	119,323	7	138,983	8
Occupancy	109,454	5	72,566	4	83,255	5
General and administrative expenses	220,937	9	172,010	10	185,624	11
Depreciation and amortization	101,084	4	73,448	4	72,428	4
Transaction and integration expenses	87,644	4				
	2,223,384	93	1,466,646	88	1,533,282	87
Income from operations	164,445	7	209,383	12	226,773	13
(Loss)/income from affiliates	(1,274)		8,350		2,325	
Interest income	2,950		2,022		5,584	
Interest expense	(7,508)		(2,778)		(5,977)	
Other non-operating income	11,304		4,926		464	
Income before income taxes	169,917	7	221,903	13	229,169	13
Provision for income taxes	50,907	2	75,276	4	73,470	4
Net income before non-controlling interests	119,010	5	146,627	9	155,699	9
Net (loss)/income attributable to non-controlling interests	(1,587)		169		258	
Net income attributable to controlling interests	\$ 120,597	5%	\$ 146,458	9%	\$ 155,441	9%

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**Historical Results of Operations for the Fiscal Year Ended June 30, 2010 Compared to Fiscal Year Ended June 30, 2009**

Revenue for the fiscal year ended June 30, 2010 was \$2.4 billion, an increase of \$711.8 million, or 42 percent, compared to \$1.7 billion for the fiscal year ended June 30, 2009. The increase was primarily a result of the Merger and combination of Towers Perrin's and Watson Wyatt's operations as of January 1, 2010. Net income attributable to controlling interests for the fiscal year ended June 30, 2010 was \$120.6 million, a decrease of \$25.9 million, or 18 percent, compared to \$146.5 million for the fiscal year ended June 30, 2009. The decrease was primarily due to transaction and integration expenses of \$87.6 million incurred in connection with the Merger during fiscal year ended June 30, 2010.

Salaries and employee benefits was 65 percent of revenue for the fiscal year ended June 30, 2010, an increase of 4 percent from 61 percent of revenue for the fiscal year ended June 30, 2009. This increase is the result of stock-based compensation of \$54.7 million recorded in the second half of fiscal 2010, which consisted of \$48.0 million related to the vesting of Restricted A shares issued to Towers Perrin employees in the Merger and \$4.6 million related to the vesting of the unamortized fair value of Watson Wyatt stock options and deferred stock units outstanding at the time of the Merger. The remaining increase is the result of higher salaries and employee benefits as a percentage of revenue for Towers Perrin. There were no other significant increases or decreases of more than one percent comparing the statements of operations line items as a percent of revenue period over period for the fiscal years ended June 30, 2010 and 2009.

Provision for income taxes for the fiscal year ended June 30, 2010 was \$50.9 million, compared to \$75.3 million for the fiscal year ended June 30, 2009. The effective tax rate for the year was 30.0 percent for the fiscal year ended June 30, 2010 and 33.9 percent for the fiscal year ended June 30, 2009. The provision for income taxes for fiscal year 2010 includes a deferred tax charge for \$10.6 million due to the enactment of the Patient Protection and Affordable Care Act and U.S. Health Care and Education Reconciliation Act of 2010. We also released a net valuation allowance of \$27.6 million for U.S. foreign tax credits. We believe that it is more likely than not that these foreign tax credits will be realized within the carryforward period as a result of generating future sources of foreign income. Moreover, we released \$3.6 million of reserves related to its uncertain tax positions as a result of expiring statutes of limitations and effectively settled tax positions following the examination of our 2007 and 2008 U.S. federal corporate income tax returns.

*Net income attributable to controlling interests.*

Net income attributable to controlling interests for the fiscal year ended June 30, 2010 was \$120.6 million inclusive of the amortization of deal-related intangible assets, deductible and non-deductible transaction and integration expenses including severance, stock-based compensation related to Restricted Class A shares (recorded in salaries and employee benefits), loss of the Medicare Part D subsidy and other Merger-related tax items, compared to net income attributable to controlling interests of \$146.5 million for the fiscal year ended June 30, 2009.

*Earnings per share.*

Diluted earnings per share for the fiscal year ended June 30, 2010 was \$2.03, compared to \$3.42 for the fiscal year ended June 30, 2009.

***Non-U.S. GAAP Measures***

Diluted earnings per share exclusive of the amortization of intangible assets, deductible and non-deductible transaction and integration expenses including severance, gain on sale of investment, stock-based compensation related to Restricted Class A shares (recorded in salaries and employee benefits), loss of the Medicare Part D subsidy and other Merger-related tax items ( adjusted diluted earnings per share ), resulted in adjusted diluted earnings per share, a non-generally accepted accounting principle in the U.S. ( non-U.S. GAAP measure ), for the fiscal year ended June 30, 2010 of \$3.69.

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We use EBITDA, Adjusted EBITDA, Adjusted Net Income Attributable to Controlling Interests and Adjusted Diluted Earnings Per Share, non-U.S. GAAP measures, to evaluate our financial performance and separately evaluate our performance of the transaction and integration activities as well as changes in tax law. We believe these measures are useful in evaluating our results of operations and in providing a baseline for the evaluation of future operating results. We define EBITDA as net income before non-controlling interests adjusted for provision for income taxes, interest, net and depreciation and amortization. Reconciliation of EBITDA and Adjusted EBITDA to net income before non-controlling interests, Adjusted Net Income Attributable to Controlling Interests to net income attributable to controlling interests and Adjusted Diluted Earnings Per Share to diluted earnings per share are included in the tables below. These non-U.S. GAAP measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies.

Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the information contained within our financial statements.

