

Invesco Ltd.
Form 10-Q
July 29, 2011

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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, 2011

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(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

As of June 30, 2011, the most recent practicable date, 450,876,739 of the company's common shares par value \$0.20 per share, were outstanding.

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We include cross references to captions elsewhere in this Quarterly Report on Form 10-Q, which we refer to as this Report, where you can find related additional information. The following table of contents tells you where to find these captions.

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Table of Contents**Item 1. Financial Statements**

Invesco Ltd.
Condensed Consolidated Balance Sheets
(Unaudited)

\$ in millions, except share data	June 30, 2011	As of December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	621.5	740.5
Cash and cash equivalents of consolidated investment products	622.2	636.7
Unsettled fund receivables	674.2	513.4
Accounts receivable	465.1	424.7
Accounts receivable of consolidated investment products	130.1	158.8
Investments	352.0	308.8
Prepaid assets	62.7	64.0
Other current assets	124.6	101.8
Deferred tax asset, net	33.1	30.4
Assets held for policyholders	1,373.2	1,295.4
Total current assets	4,458.7	4,274.5
Non-current assets:		
Investments	194.1	164.4
Investments of consolidated investment products	7,349.7	7,206.0
Security deposit assets and receivables	152.0	146.3
Other non-current assets	26.9	20.9
Deferred sales commissions	43.2	42.2
Property and equipment, net	281.8	272.4
Intangible assets, net	1,318.6	1,337.2
Goodwill	7,090.6	6,980.2
Total non-current assets	16,456.9	16,169.6
Total assets	20,915.6	20,444.1
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of total debt	215.1	
Unsettled fund payables	667.4	504.8
Income taxes payable	45.4	72.2
Other current liabilities	670.7	905.7
Other current liabilities of consolidated investment products	392.8	486.4
Policyholder payables	1,373.2	1,295.4
Total current liabilities	3,364.6	3,264.5

Non-current liabilities:

Long-term debt	1,368.6	1,315.7
Long-term debt of consolidated investment products	6,292.7	5,865.4
Deferred tax liabilities, net	269.6	229.0
Security deposits payable	152.0	146.3
Other non-current liabilities	270.3	262.3
Total non-current liabilities	8,353.2	7,818.7
Total liabilities	11,717.8	11,083.2

Commitments and contingencies (See Note 10)

Equity:

Equity attributable to common shareholders:

Common shares (\$0.20 par value; 1,050.0 million authorized; 490.4 million shares issued as of June 30, 2011 and December 31, 2010)	98.1	98.1
Additional paid-in-capital	6,152.6	6,262.6
Treasury shares	(1,203.5)	(991.5)
Retained earnings	2,156.4	1,904.4
Retained earnings appropriated for investors in consolidated investment products	340.2	495.5
Accumulated other comprehensive income, net of tax	644.5	495.5
Total equity attributable to common shareholders	8,188.3	8,264.6
Equity attributable to noncontrolling interests in consolidated entities	1,009.5	1,096.3
Total equity	9,197.8	9,360.9
Total liabilities and equity	20,915.6	20,444.1

See accompanying notes.

Table of Contents**Invesco Ltd.****Condensed Consolidated Statements of Income
(Unaudited)**

\$ in millions, except per share data	Three months Ended June 30,		Six months Ended June 30,	
	2011	2010	2011	2010
Operating revenues:				
Investment management fees	819.1	627.9	1,611.4	1,221.4
Service and distribution fees	211.4	139.4	410.1	251.9
Performance fees	7.6	3.5	11.4	4.9
Other	31.9	16.2	64.4	27.9
Total operating revenues	1,070.0	787.0	2,097.3	1,506.1
Operating expenses:				
Employee compensation	318.3	260.5	624.2	498.1
Third-party distribution, service and advisory	341.8	238.3	666.3	446.5
Marketing	26.1	17.6	51.8	33.3
Property, office and technology	61.9	55.8	125.9	109.3
General and administrative	77.6	64.1	151.2	114.1
Transaction and integration	11.3	79.3	19.2	96.5
Total operating expenses	837.0	715.6	1,638.6	1,297.8
Operating income	233.0	71.4	458.7	208.3
Other income/(expense):				
Equity in earnings of unconsolidated affiliates	10.8	10.4	17.5	16.2
Interest and dividend income	2.4	1.8	4.5	3.4
Interest income of consolidated investment products	79.8	53.1	154.0	105.6
Gains/(losses) of consolidated investment products, net	(64.7)	187.2	(150.2)	290.3
Interest expense	(16.0)	(14.1)	(32.2)	(26.5)
Interest expense of consolidated investment products	(46.5)	(25.6)	(86.5)	(46.4)
Other gains and losses, net	6.0	(9.3)	13.9	(11.4)
Income before income taxes	204.8	274.9	379.7	539.5
Income tax provision	(75.4)	(36.7)	(151.0)	(86.8)
Net income	129.4	238.2	228.7	452.7
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	53.6	(197.4)	131.8	(316.9)
Net income attributable to common shareholders	183.0	40.8	360.5	135.8

Earnings per share:

basic	\$ 0.39	\$ 0.09	\$ 0.77	\$ 0.30
diluted	\$ 0.39	\$ 0.09	\$ 0.77	\$ 0.30
Dividends declared per share	\$ 0.1225	\$ 0.1100	\$ 0.2325	\$ 0.2125

See accompanying notes.

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

\$ in millions	Six months ended June 30,	
	2011	2010
Operating activities:		
Net income	228.7	452.7
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization and depreciation	60.0	39.1
Share-based compensation expense	56.8	55.5
Purchase of trading investments	(5,556.8)	(1,360.6)
Proceeds from sale of trading investments	5,516.5	1,298.1
Other gains and losses, net	(13.9)	11.4
(Gains)/losses of consolidated investment products, net	150.2	(290.3)
Tax benefit from share-based compensation	72.2	44.8
Excess tax benefits from share-based compensation	(15.1)	(12.3)
Equity in earnings of unconsolidated affiliates	(17.5)	(16.2)
Dividends from unconsolidated affiliates	3.0	2.3
Changes in operating assets and liabilities:		
(Increase)/decrease in cash held by consolidated investment products	31.5	(92.5)
(Increase)/decrease in receivables	(260.4)	(288.3)
Increase/(decrease) in payables	(109.2)	92.9
Net cash provided by/(used in) operating activities	146.0	(63.4)
Investing activities:		
Purchase of property and equipment	(40.7)	(35.7)
Purchase of available-for-sale investments	(28.0)	(20.4)
Proceeds from sale of available-for-sale investments	36.6	11.2
Purchase of investments by consolidated investment products	(2,075.3)	(1,090.2)
Proceeds from sale of investments by consolidated investment products	2,300.9	1,241.1
Returns of capital in investments of consolidated investment products	75.5	44.4
Purchase of other investments	(61.4)	(36.3)
Proceeds from sale of other investments	23.7	18.2
Returns of capital and distributions from unconsolidated partnership investments	18.9	20.8
Acquisition of businesses	(14.9)	(712.2)
Acquisition earn-out payments	(5.4)	
Net cash provided by/(used in) investing activities	229.9	(559.1)
Financing activities:		
Proceeds from exercises of share options	9.9	6.2
Purchases of treasury shares	(333.0)	
Dividends paid	(108.5)	(93.7)
Excess tax benefits from share-based compensation	15.1	12.3

