

Invesco Ltd.
Form 10-Q
July 31, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

**Commission file number 1-13908
Invesco Ltd.**

(Exact Name of Registrant as Specified in Its Charter)

Bermuda
(State or Other Jurisdiction of
Incorporation or Organization)

98-0557567
(I.R.S. Employer
Identification No.)

1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA
(Address of Principal Executive Offices)

30309
(Zip Code)

**Registrant's telephone number, including area code: (404) 892-0896
Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class

Name of Exchange on Which Registered

Common Shares, \$0.20 par value per share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)
Yes No

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As of June 30, 2009, the most recent practicable date, 416,052,775 of the company's common shares, par value \$0.20 per share, were outstanding.

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Invesco Ltd.
Condensed Consolidated Balance Sheets
(Unaudited)

\$ in millions	June 30, 2009	As of December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	817.7	585.2
Cash and cash equivalents of consolidated investment products	47.4	73.0
Unsettled fund receivables	562.2	303.7
Accounts receivable	238.7	239.3
Investments	147.3	123.6
Prepaid assets	62.5	55.6
Other current assets	72.9	72.2
Deferred tax asset, net	50.0	86.1
Assets held for policyholders	1,057.3	840.2
Total current assets	3,056.0	2,378.9
Non-current assets:		
Investments	128.9	121.3
Investments of consolidated investment products	663.6	843.8
Prepaid assets	26.2	36.3
Deferred sales commissions	21.9	24.5
Deferred tax asset, net	44.5	37.2
Property and equipment, net	219.1	205.3
Intangible assets, net	145.0	142.8
Goodwill	6,272.4	5,966.8
Total non-current assets	7,521.6	7,378.0
Total assets	10,577.6	9,756.9
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	294.2	297.2
Unsettled fund payables	548.2	288.3
Income taxes payable	32.7	37.9
Other current liabilities	475.8	639.8
Policyholder payables	1,057.3	840.2
Total current liabilities	2,408.2	2,103.4
Non-current liabilities:		
Long-term debt	745.7	862.0

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Other non-current liabilities	220.9	195.3
Total non-current liabilities	966.6	1,057.3
Total liabilities	3,374.8	3,160.7
Commitments and contingencies (See Note 12)		
Equity:		
Equity attributable to common shareholders:		
Common shares (\$0.20 par value; 1,050.0 million authorized; 459.5 million and 426.6 million shares issued as of June 30, 2009, and December 31, 2008, respectively)	91.9	85.3
Additional paid-in-capital	5,708.3	5,352.6
Treasury shares	(1,032.6)	(1,128.9)
Retained earnings	1,504.0	1,476.3
Accumulated other comprehensive income/(loss), net of tax	223.8	(95.8)
Total equity attributable to common shareholders	6,495.4	5,689.5
Equity attributable to noncontrolling interests in consolidated entities	707.4	906.7
Total equity	7,202.8	6,596.2
Total liabilities and equity	10,577.6	9,756.9

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Income
(Unaudited)

\$ in millions	Three months ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Operating revenues:				
Investment management fees	501.6	736.8	938.1	1,474.4
Service and distribution fees	100.4	143.3	189.4	281.7
Performance fees	8.0	22.2	18.9	33.2
Other	15.1	33.3	27.3	56.7
Total operating revenues	625.1	935.6	1,173.7	1,846.0
Operating expenses:				
Employee compensation	229.0	282.9	464.8	555.7
Third-party distribution, service and advisory	166.3	244.9	314.5	492.0
Marketing	23.9	38.2	50.8	82.1
Property, office and technology	48.6	55.7	94.5	105.8
General and administrative	46.9	73.9	76.9	142.3
Total operating expenses	514.7	695.6	1,001.5	1,377.9
Operating income	110.4	240.0	172.2	468.1
Other income/(expense):				
Equity in earnings of unconsolidated affiliates	7.5	9.6	10.0	27.5
Interest income	1.2	10.5	6.0	22.0
Gains and losses of consolidated investment products, net	(48.4)	40.3	(134.9)	(4.0)
Interest expense	(16.5)	(19.3)	(32.4)	(40.8)
Other gains and losses, net	10.0	(1.1)	5.8	(7.6)
Income/(loss) before income taxes, including gains and losses attributable to noncontrolling interests	64.2	280.0	26.7	465.2
Income tax provision	(36.0)	(77.2)	(56.3)	(151.0)
Net income/(loss), including gains and losses attributable to noncontrolling interests	28.2	202.8	(29.6)	314.2
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	47.5	(40.0)	136.0	3.8
Net income attributable to common shareholders	75.7	162.8	106.4	318.0

Earnings per share:

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basic	\$ 0.18	\$ 0.42	\$ 0.26	\$ 0.82
diluted	\$ 0.18	\$ 0.41	\$ 0.26	\$ 0.79
Dividends declared per share	\$ 0.1025	\$ 0.1000	\$ 0.2025	\$ 0.3200