	2010	Year Ended June 30, 2009 (In thousands)	2008
Reconciliation of EBITDA and Adjusted EBITDA to net income before non-controlling interests:			
Net income before non-controlling interests	\$ 119,010	\$ 146,627	\$ 155,699
Provision for income taxes	50,907	75,276	73,470
Interest, net	4,558	756	393
Depreciation and amortization	101,084	73,448	72,428
 EBITDA	 275,559	 296,107	 301,990
Transaction and integration expenses	87,644		
Stock-based compensation (a)	48,006		
Other non-operating income (b)	(10,030)	(13,276)	(2,789)
 Adjusted EBITDA	 \$ 401,179	 \$ 282,831	 \$ 299,201

(a) Stock-based compensation awarded to former Towers Perrin employees in connection with the Merger is included in salaries and employee benefits expense.

(b) Other non-operating income includes (income)/loss from affiliates, and other non-operating income.

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A reconciliation of net income attributable to controlling interests, as reported under generally accepted accounting principles, to adjusted net income attributable to controlling interests, and of diluted earnings per share as reported under generally accepted accounting principles to adjusted diluted earnings per share is as follows:

	<b>Year Ended June 30, 2010</b>
	<b>(In thousands, except share and per share amounts)</b>
Net Income Attributable to Controlling Interests	\$ 120,597
Adjusted for expenses as a result of the Merger (c):	
Amortization of intangible assets	21,020
Transaction and integration expenses including severance	58,214
Gain on sale of investment	(5,760)
Stock-based compensation from Restricted Class A Shares	31,636
Other Merger-related tax items	(17,013)
Loss of Medicare Part D subsidy	10,598
<b>Adjusted Net Income Attributable to Controlling Interests</b>	<b>\$ 219,292</b>
Weighted Average Shares of Common Stock Diluted (000)	59,372
<b>Earnings Per Share Diluted, As Reported</b>	<b>\$ 2.03</b>
Adjusted for expenses as a result of the Merger:	
Amortization of intangible assets	0.36
Transaction and integration expenses including severance	0.98
Gain on sale of investment	(0.10)
Stock-based compensation from Restricted Class A Shares	0.53
Other Merger-related tax items	(0.29)
Loss of Medicare Part D subsidy	0.18
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$ 3.69</b>

- (c) The expenses that are adjusted as a result of the Merger for the year ended June 30, 2010 are net of tax. In calculating the net of tax amounts, the effective tax rate for amortization of intangible assets is 32.8 percent, transaction and integration expenses including severance is 35.1 percent and stock-based compensation from Restricted Class A shares is 34.1 percent. The \$10.6 million related to the loss of Medicare Part D subsidy and \$17.0 million of other Merger-related tax items are items included in the consolidated statement of operations under provision for income taxes.

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**Historical Results of Operations for the Fiscal Year Ended June 30, 2009 Compared to Fiscal Year Ended June 30, 2008**

***Revenue***

Revenue for fiscal year ended June 30, 2009 was \$1.68 billion, a decrease of \$84.0 million, or 5 percent, from \$1.76 billion in fiscal year 2008. On a constant currency basis, revenue increased 3 percent over fiscal year ended June 30, 2008.

The average exchange rate used to translate our revenue earned in British pounds sterling decreased to 1.6323 for fiscal year 2009 from 2.0114 for fiscal year 2008, and the average exchange rate used to translate our revenue earned in Euros decreased to 1.3816 for fiscal year 2009 from 1.4736 for fiscal year 2008. The impact of the depreciation of the British pound sterling and the Euro was a \$115 million decrease in revenue in fiscal year 2009 as compared to fiscal year 2008. Changes in the value of other foreign currencies relative to the U.S. dollar resulted in an additional \$16 million decrease in revenue in fiscal year 2009 as compared to fiscal year 2008.

The changes in our segment revenue for fiscal year 2009 as compared to fiscal year 2008 are as follows. Constant currency is calculated by translating prior year revenue at the current year average exchange rate.

Benefits revenue decreased \$33.3 million, or 3 percent, compared with fiscal year 2008 due to the strengthening of the U.S. dollar. On a constant currency basis, revenue increased 4 percent over fiscal year 2008 due to increased demand for our services.

Technology and Administration Solutions revenue increased \$5.1 million, or 3 percent, compared with fiscal year 2008, due to increases in both North America and Europe. On a constant currency basis, Technology and Administration Solutions revenue increased 12 percent over fiscal year 2008. In Europe, revenue increased primarily as a result of new clients. In North America, revenue increased due to additional project work at existing clients as well as to an increase in the number of projects in on-going service delivery.

Human Capital Group revenue decreased \$23.2 million, or 12 percent, compared with fiscal year 2008. On a constant currency basis, revenue decreased 8 percent over fiscal year 2008 due to decreases in demand for compensation, data and organizational effectiveness services.

Investment Consulting revenue decreased \$8.4 million, or 5 percent, compared with fiscal year 2008. On a constant currency basis, revenue increased 11 percent over fiscal year 2008 due primarily to increased demand for investment strategy advice and implemented consulting services.

Insurance and Financial Services revenue decreased \$1.4 million, or 1 percent, compared with fiscal year 2008. On a constant currency basis, revenue increased 12 percent over fiscal year 2008 due primarily to additional project work.

***Salaries and Employee Benefits***

Salaries and employee benefits expenses was \$1.0 billion for fiscal year 2009 and 2008. On a constant currency basis, salaries and employee benefits increased primarily as a result of increases in pension expense and base salary. Salaries and employee benefits also includes \$12.5 million of severance expense due to cost containment measures in response to economic conditions in fiscal year 2009. As a percentage of revenue, salaries and employee benefits increased to 61 percent from 60 percent.