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Capital invested into consolidated investment products	32.5	2.0
Capital distributed by consolidated investment products	(134.9)	(40.1)
Repayments of debt of consolidated investment products	(246.3)	(102.4)
Net borrowings/(repayments) under credit facility	268.0	650.0
Acquisition of interest in consolidated investment products	(12.3)	
Net cash (used in)/provided by financing activities	(509.5)	434.3
(Decrease)/increase in cash and cash equivalents	(133.6)	(188.2)
Foreign exchange movement on cash and cash equivalents	14.6	(18.2)
Cash and cash equivalents, beginning of period	740.5	762.0
Cash and cash equivalents, end of period	621.5	555.6
Supplemental Cash Flow Information:		
Interest paid	(27.2)	(21.6)
Interest received	4.5	3.2
Taxes paid	(109.9)	(79.5)

See accompanying notes.

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

	Equity Attributable to Common Shareholders						Noncontrolling		Total
	Common	Additional	Treasury	Retained	Investment	Comprehensive	Total	Interests	
\$ in millions	Shares	Paid-in-Capital	Shares	Earnings	Products	Income	Shareholders	Entities	Equity
January 1, 2011	98.1	6,262.6	(991.5)	1,904.4	495.5	495.5	8,264.6	1,096.3	9,360.9
Net income				360.5			360.5	(131.8)	228.7
Other comprehensive income:									
Currency translation differences on investments in overseas subsidiaries						145.7	145.7	6.6	152.3
Change in accumulated OCI related to employee benefit plans						10.2	10.2		10.2
Change in accumulated OCI of equity method investments						(1.1)	(1.1)		(1.1)
Change in net unrealized gains on available-for-sale investments						(2.6)	(2.6)		(2.6)
Tax impacts of changes in accumulated other comprehensive income balances						(3.2)	(3.2)		(3.2)
Total comprehensive							509.5	(125.2)	384.3

income

Net income									
(loss) reclassified to appropriated retained earnings				(170.2)			(170.2)	170.2	
Currency translation differences on investments in overseas subsidiaries reclassified to appropriated retained earnings				14.9			14.9	(14.9)	
Change in noncontrolling interests in consolidated entities, net								(116.9)	(116.9)
Dividends				(108.5)			(108.5)		(108.5)
Employee share plans:									
Share-based compensation		56.8					56.8		56.8
Vested shares		(175.6)	175.6						
Exercise of options		(6.3)	16.2				9.9		9.9
Tax impact of share-based payment		15.1					15.1		15.1
Purchase of shares			(403.8)				(403.8)		(403.8)
June 30, 2011	98.1	6,152.6	(1,203.5)	2,156.4	340.2	644.5	8,188.3	1,009.5	9,197.8

Equity Attributable to Common Shareholders

			Retained Earnings Appropriated for Investor Accumulated Total Equity Attributable			Non-Controlling Interests in Consolidated		Total Equity	
	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Investment Products	Income	Common Shareholders Entities		
\$ in millions									
January 1, 2010	91.9	5,688.4	(892.4)	1,631.4		393.6	6,912.9	707.9	7,620.8
Adoption of FASB Statement No. 167				5.2	274.3	(5.2)	274.3		274.3

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January 1, 2010, as adjusted	91.9	5,688.4	(892.4)	1,636.6	274.3	388.4	7,187.2	707.9	7,895.1
Net income				135.8			135.8	316.9	452.7
Other comprehensive income:									
Currency translation differences on investments in overseas subsidiaries						(186.1)	(186.1)	37.1	(149.0)
Change in accumulated OCI related to employee benefit plans						7.0	7.0		7.0
Change in net unrealized gains on available-for-sale investments						6.0	6.0		6.0
Tax impacts of changes in accumulated other comprehensive income balances						(1.7)	(1.7)		(1.7)
Total comprehensive income							(39.0)	354.0	315.0
Net income reclassified to appropriated retained earnings					277.4		277.4	(277.4)	
Currency translation differences on investments in overseas subsidiaries reclassified to appropriated retained earnings					37.1		37.1	(37.1)	
Change in noncontrolling interests in consolidated entities, net								(36.2)	(36.2)

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Business Combination	2.3	566.9			130.7		699.9		699.9
Dividends				(93.7)			(93.7)		(93.7)
Employee share plans:									
Share-based compensation		55.5					55.5		55.5
Vested shares		(59.1)	59.1						
Exercise of options		(14.7)	20.9				6.2		6.2
Tax impact of share-based payment		12.3					12.3		12.3
Purchase of shares			(34.0)				(34.0)		(34.0)
June 30, 2010	94.2	6,249.3	(846.4)	1,678.7	719.5	213.6	8,108.9	711.2	8,820.1

See accompanying notes.

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Table of Contents**Invesco Ltd.****Notes to the Condensed Consolidated Financial Statements****1. ACCOUNTING POLICIES*****Corporate Information***

Invesco Ltd. (Parent) and all of its consolidated entities (collectively, the company or Invesco) provide retail, institutional and high-net-worth clients with an array of global investment management capabilities. The company's sole business is investment management.

Basis of Accounting and Consolidation

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented. All significant intercompany transactions, balances, revenues and expenses are eliminated upon consolidation.

The Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and consolidate the financial statements of the Parent, all of its controlled subsidiaries, any variable interest entities (VIEs) required to be consolidated, and any non-VIE general partnership investments where the company is deemed to have control. Control is deemed to be present when the Parent, directly or indirectly, holds a majority voting interest or otherwise has the power to govern the financial and operating policies of the subsidiary so as to obtain the benefits from its activities.

Certain disclosures included in the company's annual report are not required to be included on an interim basis in the company's quarterly reports on Forms 10-Q. The company has condensed or omitted these disclosures. Therefore, this Form 10-Q (Report) should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2010, which was filed with the U.S. Securities and Exchange Commission on February 25, 2011.

Use of Estimates

In preparing the financial statements, company management is required to make estimates and assumptions that affect reported revenues, expenses, assets, liabilities and disclosure of contingent liabilities. The primary estimates relate to investment valuation, goodwill impairment and taxes. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

Reclassifications

In the three months ended June 30, 2011, the company changed its presentation of marketing support expenses from marketing expenses to third-party distribution, service and advisory expenses in the Condensed Consolidated Statements of Income. Marketing support expenses are payments made to distributors of certain of the company's retail products over and above the 12b-1 distribution payments passed through to the distributors from the funds. The nature of these costs is distribution-related; accordingly, the reclassification serves to more appropriately reflect them as such. The presentation of certain prior period reported amounts has been reclassified to be consistent with the current presentation. Such reclassifications had no impact on total operating expenses, net income, or equity attributable to common shareholders. The impact to previously reported third-party distribution, service and advisory and marketing expenses is illustrated below.