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

\$ in millions	Six months ended June 30,	
	2009	2008
Operating activities:		
Net (loss)/income, including losses attributable to noncontrolling interests	(29.6)	314.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	32.7	33.7
Share-based compensation expense	43.9	58.0
(Gain)/Loss on disposal of property, equipment, software, net		(1.8)
Purchase of trading investments	(38.0)	(17.7)
Sale of trading investments	8.9	17.6
Other gains and losses, net	(5.8)	7.6
Gains and losses of consolidated investment products, net	134.9	4.0
Tax benefit from share-based compensation	31.6	40.4
Excess tax benefits from share-based compensation		(19.0)
Equity in earnings of unconsolidated affiliates	(10.0)	(27.5)
Changes in operating assets and liabilities:		
Change in cash held at consolidated investment products	25.6	(13.3)
(Increase)/decrease in receivables	(362.5)	203.0
Increase/(decrease) in payables	139.7	(531.0)
Net cash (used in)/provided by operating activities	(28.6)	68.2
Investing activities:		
Purchase of property and equipment	(17.1)	(48.2)
Disposal of property and equipment	0.3	
Dividends from unconsolidated affiliates	25.8	28.1
Purchase of available-for-sale investments	(18.3)	(88.0)
Proceeds from sale of available-for-sale investments	29.7	50.3
Purchase of investments by consolidated investment products	(17.2)	(82.2)
Proceeds from sale of investments by consolidated investment products	9.7	98.3
Returns of capital in investments of consolidated investment products	8.5	58.5
Purchase of other investments	(4.8)	(11.9)
Proceeds from sale of other investments	7.1	27.5
Acquisition earn-out payments		(130.9)
Net cash used in investing activities	23.7	(98.5)
Financing activities:		
Issuance of new shares	441.8	
Proceeds from exercises of share options	9.6	52.1
Purchases of treasury shares		(213.0)
Dividends paid	(80.2)	(129.6)
Excess tax benefits from share-based compensation		19.0

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Capital invested into consolidated investment products	2.8	66.3
Capital distributed by consolidated investment products	(24.5)	(126.4)
Borrowings of consolidated investment products		28.9
Repayments of consolidated investment products		(9.3)
Net (repayments)/borrowings under credit facility	(12.0)	60.6
Repayments of senior notes	(103.0)	
Acquisition of remaining noncontrolling interest in subsidiary	(10.3)	
Net cash provided by/(used in) financing activities	224.2	(251.4)
Increase/(decrease) in cash and cash equivalents	219.3	(281.7)
Foreign exchange movement on cash and cash equivalents	13.2	10.7
Cash and cash equivalents, beginning of period	585.2	915.8
Cash and cash equivalents, end of period	817.7	644.8
Supplemental Cash Flow Information:		
Interest paid	(31.9)	(37.5)
Interest received	6.3	22.2
Taxes paid	31.2	178.2

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Equity Attributable to Common Shareholders

\$ in millions	Common Shares	Additional Paid-in- Capital	Treasury Shares	Retained Earnings	Other Comprehensive Loss	Non- Accumulated controlling interests in consolidated entities	Total Equity
January 1, 2009	85.3	5,352.6	(1,128.9)	1,476.3	(95.8)	906.7	6,596.2
Net loss, including gains and losses attributable to noncontrolling interests				106.4		(136.0)	(29.6)
Other comprehensive income							
Currency translation differences on investments in overseas subsidiaries					319.5		319.5
Change in minimum pension liability					(3.5)		(3.5)
Change in net unrealized gains on available-for-sale investments					3.1		3.1
Adoption of FSP FAS 115-2					(1.5)		(1.5)
Tax impacts of changes in accumulated OCI balances					2.0		2.0
Total comprehensive income							290.0
Adoption of FSP FAS 115-2				1.5			1.5
Change in noncontrolling interests in consolidated entities, net						(61.9)	(61.9)
Issuance of new shares	6.6	435.2					441.8
Dividends				(80.2)			(80.2)
Employee share plans:							
Share-based compensation		43.9					43.9
Vested shares		(83.2)	83.2				
Exercise of options		(15.8)	25.4				9.6
		(2.5)					(2.5)

Tax impact of share-based payment							
Modification of share-based payment awards		(13.0)					(13.0)
Purchase of shares			(12.3)				(12.3)
Acquisition of remaining noncontrolling interest in subsidiary		(8.9)				(1.4)	(10.3)
June 30, 2009	91.9	5,708.3	(1,032.6)	1,504.0	223.8	707.4	7,202.8

Equity Attributable to Common Shareholders

\$ in millions	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Non-Accumulated controlling interests		Total Equity
					Other Comprehensive Income	in consolidated entities	
January 1, 2008	84.9	5,306.3	(954.4)	1,201.7	952.1	1,121.2	7,711.8
Net income, including gains and losses attributable to noncontrolling interests				318.0		(3.8)	314.2
Other comprehensive income							
Currency translation differences on investments in overseas subsidiaries					(8.1)		(8.1)
Change in minimum pension liability					0.2		0.2
Change in net unrealized gains on available-for-sale investments					(4.7)		(4.7)
Tax impacts of changes in accumulated OCI balances					0.6		0.6
Total comprehensive income							302.2
Change in noncontrolling interests in consolidated entities, net						(147.3)	(147.3)
Dividends				(129.6)			(129.6)
Employee share plans:							