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### ***Professional and Subcontracted Services***

Professional and subcontracted services used in consulting operations for fiscal year 2009 were \$119.3 million, compared to \$139.0 million for fiscal year 2008, a decrease of \$19.7 million, or 14 percent. The decrease results primarily from the change in the average exchange rates used to translate our expenses incurred in British pounds sterling and the Euro. As a percentage of revenue, professional and subcontracted services decreased from 8 percent to 7 percent for the fiscal year 2009 compared to fiscal year 2008.

### ***Occupancy***

Occupancy for fiscal year 2009 was \$72.6 million, compared to \$83.3 million for fiscal year 2008, a decrease of \$10.7 million, or 13 percent. The decrease results primarily from the change in the average exchange rates used to translate our expenses incurred in British pounds sterling and the Euro. As a percentage of revenue, occupancy decreased to 5 percent from 4 percent for the fiscal year 2009 compared to fiscal year 2008.

### ***General and Administrative Expenses***

General and administrative expenses were \$172.0 million for fiscal year 2009, compared to \$185.6 million for fiscal year 2008, a decrease of \$13.6 million, or 7 percent. On a constant currency basis, general and administrative expenses decreased due to our cost containment efforts, principally in the areas of travel, rent, telephone, promotion and office supplies. As a percentage of revenue, general and administrative expenses decreased from 11 percent to 10 percent for the fiscal year 2009 compared to 2008.

### ***Depreciation and Amortization***

Depreciation and amortization for fiscal year 2009 was \$73.4 million, compared to \$72.4 million for fiscal year 2008, an increase of \$1.0 million, or 1 percent. On a constant currency basis, depreciation and amortization increased principally due to increases in depreciation of internally developed software used to support our Benefits and Technology and Administration Solutions Groups as well as depreciation on capital assets. As a percentage of revenue, depreciation and amortization for fiscal years 2009 and 2008 was 4 percent.

### ***Income From Affiliates***

Income from affiliates for the fiscal year 2009 was \$8.4 million compared to \$2.3 million for fiscal year 2008, an increase of \$6.0 million. These amounts reflect our portion of PCIC s, Fifth Quadrant s, Dubai s and IFA s operating results for fiscal year 2009, while the fiscal year 2008 only included our share of PCIC s operating results. In addition, our share of PCIC s operating results in fiscal year 2009 reflected favorable claim experience in comparison with fiscal year 2008.

### ***Interest Income***

Interest income was \$2.0 million for fiscal year 2009, a decrease of \$3.6 million from \$5.6 million during fiscal year 2008. The decrease is mainly due to a lower average cash balance in the current period compared to the prior period, combined with lower short-term interest rates in the United States and Europe.

### ***Interest Expense***

Interest expense was \$2.8 million for fiscal year 2009, a decrease of \$3.2 million from \$6.0 million during fiscal year 2008. The decrease is due to a lower average debt balance as well as a decrease in the average interest rate in the current year. The higher average debt balance in fiscal year 2008 was the result of borrowings required for the Heissmann acquisition in July 2007.

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***Other Non-Operating Income***

Other non-operating income was \$4.9 million for fiscal year 2009, an increase of \$4.5 million from \$0.5 million during fiscal year 2008. The increase was mainly due to the receipt of contingent payments associated with divestiture of multi-employer business in 2008.

***Income before Income Taxes***

Income before income taxes for fiscal year 2009 was \$221.9 million, a decrease of \$7.3 million, or 3 percent, from \$229.2 million for fiscal year 2008. As a percentage of revenue, income before income taxes for fiscal years 2009 and 2008 was 13 percent.

***Provision for Income Taxes***

Provision for income taxes for fiscal year 2009 was \$75.3 million, compared to \$73.5 million for fiscal year 2008. Our effective tax rate was 33.9 percent for fiscal year 2009 and 32.1 percent for fiscal year 2008. The tax rate increase is due to the geographic mix of income and true ups of the annual tax provision. We have not provided U.S. deferred taxes on cumulative earnings of foreign subsidiaries that have been reinvested indefinitely. We record a tax benefit on foreign net operating loss carryovers and foreign deferred expenses only if it is more likely than not that a benefit will be realized.

***Net Income Before Non-Controlling Interests***

Net income before non-controlling interests for fiscal year 2009 was \$146.6 million, a decrease of \$9.1 million, or 6 percent, from \$155.7 million for fiscal year 2008. As a percentage of revenue, net income for fiscal year 2009 and 2008 was 9 percent.

***Net Income Attributable to Controlling Interests***

Net income attributable to controlling interests for fiscal year 2009 was \$146.5 million, a decrease of \$9.0 million, or 6 percent, from \$155.4 million for fiscal year 2008. As a percentage of revenue, net income for fiscal year 2009 and 2008 was 9 percent.

***Diluted Earnings Per Share***

Diluted earnings per share was \$3.42 for fiscal year 2009, compared to \$3.50 for fiscal year 2008.