\$ in millions	June 30, 2010	
	Three months ended	Six months ended
Third-party distribution, service and advisory expenses, as previously reported	220.7	416.3
Reclassification	17.6	30.2
Third-party distribution, service and advisory expenses, as reclassified	238.3	446.5

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Marketing expenses, as previously reported	35.2	63.5
Reclassification	(17.6)	(30.2)
Marketing expenses, as reclassified	17.6	33.3

Table of Contents***Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements***

The adoption of additional guidance now encompassed in ASC Topic 810, which was effective January 1, 2010, had a significant impact on the presentation of the company's financial statements, as its provisions required the company to consolidate certain collateralized loan obligation (CLOs) that were not previously consolidated. See the extensive disclosure in the company's Form 10-K for the year ended December 31, 2010 and Note 11, Consolidated Investment Products, in this Report for condensed consolidating balance sheets as of June 30, 2011 and December 31, 2010 and condensed consolidating income statements for the three and six months ended June 30, 2011 and 2010.

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 amends Topic 820 to require a number of additional disclosures regarding fair value measurements. Specifically, ASU 2010-06 requires entities to disclose: (1) the amount of significant transfers between level 1 and level 2 of the fair value hierarchy and the reasons for these transfers; (2) the reasons for any transfers in or out of level 3; and (3) information in the reconciliation of recurring level 3 measurements about purchases, sales, issuances and settlements on a gross basis. ASU 2010-06 also clarifies existing fair value disclosures about the appropriate level of disaggregation and about inputs and valuation techniques for both recurring and nonrecurring fair value measurements that fall in either level 2 or level 3. The new disclosures and clarifications of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The additional disclosure requirements with respect to rollforward activity did not have a significant impact on the company's disclosures in Note 2, Fair Value of Assets and Liabilities, and Note 11, Consolidated Investment Products.

In May 2011, the FASB issued Accounting Standards Update 2011-04, Fair Value Measurements: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements (ASU 2011-04). ASU 2011-04 amends Topic 820 to clarify existing fair value measurement disclosures to (1) specifically provide quantitative information about the significant unobservable inputs used for all level 3 measurements and (2) disclose any transfers between levels 1 and 2 of the fair value hierarchy, not just significant transfers. ASU 2011-04 also requires a number of additional disclosures regarding fair value measurements. Specifically, ASU 2011-04 requires entities to disclose: (1) a qualitative discussion about the sensitivity of recurring level 3 measurements to changes in the unobservable inputs disclosed, including the interrelationship between inputs; (2) a description of the company's valuation processes surrounding level 3 measurements; (3) information about when the current use of a non-financial asset measured at fair value differs from its highest and best use; and (4) the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. ASU 2011-04 amends Topic 820 to change the fair value measurement of financial instruments and the application of premiums and discounts in a fair value measurement. ASU 2011-04 also clarifies existing fair value measurement regarding the concepts of valuation premise, the application of the highest and best use, and the fair value measurement of an instrument classified in an entity's shareholders' equity. The adoption of ASU 2011-04 is not expected to have an effect on the company's current fair value measurements but is expected to have a significant impact on the company's disclosures related to the assets and liabilities of its consolidated investment products that are classified as level 3 assets within the fair value hierarchy. The amendments to Topic 820 made by ASU 2011-04 are effective for interim and annual periods beginning on or after December 15, 2011. As such, these disclosure changes will be required in the company's Form 10-Q for the three months ended March 31, 2012.

In June 2011, the FASB issued Accounting Standards Update 2011-05, Comprehensive Income: Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 amends Topic 220, Comprehensive Income, to require the components of net income and other comprehensive income to be presented in one continuous statement, which would be referred to as the statement of comprehensive income, or in two separate but consecutive statements. There is currently no requirement to present the statement of net income and statement of comprehensive income consecutively. ASU 2011-05 also requires an entity to present reclassification adjustments from other comprehensive income to net income alongside their respective components of net income and other comprehensive income on the face of the financial statements. The amendments to Topic 220 made by ASU 2011-05 are effective for interim and

annual periods beginning on or after December 15, 2011 for public companies. As such, these presentation changes will be required in the company's Form 10-Q for the three months ended March 31, 2012.

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The carrying value and fair value of financial instruments is presented in the summary table below. The fair value of financial instruments held by consolidated investment products is presented in Note 11, Consolidated Investment Products.

\$ in millions	Footnote Reference	June 30, 2011		December 31, 2010	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents		621.5	621.5	740.5	740.5
Available for sale investments	3	95.7	95.7	100.0	100.0
Assets held for policyholders		1,373.2	1,373.2	1,295.4	1,295.4
Trading investments	3	230.7	230.7	180.6	180.6
Foreign time deposits*	3	25.5	25.5	28.2	28.2
Support agreements*	10,11	(1.0)	(1.0)	(2.0)	(2.0)
Policyholder payables		(1,373.2)	(1,373.2)	(1,295.4)	(1,295.4)
Financial instruments sold, not yet purchased		(10.3)	(10.3)	(0.7)	(0.7)
Derivative liabilities				(0.1)	(0.1)
Note payable		(16.1)	(16.1)	(18.9)	(18.9)
Long-term debt, including current portion*	4	(1,583.7)	(1,628.0)	(1,315.7)	(1,339.3)

* These financial instruments are not measured at fair value on a recurring basis. See the indicated footnotes for additional information about the carrying and fair values of these financial instruments. Foreign time deposits are measured at cost plus accrued interest, which approximates fair value.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Cash equivalents

Cash equivalents include cash investments in money market funds and time deposits. Cash investments in money market funds are valued under the market approach through the use of quoted market prices in an active market, which is the net asset value of the underlying funds, and are classified within level 1 of the valuation hierarchy.

Available-for-sale investments

Available-for-sale investments include amounts seeded into affiliated investment products and investments in affiliated CLOs. Seed money investments are investments held in Invesco managed funds with the purpose of providing capital to the funds during their development periods. Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified within level 1 of the valuation hierarchy; there is no modeling or additional information needed to arrive at the fair values of these investments. CLOs are valued using an income approach through the use of certain observable and unobservable inputs. Due to current liquidity constraints within the market for CLO products that require the use of unobservable inputs, these investments are classified within level 3 of the valuation hierarchy.

Assets held for policyholders

Assets held for policyholders represent investments held by one of the company's subsidiaries, which is an insurance entity that was established to facilitate retirement savings plans in the U.K. The assets held for policyholders are accounted for at fair value pursuant to ASC Topic 944, Financial Services - Insurance, and are comprised primarily of affiliated unitized funds. The assets are measured at fair value under the market approach based on the quoted prices of the underlying funds in an active market and are classified within level 1 of the valuation hierarchy. The policyholder payables are indexed to the value of the assets held for policyholders.