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**UNAUDITED SUPPLEMENTAL PRO FORMA CONDENSED COMBINED**

**STATEMENTS OF OPERATIONS**

The following unaudited supplemental pro forma combined statements of operations have been provided to present illustrative combined unaudited statements of operations for the fiscal years ended June 30, 2010 and 2009, giving effect to the business combination as if it had been completed on July 1, 2009 and 2008, respectively. The pro forma condensed combined statement of operations for the fiscal year ended June 30, 2009 combines Watson Wyatt's historical audited consolidated statement of operations for the fiscal year ended June 30, 2009 with Towers Perrin's historical unaudited consolidated statement of operations for the twelve months ended June 30, 2009. The pro forma condensed consolidated statement of operations for the fiscal year ended June 30, 2010 combines Towers Watson's historical unaudited consolidated statement of operations for the six months ended June 30, 2010 with Watson Wyatt's and Towers Perrin's historical unaudited consolidated statements of operations for the six months ended December 31, 2009. Watson Wyatt's fiscal year ended on June 30 while Towers Perrin's fiscal year ended on December 31. Towers Perrin's financial information has been recast to conform to Watson Wyatt's fiscal year end. Towers Perrin's historical statement of operations for the twelve months ended June 30, 2009 was derived by subtracting (1) Towers Perrin's unaudited consolidated statement of operations for the six months ended June 30, 2008 from (2) Towers Perrin's audited consolidated statement of operations for the twelve months ended December 31, 2008, and adding (3) Towers Perrin's unaudited consolidated statement of operations for the six months ended June 30, 2009. Towers Perrin's historical unaudited consolidated statement of operations for the six months ended December 31, 2009 was derived by subtracting Towers Perrin's unaudited consolidated statement of operations for the six months ended June 30, 2009 from Towers Perrin's audited consolidated statement of operations for the year ended December 31, 2009. The unaudited pro forma condensed combined financial statements should be read together with the respective historical financial statements and related notes of Towers Perrin and Watson Wyatt.

The unaudited pro forma condensed combined statements of operations give effect to the Merger including:

related Merger consideration;

adjustments made to record the assets and liabilities of Towers Perrin at their estimated fair values;

reclassifications made to conform Towers Perrin's and Watson Wyatt's historical financial statement presentation to Towers Watson's; and

the consolidation of Professional Consultants Insurance Company, Inc., which we refer to as PCIC.

Towers Perrin was a private, employee-owned corporation. As a result, Towers Perrin's historical unaudited consolidated statement of operations for the twelve months ended June 30, 2009 does not reflect the level of net income that Towers Perrin is expected to contribute to Towers Watson, as a public company. Further, the revenue growth that we expect Towers Watson to achieve from strengthening core services and expanding the existing portfolio of services is not reflected in the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined statements of operations do not reflect certain financial targets relating to the Merger, such as our targeted synergy cost savings, reductions in compensation and benefits expense resulting from the retirement of Class R participants, and a further targeted reduction in compensation expense resulting from the elimination of the principal bonus payments historically paid to legacy Towers Perrin Principals.



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Pro forma earnings per share reflect the impact of significant non-cash and non-recurring expenses resulting from the Merger, including compensation expense incurred as a result of the issuance of Towers Watson Restricted Class A Common Stock to Towers Perrin restricted stock unit ( RSU ) holders and the incremental amortization of acquired intangible assets.

As of the date of this prospectus, the initial accounting for this business combination is not yet complete. In particular, we are currently performing an assessment of the key internally developed and developed technology software for internal use and for sale acquired from Towers Perrin. The assessment will involve decisions regarding duplicate, overlapping systems or preferred technology of the two legacy companies, which could lead to a decision to cease use of a system. In addition, the fair value of fixed assets is currently being evaluated. Although we do not anticipate any significant adjustments, to the extent that the estimates used need to be refined, we will do so upon making that determination but not later than one year from the business combination date.

The following unaudited pro forma condensed combined statements of operations are provided for informational purposes only. They do not purport to represent what Towers Watson's results of operations would have been had the Merger been completed as of the date indicated and do not purport to be indicative of the results of operations that Towers Watson may achieve in the future.

**Table of Contents****Unaudited Supplemental Pro Forma Combined Statement of Operations****Year Ended June 30, 2010**

	<b>Year Ended June 30, 2010</b>	<b>Six Months Ended December 31, 2009</b>		<b>Year Ended June 30, 2010</b>	
	<b>As Reported Towers Watson</b>	<b>Historical Towers Perrin PCIC</b>		<b>Pro Forma Adjustments As Adjusted</b>	
	<b>(In thousands, except share and per share data)</b>				
Revenue	\$ 2,387,829	\$ 798,131	\$ 12,750	\$ (9,404) (8,390)	<b>H</b> <b>K</b> \$ 3,180,916
<b>Costs of providing services:</b>					
Salaries and employee benefits	1,540,417	558,855	107	46,832	<b>B</b> 2,146,211
Professional and subcontracted services	163,848	79,421	483		243,752
Occupancy	109,454	35,406		1,835	<b>A</b> 146,695
General and administrative expenses	220,937	40,351	16,924	(9,404)	<b>H</b> 268,808
Depreciation and amortization	101,084	19,007		11,508	<b>A</b> 131,599
Transaction and integration expenses	87,644	15,734		(103,378)	<b>E</b>
	2,223,384	748,774	17,514	(52,607)	2,937,065
Income (loss) from operations	164,445	49,357	(4,764)	34,813	243,851
Loss from affiliates	(1,274)	(164)		353	<b>J</b> (1,085)
Interest income	2,950	530	1,517	(266)	<b>C</b> 4,731
Interest expense	(7,508)	(1,536)		(2,000)	<b>D</b> (11,991)
				(947)	<b>G</b>
Other non-operating income	11,304	5,281			16,585
Income before income taxes	169,917	53,468	(3,247)	31,953	252,091
Provision for income taxes	50,907	9,779	(1,187)	8,419	<b>F</b> 67,918
Net income (loss) before non-controlling interest	\$ 119,010	\$ 43,689	\$ (2,060)	\$ 23,534	\$ 184,173
Net loss attributable to non-controlling interests	\$ (1,587)	\$	\$	\$ (559)	<b>I</b> \$ (2,146)
Net income (loss) attributable to controlling interests	\$ 120,597	\$ 43,689	\$ (2,060)	\$ 24,093	\$ 186,319
<b>Earnings per share:</b>					
Net income attributable to controlling interests basic	\$ 2.04				<b>L</b> \$ 3.14
Net income attributable to controlling interests diluted	\$ 2.03				<b>L</b> \$ 3.14
Weighted average shares of common stock, basic (000)	59,257				<b>L</b> 59,257
Weighted average shares of common stock, diluted (000)	59,372				<b>L</b> 59,372

**Table of Contents****Unaudited Supplemental Pro Forma Combined Statement of Operations****Year Ended June 30, 2009**

	Watson Wyatt	Historical Towers Perrin (In thousands, except share and per share data)	PCIC	Pro Forma Adjustments	As Adjusted
Revenue	\$ 1,676,029	\$ 1,586,299	\$ 39,873	\$ (27,804) (23,074)	<b>H</b> \$ 3,251,323 <b>K</b>
Costs of providing services:					
Salaries and employee benefits	1,029,299	1,107,619	147	99,397	<b>B</b> 2,236,462
Professional and subcontracted services	119,323	172,825	1,144		293,292
Occupancy	72,566	68,157		3,669	<b>A</b> 144,392
General and administrative expenses	172,010	200,047	19,226	(27,804) (11,370)	<b>H</b> 352,109 <b>E</b>
Depreciation and amortization	73,448	38,758		24,308	<b>A</b> 136,514
Transaction and integration expenses					<b>E</b>
	1,466,646	1,587,406	20,517	88,200	3,162,769
Income (loss) from operations	209,383	(1,107)	19,356	(139,078)	88,554
Income from affiliates	8,350	5,257		(13,313)	<b>J</b> 294
Interest income	2,022	4,708	4,924	(3,087)	<b>C</b> 8,567
Interest expense	(2,778)	(3,489)		(4,000) (1,893)	<b>D</b> (12,160) <b>G</b>
Other non-operating income	4,926	14,884			19,810
Income before income taxes	221,903	20,253	24,280	(161,371)	105,065
Provision for income taxes	75,276	40,223	8,268	(63,251)	<b>F</b> 60,516
Net income (loss) before non-controlling interests	\$ 146,627	\$ (19,970)	\$ 16,012	\$ (98,120)	\$ 44,549
Net income attributable to non-controlling interests	\$ 169	\$	\$	\$ 4,346	<b>I</b> \$ 4,515
Net income (loss) attributable to controlling interests	\$ 146,458	\$ (19,970)	\$ 16,012	\$ (102,466)	\$ 40,034
Earnings per share:					
Net income attributable to controlling interests basic	\$ 3.43				<b>L</b> \$ 0.68
Net income attributable to controlling interests diluted	\$ 3.42				<b>L</b> \$ 0.67
Weighted average shares of common stock, basic (000)	42,690				<b>L</b> 59,257
Weighted average shares of common stock, diluted (000)	42,861				<b>L</b> 59,372

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**Pro Forma Adjustments**

The pro forma adjustments reflected in the unaudited supplemental pro forma condensed combined financial information are as follows:

- A) Reflects estimated amortization of Towers Perrin's acquired intangible assets on an accelerated amortization basis over their estimated useful lives. Customer-related intangible assets are amortized over a 12-year estimated life and developed technology intangible assets are amortized over a weighted-average four-year estimated life. The trademark and trade names intangible asset has an indefinite life. Also reflects one year of an adjustment to rent expense to approximate fair value.
  
- B) Reflects non-cash compensation expense in connection with the issuance of Towers Watson Restricted Class A Common Stock to Towers Perrin RSU holders in the Merger and \$4.6 million of Class A Common Stock issued pursuant to the acceleration of vesting of Watson Wyatt's outstanding stock options and RSU awards due to change-in-control provisions. The graded method of expense methodology assumes that the restricted shares are issued to Towers Perrin RSU holders in equal amounts of shares that vest over one year, two years and three years. The current estimate of total non-cash compensation expense relating to Towers Watson Restricted Class A Common Stock for the three-year period is \$158.2 million. This estimate was determined assuming a 10 percent annual forfeiture rate based on actual and expected attrition.
  
- C) Reflects interest income forgone as a result of the cash consideration of \$200 million paid to Towers Perrin Class R Participants in conjunction with the redemption of Towers Watson Class R Common Stock.
  
- D) Reflects interest accrued on \$200 million principal amount of Towers Watson Notes issued to Towers Perrin Class R Participants. Interest on the Towers Watson Notes accrued at a 2.0 percent fixed rate per annum, compounded annually.
  
- E) Reflects the elimination of Merger-related transaction costs (including financial advisory, legal and valuation fees). Because transaction costs will not have a continuing impact, they are not reflected in the unaudited pro forma condensed combined statement of operations.
  
- F) Reflects the provision for taxes, adjustments to deferred tax asset, deferred tax liability, goodwill and retained earnings as a result of the Merger, fair value adjustments to the net assets of Towers Perrin and other acquisition accounting adjustments. On January 1, 2010, Towers Watson recorded deferred taxes and other tax adjustments as part of the accounting for the Merger, including deferred taxes of \$235.7 million related to the estimated fair value adjustments for the acquired assets and liabilities. The deferred taxes have been calculated based on the U.S. and foreign statutory tax rates for jurisdictions where the fair value adjustments are estimated. A U.S. statutory rate of 39.6 percent was used, except for adjustments related to PCIC for which a 34 percent statutory rate was used since PCIC would not be included in the U.S. consolidated tax return. For purposes of determining the estimated income tax expense for the adjustments reflected in the unaudited pro forma condensed combined statement of operations, taxes were determined by applying the applicable statutory tax rate for jurisdictions where each pro forma adjustment is expected to be reported. Although not reflected in these unaudited pro forma condensed combined statements of operations, the effective tax rate of the combined company could be significantly different depending on post-acquisition activities, including repatriation decisions, the geographic mix of income, and post-Merger restructuring activities.
  