Trading investments

Trading investments include investments held to hedge economically against costs the company incurs in connection with certain deferred compensation plans in which the company participates, as well as trading and investing activities in equity and debt securities entered into in its capacity as sponsor of unit investment trusts (UITs).

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Investments related to deferred compensation plans

Investments related to deferred compensation plans are primarily invested in affiliated funds that are held to hedge economically current and non-current deferred compensation liabilities. Investments related to deferred compensation plans are valued under the market approach through the use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy.

UIT-related equity and debt securities

At June 30, 2011, UIT-related equity and debt securities consisted of investments in corporate stock, UITs, U.S. state and political subdivisions. Each is discussed more fully below.

Corporate stock

The company temporarily holds investments in corporate stock for purposes of creating a UIT. Corporate stocks are valued under the market approach through use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

UITs

The company may hold units of its sponsored UITs at period-end for sale in the primary market or secondary market. Equity UITs are valued under the market approach through use of quoted prices on an exchange. Fixed income UITs are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

Municipal securities

Municipal securities are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

UIT-related financial instruments sold, not yet purchased, and derivative liabilities

The company uses U.S. Treasury futures, which are types of derivative financial instruments, to hedge economically fixed income UIT inventory and securities in order to mitigate market risk. Open futures contracts are marked-to-market daily through earnings, which are recorded in the company's consolidated statement of income in other revenue, along with the mark-to-market on the underlying trading securities held. Fair values of derivative contracts in an asset position are included in other assets in the company's consolidated balance sheet. Fair values of derivative contracts in a liability position are included in other liabilities in the company's consolidated balance sheet. These derivative contracts are valued under the market approach through use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy. At June 30, 2011, there were 65 open futures contracts with a notional value of \$8.0 million (December 31, 2010: 76 open futures contracts with a notional value of \$9.3 million). Additionally, to hedge economically the market risk associated with equity and debt securities and UITs temporarily

held as trading investments, the company will hold short corporate stock, exchange-traded fund, or U.S. treasury security positions. These transactions are recorded as financial instruments sold, not yet purchased and are included in other liabilities in the company's consolidated balance sheet. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

Note payable

The note payable represents a payable associated with the aggregate amount of distributions proportional to Invesco's acquired ownership interest in two consolidated real estate funds. As the underlying investments in the funds are carried at fair value (and are disclosed as level 3 assets in the fair value hierarchy table included in Note 11,

Consolidated Investment Products), management elected the fair value option for the note payable in order to offset the fair value movements recognized from the funds and has recorded the note payable as a level 3 liability. The fair value of the note payable represents its remaining principal balance adjusted for changes in equity of the funds that is attributable to the company's ownership interest in the funds.

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The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the face of the statement of financial position as of June 30, 2011.

	As of June 30, 2011			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
\$ in millions				
Current assets:				
Cash equivalents:				
Money market funds	268.2	268.2		
Investments:*				
Available-for-sale:				
Seed money	95.3	95.3		
Trading investments:				
Investments related to deferred compensation plans	197.7	197.7		
UIT-related equity and debt securities:				
Corporate stock	1.4	1.4		
UITs	2.0	2.0		
Municipal securities	29.6		29.6	
Assets held for policyholders	1,373.2	1,373.2		
Total current assets	1,967.4	1,937.8	29.6	
Non-current assets:				
Investments available-for-sale*:				
CLOs	0.4			0.4
Total assets at fair value	1,967.8	1,937.8	29.6	0.4
Current liabilities:				
Policyholder payables	(1,373.2)	(1,373.2)		
UIT-related financial instruments sold, not yet purchased:				
Corporate equities	(1.1)	(1.1)		
U.S. Treasury securities	(9.2)	(9.2)		
Non-current liabilities:				
Note payable	(16.1)			(16.1)
Total liabilities at fair value	(1,399.6)	(1,383.5)		(16.1)

*

Current foreign time deposits of \$25.5 million and other current investments of \$0.5 million are excluded from this table. Other non-current equity and other investments of \$186.8 million and \$6.9 million, respectively, are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

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The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities that are measured at fair value as of December 31, 2010:

\$ in millions	As of December 31, 2010			
	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Current assets:				
Cash equivalents:				
Money market funds	316.4	316.4		
Investments:*				
Available-for-sale:				
Seed money	99.5	99.5		
Trading investments:				
Investments related to deferred compensation plans	165.5	165.5		
UIT-related equity and debt securities:				
Corporate stock	1.2	1.2		
UITs	4.0	4.0		
Municipal securities	9.9		9.9	
Assets held for policyholders	1,295.4	1,295.4		
Total current assets	1,891.9	1,882.0	9.9	
Non-current assets:				
Investments available-for-sale*:				
CLOs	0.5			0.5
Total assets at fair value	1,892.4	1,882.0	9.9	0.5
Current liabilities:				
Policyholder payables	(1,295.4)	(1,295.4)		
UIT-related financial instruments sold, not yet purchased:				
Corporate equities	(0.7)	(0.7)		
UIT-related derivative liabilities	(0.1)	(0.1)		
Non-current liabilities:				
Note payable	(18.9)			(18.9)
Total liabilities at fair value	(1,315.1)	(1,296.2)		(18.9)

* Current foreign time deposits of \$28.2 million and other current investments of \$0.5 million are excluded from this table. Other non-current equity and other investments of \$156.9 million and \$7.0 million, respectively, are

also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

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The following table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities during the six month periods ending June 30, 2011 and June 30, 2010, which are valued using significant unobservable inputs:

\$ in millions	Three months Ended June 30, 2011		Six months Ended June 30, 2011	
	CLO		CLO	
	Investment	Note Payable	Investment	Note Payable
Beginning balance	0.7	(18.5)	0.5	(18.9)
Net unrealized gains and losses included in accumulated other comprehensive income/(loss)**	(0.2)			
Foreign exchange movements included in earnings		(0.5)		(0.1)
Purchases, sales, issuances, and settlements, net***	(0.1)	2.9	(0.1)	2.9
Ending balance	0.4	(16.1)	0.4	(16.1)

\$ in millions	Three months Ended June 30, 2010		Six months Ended June 30, 2010	
	CLO	Investment	CLO	Investment
Beginning balance		0.4		17.9
Adoption of guidance now encompassed in ASC Topic 810*				(17.4)
Beginning balance, as adjusted		0.4		0.5
Net unrealized gains and losses included in accumulated other comprehensive income/(loss)**		0.2		0.1
Purchases, sales, issuances, and settlements, net***				
Ending balance		0.6		0.6

* The company adopted guidance now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, resulting in the consolidation of CLOs for which the company has an underlying investment of \$48.5 million at June 30, 2011. The adjustment of \$17.4 million in the table above reflects the elimination of the company's equity interest upon adoption.