- G) Reflects one year of amortization of \$5.7 million of bank fees associated with the Towers Watson credit facility, which will be amortized over a three-year period.

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- H) Reflects the elimination of premium revenue and unearned revenues from Watson Wyatt and Towers Perrin as recorded by PCIC, as well as related expense recorded by Watson Wyatt and Towers Perrin.
- I) Reflects the 27.14 percent non-controlling interest in PCIC of the remaining minority shareholder.
- J) Reflects the elimination of Watson Wyatt's and Towers Perrin's earnings from PCIC as recorded under the equity method.
- K) Reflects the reduction of revenue for the acquisition fair value adjustment of historical Towers Perrin deferred revenue to reflect the unrecognized revenue relating to the amount of effort that was performed prior to the Merger that would not be subsequently earned under acquisition accounting rules.
- L) Earnings per share calculations for the year ended June 30, 2010 and 2009 are based on Towers Watson's fully diluted shares outstanding as of June 30, 2010.

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**Pro Forma Financial Information for the Fiscal Year Ended June 30, 2010 Compared to the Fiscal Year Ended June 30, 2009**

***Revenue***

Towers Watson pro forma revenue for the fiscal year ended June 30, 2010 was \$3.18 billion, a decrease of \$70 million, or 2 percent, from \$3.25 billion for the fiscal year ended June 30, 2009.

A comparison of pro forma segment revenue for the fiscal year ended June 30, 2010 to the fiscal year ended June 30, 2009 is as follows:

Benefits revenue increased less than 1 percent and was \$1.83 billion for the fiscal year ended June 30, 2010 compared to \$1.82 billion for the fiscal year ended June 30, 2009. Health and Group Benefits and Technology and Administration Solutions practices had single digit increases year over year, which was partially offset by a less than 1 percent decrease in the Retirement practice that makes up the majority of the segment's revenue.

Risk and Financial Services revenue decreased 4 percent and was \$720.9 million and \$750.4 million for the fiscal years ended June 30, 2010 and 2009, respectively. This decrease was a result of a decrease in revenue of the Risk Consulting and Software practice from fiscal year 2009 to fiscal year 2010, which was partially offset by increases in revenue of the Investment and Brokerage practices in fiscal year 2010 compared to fiscal year 2009.

Talent and Rewards revenue decreased 7 percent and was \$538.8 million and \$582.0 million for the fiscal years ended June 30, 2010 and 2009, respectively. This decrease was primarily the result of a decrease in revenue from the Rewards, Talent and Communication practice from fiscal year 2009 to fiscal year 2010. Executive Compensation practice also decreased slightly and was partially offset by a single digit increase in Data, Surveys and Technology revenue for fiscal year 2010 compared to fiscal year 2009.

***Salaries and Employee Benefits***

Salaries and employee benefits was \$2.1 billion for the fiscal year ended June 30, 2010 compared to \$2.2 billion for the fiscal year ended 2009. On a constant currency basis, the decrease was principally due to a decrease in base salary expense and other employee benefits expense resulting from a 7 percent reduction in headcount, as well as fiscal year 2009 Towers Perrin Principal bonuses, partially offset by an increase in discretionary compensation and pension expenses. As a percentage of revenue, salaries and employee benefits decreased to 67.5 percent for fiscal year 2010 from 68.8 percent for fiscal year 2009.

***Professional and Subcontracted Services***

Professional and subcontracted services used in consulting operations for the fiscal year ended June 30, 2010 were \$243.8 million, compared to \$293.3 million for the fiscal year ended June 30, 2009, a decrease of \$49.5 million, or 16.9 percent. The decrease results primarily from the change in the average exchange rates used to translate our expenses incurred in British pounds sterling and the Euro. On a constant currency basis, the decrease was principally due to a decrease in external service providers and reimbursable expenses incurred on behalf of clients, primarily attributable to the current economic environment. As a percentage of revenue, professional and subcontracted services decreased to 7.7 percent for fiscal year 2010 from 9.0 percent for fiscal year 2009.

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**Table of Contents*****Occupancy***

Occupancy expense for the fiscal year ended June 30, 2010 was \$146.7 million compared to \$144.4 million for the fiscal year ended June 30, 2009, an increase of \$2.3 million, or 1.6 percent. On a constant currency basis, the increase was the result of entering into new leases during the third quarter of fiscal year 2009. As a percentage of revenue, occupancy expense increased to 4.6 percent for fiscal year 2010 from 4.4 percent for fiscal year 2009.

***General and Administrative Expenses***

General and administrative expenses for the fiscal year ended June 30, 2010 were \$268.8 million, compared to \$352.1 million for the fiscal year ended June 30, 2009, a decrease of \$83.3 million, or 23.7 percent. On a constant currency basis, the most significant decreases were due to decreases in professional liability expense as a result of a reduction in reserves for specific claims and recognized foreign exchange gains primarily related to the re-measurement of short-term assets. Other decreases include travel expense, promotion expense, and general office expense. As a percentage of revenue, general and administrative expenses decreased to 8.5 percent for fiscal year 2010 from 10.8 percent for fiscal year 2009.

***Depreciation and Amortization***

Depreciation and amortization expense for the fiscal year ended June 30, 2010 was \$131.6 million, compared to \$136.5 million for the fiscal year ended June 30, 2009, a decrease of \$4.9 million, or 3.6 percent. The decrease results primarily from the change in the average exchange rates used to translate our expenses incurred in British pounds sterling and the Euro. On a constant currency basis, depreciation and amortization expense increased principally due to an increase in amortization of intangibles related to the Merger, partially offset by a decrease in depreciation of fixed assets. As a percentage of revenue, depreciation and amortization expenses was 4.1 percent and 4.2 percent for fiscal years 2010 and 2009, respectively.

***Transaction and Integration Expenses***

Transaction and integration expenses incurred related to the Merger were \$103.4 million for the fiscal year ended June 30, 2010. Transaction and integration expenses principally consist of investment banker fees, regulatory filing expenses, integration consultants, as well as legal, accounting, marketing, and IT integration expenses. As a percentage of revenue, transaction and integration expenses were 3.2 percent for fiscal year 2010. Transaction and integration expenses are eliminated in the pro forma condensed combined statements of operations because these costs will not have a continuing impact.

***(Loss)/Income From Affiliates***

Loss from affiliates for the fiscal year ended June 30, 2010 was \$1.1 million compared to income from affiliates of \$294 thousand for the fiscal year ended June 30, 2009. Income from affiliates during the fiscal year 2009 included the loss associated with the sale of an investment by Towers Perrin in June 2009. Loss from affiliates for the fiscal year 2010 includes our share of our affiliates' losses as well as an asset write-down of an equity affiliate.

***Interest Income***

Interest income for the fiscal year ended June 30, 2010 was \$4.7 million, compared to \$8.6 million for the fiscal year ended June 30, 2009. The decrease is mainly due to a lower average cash balance in the current period compared to the prior period, combined with lower short-term interest rates in the United States and Europe.

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### ***Interest Expense***

Interest expense for the fiscal year ended June 30, 2010 was \$12.0 million, compared to \$12.2 million for the fiscal year ended June 30, 2009. The decrease was principally due to the decline in London Interbank Offered Rates ( Libor ).

### ***Other Non-Operating Income***

Other non-operating income for the fiscal year ended June 30, 2010 was \$16.6 million, compared to \$19.8 million for the fiscal year ended June 30, 2009. The additional income in fiscal year 2009 compared to fiscal year 2010 was principally due to contingent payments received during fiscal year 2009 from an investment that was sold in June 2009, combined with other contingent payments received in fiscal year 2009.

### **Explanatory Note Regarding Pro Forma Financial Information**

The unaudited pro forma combined statements of operations and pro forma analysis above have been provided to present illustrative combined unaudited statements of operations for the fiscal years ended June 30, 2010 and 2009, giving effect to the business combination as if it had been completed on July 1, 2009 and 2008, respectively. This presentation was for illustrative purposes only and is not indicative of the results of operations that might have occurred had the business combination actually taken place as of the dates specified, or that may be expected to occur in the future.

### **Historical Results of Towers Watson**

The following sections of Management's Discussion and Analysis are based on actual results of the business and do not contain pro forma information.

### **Liquidity and Capital Resources**

Our cash and cash equivalents at June 30, 2010 totaled \$600.5 million, compared to \$209.8 million at June 30, 2009. The increase in cash from June 30, 2009 to June 30, 2010 was principally attributable to the \$721.7 million in cash balances in connection with the Merger less consideration payments of \$200.0 million. In fiscal year 2010, we paid \$496.1 million of discretionary compensation consisting of Watson Wyatt's bonus related to both the fiscal year ended June 30, 2009 and the six months ended December 31, 2009, as well as, Towers Perrin's bonus for calendar year 2009. Towers Watson also paid \$58.6 million in corporate taxes, \$25.8 million in capital expenditures and \$15.2 million in dividends during fiscal year 2010.

Consistent with our liquidity position, management considers various alternative strategic uses of cash reserves including acquisitions, dividends and stock buybacks, or any combination of these options. We believe that we have sufficient resources to fund operations beyond the next 12 months.

The non-U.S. operations are substantially self-sufficient for their working capital needs. As of June 30, 2010, \$307.7 million of Towers Watson's total cash balance of \$600.5 million was held outside of the United States, which it has the ability to utilize, if necessary. There are no significant repatriation restrictions other than local or U.S. taxes associated with repatriation.

Included in cash balances is \$68.7 million from the consolidated balance sheet of PCIC, which is available for payment of professional liability claims reserves, and \$164.5 million, which is available for payment of reinsurance premiums on behalf of reinsurance clients.

Assets and liabilities associated with non-U.S. entities have been translated into U.S. dollars as of June 30, 2010, at appreciated U.S. dollar rates compared to historical periods. As a result, cash flows derived from changes in the consolidated balance sheets include the impact of the change in foreign exchange translation rates.



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***Cash Flows (Used in)/From Operating Activities.***

Cash flows used in operating activities for fiscal year 2010 were \$34.9 million, compared to cash flows from operating activities of \$227.5 million for fiscal year 2009. The difference is primarily attributable to payment of Watson Wyatt's bonus related to both the fiscal year ended June 30, 2009 and the six months ended December 31, 2009, as well as, Towers Perrin's bonus related to calendar year December 31, 2009.

The allowance for doubtful accounts increased \$3.5 million from June 30, 2009 to June 30, 2010, primarily related to the Merger. The number of days of accounts receivable increased to 69 at June 30, 2010 compared to 62 at June 30, 2009.

***Cash Flows From/(Used in) Investing Activities.***

Cash flows from investing activities for fiscal year 2010 were \$489.9 million, compared to \$61.1 million of cash flows used in investing activities for fiscal year 2009. The difference was primarily attributed to Towers Perrin's and PCIC's cash balances acquired in the Merger of \$721.7 million less \$200 million cash consideration paid.

***Cash Flows Used in Financing Activities.***

Cash flows used in financing activities for fiscal year 2010 were \$49.1 million, compared to cash flows used in financing activities of \$83.7 million for fiscal year 2009. This change was primarily attributable to the repurchase of \$34.9 million of Towers Watson's Common Stock in fiscal year 2010, compared to repurchases of \$77.4 million of Common Stock during fiscal year 2009.