** Of these net unrealized gains and losses included in accumulated other comprehensive income/(loss), (\$0.2) million for the three months and none for the six months ended June 30, 2011 is attributed to the change in unrealized gains and losses related to assets still held at June 30, 2011 (three and six months ended June 30, 2010: \$0.2 million and \$0.1 million, respectively, related to assets still held at June 30, 2010).

*** Prior to the adoption of guidance included in ASU 2010-06, discussed in Note 1, Accounting Policies, purchases, sales, issuances, and settlements were presented net. For the three and six months ended June 30, 2011, (\$0.1) million in return of capital activity occurred related to the CLO investment. For the three and six months ended

June 30, 2011, \$2.9 million in settlement activity occurred related to the note payable.

Table of Contents**3. INVESTMENTS**

The disclosures below include details of the company's investments. Investments held by consolidated investment products are detailed in Note 11, Consolidated Investment Products.

Current Investments

	June 30, 2011	As of December 31, 2010
\$ in millions		
Available-for-sale investments:		
Seed money	95.3	99.5
Trading investments:		
Investments related to deferred compensation plans	197.7	165.5
UIT-related equity and debt securities	33.0	15.1
Foreign time deposits	25.5	28.2
Other	0.5	0.5
Total current investments	352.0	308.8

Non-current Investments

	June 30, 2011	As of December 31, 2010
\$ in millions		
Available-for-sale investments:		
CLOs	0.4	0.5
Equity method investments	186.8	156.9
Other	6.9	7.0
Total non-current investments	194.1	164.4

The portion of trading gains and losses for the six months ended June 30, 2011 that relates to trading securities still held at June 30, 2011 was a \$6.7 million net gain.

Realized gains and losses recognized in the income statement during the year from investments classified as available-for-sale are as follows:

	For the Three months Ended June 30, 2011			For the Six months Ended June 30, 2011		
	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
\$ in millions						
Current available-for-sale investments	20.3	3.2	(0.1)	36.5	6.5	(0.2)
Non-current available-for-sale investments				0.1		
	For the Three months Ended June 30, 2010			For the Six months Ended June 30, 2010		

\$ in millions	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
Current available-for-sale investments	3.7	0.3	(0.3)	10.6	0.7	(0.4)
Non-current available-for-sale investments	0.4			0.6		

Upon the sale of available-for-sale securities, net realized gains of \$6.3 million and \$0.3 million were transferred from accumulated other comprehensive income into the Condensed Consolidated Statements of Income during six months ended June 30, 2011 and 2010, respectively. The specific identification method is used to determine the realized gain or loss on securities sold or otherwise disposed.

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Gross unrealized holding gains and losses recognized in other accumulated comprehensive income from available-for-sale investments are presented in the table below:

\$ in millions	Cost	June 30, 2011			Cost	December 31, 2010		
		Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value		Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:								
Seed money	88.0	8.1	(0.8)	95.3	89.6	10.6	(0.7)	99.5
Current available-for-sale investments	88.0	8.1	(0.8)	95.3	89.6	10.6	(0.7)	99.5
Non-current:								
CLOs	0.3	0.1		0.4	0.3	0.2		0.5
Non-current available-for-sale investments:	0.3	0.1		0.4	0.3	0.2		0.5
	88.3	8.2	(0.8)	95.7	89.9	10.8	(0.7)	100.0

Available-for-sale debt securities as of June 30, 2011 by maturity, are set out below:

\$ in millions	Available-for-Sale (Fair Value)
Less than one year	
One to five years	
Five to ten years	0.4
Greater than ten years	
Total available-for-sale	0.4

The following table provides the breakdown of available-for-sale investments with unrealized losses at June 30, 2011:

\$ in millions	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Seed money (46 funds)	3.5	(0.1)	5.9	(0.7)	9.4	(0.8)

The following table provides the breakdown of available-for-sale investments with unrealized losses at December 31, 2010:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses

\$ in millions	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Seed money (15 funds)			5.7	(0.7)	5.7	(0.7)

The company has reviewed investment securities for other-than-temporary impairment (OTTI) in accordance with its accounting policy and has recognized no other-than-temporary impairment charges on seed money investments during the six months ended June 30, 2011 (six months ended June 30, 2010: \$6.1 million).

The gross unrealized losses of seed money investments at June 30, 2011 were primarily caused by declines in the market value of the underlying securities in the seeded funds and foreign exchange movements. After conducting a review of the financial condition and near-term prospects of the underlying securities in the seeded funds as well as the severity and duration of the impairment, the company does not consider any material portion of its gross unrealized losses on these securities to be other-than-temporarily impaired. The securities are expected to recover their value over time and the company has the intent and ability to hold the securities until this recovery occurs.

During the three and six months ended June 30, 2011, there were no charges to other comprehensive income from other-than-temporary impairment related to non-credit related factors (three and six months ended June 30, 2010: no charges). A rollforward of

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the cumulative credit-related other-than-temporary impairment charges recognized in earnings for which some portion of the impairment was recorded in other comprehensive income is as follows:

	Three months ended	Six months ended	Three months ended	Six months ended
In millions	June 30, 2011	June 30, 2011	June 30, 2010	June 30, 2010
Beginning balance	0.8	0.8	0.8	18.8
Adoption of guidance now encompassed in ASC Topic 810*				(18.0)
Beginning balance, as adjusted	0.8	0.8	0.8	0.8
Additional credit losses recognized during the period related to securities for which: No OTTI has been previously recognized OTTI has been previously recognized				
Ending balance	0.8	0.8	0.8	0.8

* The company adopted guidance now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, resulting in the consolidation of CLOs for which the company has an underlying investment of \$48.5 million at June 30, 2011. Of the \$18.8 million cumulative credit-related OTTI balance at January 1, 2010, \$18.0 million relates to CLOs that were consolidated into the company's Condensed Consolidated Balance Sheet, resulting in the elimination of our equity interest.

4. DEBT

The disclosures below include details of the company's debt. Debt of consolidated investment products is detailed in Note 11, Consolidated Investment Products.

\$ in millions	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Unsecured Senior Notes*:				
5.625% due April 17, 2012	215.1	222.7	215.1	223.7
5.375% due February 27, 2013	333.5	353.3	333.5	335.2
5.375% due December 15, 2014	197.1	214.0	197.1	210.4
Floating rate credit facility expiring June 3, 2016	838.0	838.0	570.0	570.0
Total debt	1,583.7	1,628.0	1,315.7	1,339.3
Less: current maturities of total debt	(215.1)	(222.7)		
Long-term debt	1,368.6	1,405.3	1,315.7	1,339.3

* The company's Senior Note indentures contain certain restrictions on mergers or consolidations. Beyond these items, there are no other restrictive covenants in the indentures.