**Capital Commitments**

Expenditures of capital funds were \$25.8 million for fiscal year 2010. Anticipated commitments of capital funds for Towers Watson are estimated at \$93.4 million for fiscal year 2011. We expect cash from operations to adequately provide for these cash needs.

**Dividends**

During fiscal year 2010, our Board of Directors approved the payment of a quarterly cash dividend in the amount of \$0.075 per share. Total dividends paid in fiscal year 2010 and in fiscal year 2009 were \$15.2 million and \$12.8 million, respectively.

Under our credit facility (see Note 11, Debt, Commitments and Contingent Liabilities, of the notes to the consolidated financial statements included in this prospectus), we are required to observe certain covenants (including requirements for a fixed coverage charge, cash flow leverage ratio and asset coverage) that affect the amounts available for the declaration or payment of dividends. The continued payment of cash dividends in the future is at the discretion of our Board of Directors and depends on numerous factors, including, without limitation, our net income, financial condition, availability of capital, debt covenant limitations and our other business needs, including those of our subsidiaries and affiliates.

**Off-Balance Sheet Arrangements and Contractual Obligations**

Contractual Cash Obligations (in thousands)	Remaining payments by fiscal year due as of June 30, 2010				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Notes payable	\$ 300,555	\$ 201,967	\$ 98,588	\$	\$
Lease commitments	628,039	113,771	185,138	133,370	195,760
	\$ 928,594	\$ 315,738	\$ 283,726	\$ 133,370	\$ 195,760

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### ***Operating Leases***

We lease office space, furniture, cars and selected computer equipment under operating lease agreements with terms typically ranging from one to 10 years. We have determined that there is not a large concentration of leases that will expire in any one fiscal year. Consequently, management anticipates that any increase in future rent expense on leases will be mainly market driven. An intangible asset and liability was recognized for the difference between the contractual cash obligations shown above and the estimated market rates at the time of the acquisition. The resulting intangibles will amortize to rent expense but do not impact the amounts shown above since there is no change to our contractual cash obligations.

### ***Pension Contribution***

Contributions to our various pension plans for fiscal year 2011 are projected to be approximately \$60 million.

### ***Uncertain Tax Positions***

The table above does not include liabilities for uncertain tax positions under ASC 740, *Income Taxes*. The settlement period for the \$36.4 million noncurrent portion of the liability cannot be reasonably estimated since it depends on the timing and possible outcomes of tax examinations with various tax authorities.

### ***Indebtedness***

#### ***Subordinated Notes due January 2011***

On December 30, 2009, in connection with the Merger and the Class R Elections as described in Note 2, Merger with Towers Perrin, of the notes to the consolidated financial statements contained herein, Towers Watson entered into an indenture with the trustee for the issuance of Towers Watson Notes in the aggregate principal amount of \$200 million. The Towers Watson Notes due January 2011 were issued on January 6, 2010, bearing interest from January 4, 2010 at a fixed per-annum rate of 2.0 percent, and will mature on January 1, 2011. The indenture contains limited operating covenants, and obligations under the Towers Watson Notes due January 2011 are subordinated to and junior in right of payment to the prior payment in full in cash of all Senior Debt (as defined in the indenture).

#### ***Subordinated Notes due March 2012***

On June 15, 2010, in connection with an offer to exchange shares of Class B-1 Common Stock for unsecured subordinated notes, we entered into an indenture with the trustee for the issuance of Towers Watson Notes due March 2012 in the aggregate principal amount of \$98.5 million. The Towers Watson Notes due March 2012 were issued on June 29, 2010, bearing interest from June 15, 2010 at a fixed per annum rate, compounded quarterly on the interest reset dates, equal to the greater of (i) 2.0 percent, or (ii) 120.0 percent of the short-term applicable federal rate listed under the quarterly column, in effect at the applicable interest reset date. The Towers Watson Notes due March 2012 will mature on March 15, 2012 and are included in the other non-current liabilities balance on our consolidated balance sheet as of June 30, 2010. Obligations under the Towers Watson Notes due March 2012 are subordinated to and junior in right of payment to the prior payment in full in cash of all Senior Debt (as defined in the indenture).

#### ***Towers Watson Senior Credit Facility***

On January 1, 2010, in connection with the Merger, Towers Watson and certain subsidiaries entered into a three-year, \$500 million revolving credit facility with a syndicate of banks (the Senior Credit Facility). Borrowings under the Senior Credit Facility will bear interest at a spread to either Libor or the Prime Rate. We

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are charged a quarterly commitment fee, currently 0.5 percent of the Senior Credit Facility, which varies with our financial leverage and is paid on the unused portion of the Senior Credit Facility. Obligations under the Senior Credit Facility are guaranteed by Towers Watson and all of its domestic subsidiaries (other than PCIC) and are secured by a pledge of 65 percent of the voting stock and 100 percent of the non-voting stock of Towers Perrin Luxembourg Holdings S.A.R.L.

The Senior Credit Facility contains customary representations and warranties and affirmative and negative covenants. The Senior Credit Facility requires Towers Watson to maintain certain financial covenants that include a minimum Consolidated Interest Coverage Ratio and a maximum Consolidated Leverage Ratio (which terms in each case are defined in the Senior Credit Facility). In addition, the Senior Credit Facility contains restrictions on the ability of Towers Watson and its subsidiaries to, among other things, incur additional indebtedness; pay dividends; make distributions; create liens on assets; make investments, loans or advances; make acquisitions; dispose of property; engage in sale-leaseback transactions; engage in mergers or consolidations, liquidations and dissolutions; engage in certain transactions with affiliates; and make changes in lines of businesses.

As of June 30, 2010, we had no borrowings outstanding under the Senior Credit Facility.