The fair market value of the company's Senior Notes was determined by market quotes provided by Bloomberg. In the absence of an active market, the company relies upon the average price quoted by brokers for determining the fair market value of the debt. The level of trading, both in number of trades and amount of Senior Notes traded, has increased to a level that the company believes market quotes to be a reasonable representation of the current fair market value of the Senior Notes.

Analysis of Borrowings by Maturity:

\$ in millions	June 30, 2011
2012	215.1
2013	333.5
2014	197.1
2016	838.0
Total debt	1,583.7

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On June 3, 2011 the company amended and restated its existing five-year unsecured \$1.25 billion credit agreement to, among other matters, provide for a term of five years. The amended and restated facility is now scheduled to expire on June 3, 2016.

At June 30, 2011, the outstanding balance on the credit facility was \$838.0 million and the weighted average interest rate on the credit facility was 1.286%. Borrowings under the credit facility will bear interest at (i) LIBOR for specified interest periods or (ii) a floating base rate (based upon the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus 0.50% and (c) LIBOR for an interest period of one month plus 1.00%), plus, in either case, an applicable margin determined with reference to the company's credit ratings and specified credit default spreads. Based on credit ratings as of June 30, 2011 of the company and such credit default spreads, the applicable margin for LIBOR-based loans was 1.10% and for base rate loans was 0.10%. In addition, the company is required to pay the lenders a facility fee on the aggregate commitments of the lenders (whether or not used) at a rate per annum which is based on the company's credit ratings. Based on credit ratings as of June 30, 2011, the annual facility fee was equal to 0.15%.

Financial covenants under the credit agreement include: (i) the quarterly maintenance of a debt/EBITDA ratio, as defined in the credit agreement, of not greater than 3.25:1.00 through June 30, 2014, and not greater than 3.00:1.00 thereafter, (ii) a coverage ratio (EBITDA, as defined in the credit agreement, divided by interest payable for the four consecutive fiscal quarters ended before the date of determination) of not less than 4.00:1.00

5. SHARE CAPITAL

Movements in the number of common shares issued are represented in the table below:

In millions	Six months Ended June 30, 2011	Six months Ended June 30, 2010
Common shares issued beginning balance	490.4	459.5
Issue of new shares		11.7
Common shares issued ending balance	490.4	471.2
Less: Treasury shares for which dividend and voting rights do not apply	(39.5)	(22.3)
Common shares outstanding	450.9	448.9

During the three and six months ended June 30, 2011, the company repurchased 11.3 and 13.4 million shares, respectively, in the market at a cost of \$279.9 million and \$333.0 million, respectively (three and six months ended June 30, 2010: no shares were repurchased). Separately, an aggregate of 2.7 million shares were withheld on vesting events during the six months ended June 30, 2011 to meet employees' withholding tax (six months ended June 30, 2010: 1.4 million). The carrying value of these shares withheld was \$70.8 million (six months ended June 30, 2010: \$34.0 million). Approximately \$835.4 million remained authorized under the company's share repurchase plan at June 30, 2011.

Total treasury shares at June 30, 2011 were 49.5 million (June 30, 2010: 35.3 million), including 10.0 million unvested restricted stock awards (June 30, 2010: 13.0 million) for which dividend and voting rights apply. The closing market price of common shares at June 30, 2011 was \$23.40. The total market value of the company's 49.5 million treasury shares was \$1,158.3 million on June 30, 2011.

6. SHARE-BASED COMPENSATION

The company issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant, in accordance with ASC Topic 718, Compensation - Stock Compensation. The fair value determined at the grant date is expensed, based on the company's estimate of shares that will eventually vest, on a straight-line or accelerated basis over the vesting period. The company recognized total expenses of \$56.8 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$55.5 million) related to equity-settled share-based payment transactions.

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Movements on share awards priced in U.S. dollars are detailed below:

	Six months ended June 30, 2011		Six months ended June 30, 2010	
	Time- Vested	Weighted Average Grant Date Fair Value (\$)	Time- Vested	Weighted Average Grant Date Fair Value (\$)
Millions of shares, except fair values				
Unvested at the beginning of period	17.4	17.25	11.6	15.24
Granted during the period	5.5	26.79	9.9	19.19
Forfeited during the period	(0.2)	19.17	(0.1)	21.55
Vested and distributed during the period	(4.9)	18.93	(2.8)	14.48
Unvested at the end of the period	17.8	20.21	18.6	17.42

On December 4, 2007, in connection with the redomicile of the company from the U.K. to Bermuda, the company's primary share listing moved from the London Stock Exchange to the New York Stock Exchange. Movements on share awards priced in Pounds Sterling, which were awarded prior to the move of the company's primary share listing to the New York Stock Exchange, are detailed below:

	Six months ended June 30, 2011			Six months ended June 30, 2010		
	Time- Vested	Performance- Vested	Weighted Average Grant Date Fair Value (£ Sterling)	Time- Vested	Performance- Vested	Weighted Average Grant Date Fair Value (£ Sterling)
Millions of shares, except fair values						
Unvested at the beginning of period	3.3	0.1	11.80	5.4	2.0	11.24
Forfeited during the period					(1.4)	12.02
Vested and distributed during the period	(2.3)	(0.1)	11.94	(1.1)	(0.5)	8.93
Unvested at the end of the period	1.0		11.47	4.3	0.1	11.86

Share awards outstanding at June 30, 2011 had a weighted average remaining contractual life of 1.99 years. The market price of the company's common stock at June 30, 2011 was \$23.40.

Share Options

The company has not granted share option awards since 2005. All remaining outstanding share option awards were fully vested and were expensed by the company over the applicable vesting periods (the latest of which ended prior to December 31, 2008). At the time of their grants, the exercise prices of the share options were denominated in the company's trading currency, which was the Pound Sterling. The exercise price remains in Pounds Sterling and was not changed to U.S. Dollars. Therefore, upon exercise of the share options, the Pound Sterling exercise price will be converted into U.S. Dollars using the spot foreign exchange rate in effect on the exercise date.

Changes in outstanding share option awards are as follows:

	Six months ended June 30, 2011		Six months ended June 30, 2010	
	Options (millions of shares)	Weighted Average Exercise Price (£ Sterling)	Options (millions of shares)	Weighted Average Exercise Price (£ Sterling)
Outstanding at the beginning of the period	10.7	13.85	16.4	14.99
Forfeited during the period	(0.5)	24.40	(0.3)	19.34
Exercised during the period	(0.7)	8.53	(0.8)	6.09
Outstanding at the end of the period	9.5	13.58	15.3	15.39
Exercisable at the end of the period	9.5	13.58	15.3	15.39

Table of Contents**7. RETIREMENT BENEFIT PLANS****Defined Contribution Plans**

The company operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the company in funds under the control of trustees. When employees leave the plans prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total amounts charged to the Condensed Consolidated Statements of Income for the six months ended June 30, 2011 and 2010, of \$29.7 million and \$23.3 million, respectively, represent contributions paid or payable to these plans by the company at rates specified in the rules of the plans. As of June 30, 2011, accrued contributions of \$13.3 million (December 31, 2010: \$18.9 million) for the current year will be paid to the plans when due.

Defined Benefit Plans

The company maintains legacy defined benefit pension plans for qualifying employees of its subsidiaries in the U.K., Ireland, Germany, Taiwan and the U.S. All defined benefit plans are closed to new participants, and the U.S. plan benefits have been frozen. The company also maintains a post-retirement medical plan in the U.S., which was closed to new participants in 2005. In 2006, the plan was amended to eliminate benefits for all participants who will not meet retirement eligibility by 2008. The assets of all defined benefit plans are held in separate trustee-administered funds. Under the plans, the employees are generally entitled to retirement benefits based on final salary at retirement.

The components of net periodic benefit cost in respect of these defined benefit plans are as follows:

\$ in millions	Three months Ended June 30,				Six months Ended June 30,			
	Retirement Plans		Medical Plan		Retirement Plans		Medical Plan	
	2011	2010	2011	2010	2011	2010	2011	2010
Service cost	1.1	1.0	0.1		2.1	2.0	0.3	0.1
Interest cost	4.5	3.9	0.6	0.6	9.1	7.8	1.3	1.3
Expected return on plan assets	(3.8)	(3.5)	(0.1)	(0.1)	(7.5)	(6.9)	(0.2)	(0.2)
Amortization of prior service cost	0.7		(0.5)	(0.5)	1.5		(1.0)	(1.0)
Amortization of net actuarial (loss)/gain	(0.2)	0.6	0.7	0.9	(0.3)	1.3	1.4	1.8
Net periodic benefit cost	2.3	2.0	0.8	0.9	4.9	4.2	1.8	2.0

The estimated amounts of contributions expected to be paid to the retirement plans during 2011 is \$6.1 million, with no expected contribution to the medical plan.

8. TAXATION

Company subsidiaries operate in several taxing jurisdictions around the world, each with its own statutory income tax rate. As a result, the company's effective tax rate will vary from year to year depending on the mix of the profits and losses of our subsidiaries. The majority of the company's profits are earned in the U.S., U.K. and Canada. The U.K. statutory tax rate at June 30, 2011 was 27%, the Canadian statutory tax rate was 28.25% and the U.S. Federal statutory tax rate was 35%. As a result, the company's effective tax rate, excluding noncontrolling interests in consolidated entities, for the six months ended June 30, 2011 was 29.5%, down from 39% for the six months ended June 30, 2010. The six months ended June 30, 2010 rate was higher due to the inclusion of non-deductible transaction and integration costs incurred during that period.

At June 30, 2011, the total amount of gross unrecognized tax benefits was 24.4 million as compared to the December 31, 2010, total amount of \$27.1 million. The company and its subsidiaries file annual income tax returns in

the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and in numerous foreign jurisdictions. A number of years may elapse before an uncertain tax position, for which the company has unrecognized tax benefits, is finally resolved. To the extent that the company has favorable tax settlements, or determines that accrued amounts are no longer needed due to a lapse in the applicable statute of limitations or other reasons, such liabilities, as well as the related interest and penalty, would be reversed as a reduction of income tax expense (net of federal tax effects, if applicable) in the period such determination is made.

Table of Contents**9. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of shares outstanding during the period, excluding treasury shares. Diluted earnings per share is computed using the treasury stock method, which requires computing share equivalents and dividing net income attributable to common shareholders by the total weighted average number of shares and share equivalents outstanding during the period.

The calculation of earnings per share is as follows:

	Net Income Attributable to Common Shareholders	Weighted Average Number of Shares	Per Share Amount
In millions, except per share data			
For the three months ended June 30, 2011			
Basic earnings per share	\$ 183.0	465.5	\$ 0.39
Dilutive effect of share-based awards		1.9	
Diluted earnings per share	\$ 183.0	467.4	\$ 0.39
For the three months ended June 30, 2010			
Basic earnings per share	\$ 40.8	455.0	\$ 0.09
Dilutive effect of share-based awards		2.8	
Diluted earnings per share	\$ 40.8	457.8	\$ 0.09
	Net Income Attributable to Common Shareholders	Weighted Average Number of Shares	Per Share Amount
In millions, except per share data			
For the six months ended June 30, 2011			
Basic earnings per share	\$ 360.5	467.7	\$ 0.77
Dilutive effect of share-based awards		2.0	
Diluted earnings per share	\$ 360.5	469.7	\$ 0.77
For the six months ended June 30, 2010			
Basic earnings per share	\$ 135.8	447.0	\$ 0.30
Dilutive effect of share-based awards		3.1	
Diluted earnings per share	\$ 135.8	450.1	\$ 0.30

See Note 6, Share-based Compensation, for a summary of share awards outstanding under the company's share-based payment programs. These programs could result in the issuance of common shares that would affect the measurement of basic and diluted earnings per share.

Options to purchase 4.9 million shares at a weighted average exercise price of £19.19 were outstanding for the six months ended June 30, 2011 (six months ended June 30, 2010: 9.2 million share options at a weighted average exercise price of £20.53), but were not included in the computation of diluted earnings per share because the options exercise price were greater than the average market price of the shares and therefore their inclusion would have been anti-dilutive.

10. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies may arise in the ordinary course of business.

In the normal course of business, the company has transactions with various private equity, real estate and other investment entities sponsored by the company for the investment of client assets. Many of the company's investment products are structured as limited partnerships. The company's investment may take the form of the general partner or a limited partner, and the entities are structured

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such that each partner makes capital commitments that are to be drawn down over the life of the partnership as investment opportunities are identified. At June 30, 2011, the company's undrawn capital commitments were \$183.9 million (December 31, 2010: \$136.4 million).

During the fourth quarter of 2007, Invesco elected to enter into contingent support agreements for two of its investment trusts to enable them to sustain a stable pricing structure. These two trusts are unregistered trusts that invest in fixed income securities and are available only to limited types of investors. In June 2011, the agreements were amended to extend the term through December 31, 2011; further extensions are likely. As of June 30, 2011, the total committed support under these agreements was \$36.0 million with an internal approval mechanism to increase the maximum possible support to \$66.0 million at the option of the company. The estimated value of these agreements at June 30, 2011, was \$1.0 million (December 31, 2010: \$2.0 million), which was recorded in other current liabilities on the Condensed Consolidated Balance Sheet. The estimated value of these agreements is lower than the maximum support amount, reflecting management's estimation that the likelihood of funding under the support agreements is low. Significant investor redemptions out of the trusts before the scheduled maturity of the underlying securities or significant credit default issues of the securities held within the trusts' portfolios could change the company's estimation of likelihood of funding. No payment has been made under either agreement nor has Invesco realized any loss from the support agreements through the date of this Report. These trusts were not consolidated because the company was not deemed to be the primary beneficiary.

A subsidiary of the company has received assessments from the Canada Revenue Agency (CRA) for goods and services tax (GST) related to various taxation periods from April 1999 to December 2006 related to GST on sales charges collected from investors upon the redemption of certain mutual funds. The company objected to the assessments and sought remedial action in the Ontario Superior Court of Justice. In November 2009, the company was successful in such remedial action and, as a result, anticipated successfully contesting the assessments. In November and December 2010, the Appeals Division of the CRA ruled in the company's favor with respect to assessments for certain of these taxation periods; these assessments were reversed by the CRA. At June 30, 2011, the remaining assessments totaled \$2.9 million (December 31, 2010: \$12.3 million). Management believes that the CRA's claims are unfounded and that these assessments are unlikely to stand, and accordingly no provision has been recorded in the Consolidated Financial Statements; however, until resolution of the remaining assessments, the company has secured a letter of credit in favor of the CRA.

The Parent and various company subsidiaries have entered into agreements with financial institutions to guarantee certain obligations of other company subsidiaries. The company would be required to perform under these guarantees in the event of certain defaults. The company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Acquisition Contingencies

Contingent consideration related to acquisitions made prior to January 1, 2009 (the effective date of guidance now encompassed in ASC Topic 805) includes the following:

Earn-outs relating to the Invesco PowerShares acquisition. A contingent payment of up to \$500.0 million could be due in October 2011, five years after the date of acquisition, based on compound annual growth in management fees (as defined and adjusted pursuant to the acquisition agreement) from an assumed base of \$17.5 million at closing. The Year 5 management fees will be reduced by \$50.0 million, for purposes of the calculation, since the second contingent payment was earned. For a compound annual growth rate (CAGR) in Year 5 below 15%, no additional payment will be made. For a CAGR in Year 5 between 15% and 75%, \$5.0 million for each CAGR point above 15%, for a maximum payment of \$300.0 million for a 75% CAGR. For a CAGR in Year 5 between 75% and 100%, \$300.0 million, plus an additional \$8.0 million for each CAGR point above 75%, for a maximum total payment of \$500.0 million for a 100% CAGR. Based on projections through the date of this Report, we do not expect significant payment related to the PowerShares acquisition contingency.

Earn-outs relating to the W.L. Ross & Co. acquisition. Contingent payments of up to \$55.0 million are due each year for the five years following the October 2006 date of acquisition based on the size and number of

future fund launches in which W.L. Ross & Co. is integrally involved.

Table of Contents**Legal Contingencies**

In July 2010, various closed-end funds formerly advised by Van Kampen Investments or Morgan Stanley Investment Management included in the acquired business had complaints filed against them in New York State Court commencing derivative lawsuits purportedly brought on behalf of the common shareholders of those funds. The funds are nominal defendants in these derivative lawsuits and the defendants also include Van Kampen Investments (acquired by Invesco on June 1, 2010), Morgan Stanley Investment Management and certain officers and trustees of the funds who are or were employees of those firms. Invesco has certain obligations under the applicable acquisition agreement regarding the defense costs and any damages associated with this litigation. The plaintiffs allege breaches of fiduciary duties owed by the non-fund defendants to the funds' common shareholders related to the funds' redemption in prior periods of Auction Rate Preferred Securities (ARPS) theretofore issued by the funds. The complaints are similar to other complaints filed against investment advisers, officers and trustees of closed-end funds in other fund complexes which issued and redeemed ARPS. The complaints allege that the advisers, distributors and certain officers and trustees of those funds breached their fiduciary duty by redeeming ARPS at their liquidation value when there was no obligation to do so and when the value of ARPS in the secondary marketplace were significantly below their liquidation value. The complaints also allege that the ARPS redemptions were principally motivated by the fund sponsors' interests to preserve distribution relationships with brokers and other financial intermediaries who held ARPS after having repurchased them from their own clients. The complaints do not specify alleged damages. Certain other funds included in the acquired business have received demand letters expressing similar allegations. Such demand letters could be precursors to additional similar lawsuits being commenced against those other funds. The Boards of Trustees of the funds established special committees of independent trustees to conduct an inquiry regarding the allegations set forth in the complaints and demand letters. Those evaluations have been completed, and the Boards of Trustees of the funds accepted the recommendation of their special litigation committees to (i) reject the demands contained in the demand letters and (ii) to seek dismissal of the related lawsuits.

Invesco believes the cases and other claims identified above should be dismissed or otherwise will terminate, although there can be no assurance of that result. Invesco intends to defend vigorously any cases which may survive beyond initial motions to dismiss. The company cannot predict with certainty, however, the eventual outcome of such cases and other claims, nor whether they will have a material negative impact on the company. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the company. There are many reasons that the company cannot make these assessments, including, among others, one or more of the following: the proceeding is in its early stages; the damages sought are unspecified, unsupported, unexplained or uncertain; the claimant is seeking relief other than compensatory damages; the matter presents novel legal claims or other meaningful legal uncertainties; discovery has not started or is not complete; there are significant facts in dispute; and there are other parties who may share in any ultimate liability.

The company is from time to time involved in litigation relating to other claims arising in the ordinary course of its business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the company's business, financial position, results of operation or liquidity. In management's opinion, adequate accrual has been made as of June 30, 2011 to provide for any such losses that may arise from matters for which the company could reasonably estimate an amount. Furthermore, in management's opinion, it is not possible to estimate a range of reasonably possible losses with respect to other litigation contingencies.

The investment management industry also is subject to extensive levels of ongoing regulatory oversight and examination. In the United States and other jurisdictions in which the company operates, governmental authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to compliance with applicable laws and regulations. Additional lawsuits or regulatory enforcement actions arising out of these inquiries may in the future be filed against the company and related entities and individuals in the U.S. and other jurisdictions in which the company and its affiliates operate. Any material loss of investor and/or client confidence as a result of such inquiries and/or litigation could result in a significant decline in assets under management, which would have an adverse effect on the company's future financial results and its ability to grow its business.

11. CONSOLIDATED INVESTMENT PRODUCTS

The company's consolidated investment products consist of CLOs, private equity, real estate, fund-of-funds, and other investment products. The company's risk with respect to each investment in consolidated investment products is

limited to its equity ownership and any uncollected management fees. Therefore, the gains or losses of consolidated investment products have not had a significant impact on the company's results of operations, liquidity or capital resources. The company has no right to the benefits from, nor does it bear the risks associated with, these investments, beyond the company's minimal direct investments in, and management fees generated from, the investment products. If the company were to liquidate, these investments would not be available to the general

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creditors of the company, and as a result, the company does not consider investments held by consolidated investment products to be company assets. Conversely, if the consolidated investment products were to liquidate, their investors would have no recourse to the general credit of the company.

CLOs

A significant portion of consolidated investment products are CLOs. CLOs are investment vehicles created for the sole purpose of issuing collateralized loan instruments that offer investors the opportunity for returns that vary with the risk level of their investment. The notes issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. For managing the collateral for the CLO entities, the company earns investment management fees, including in some cases subordinated management fees, as well as contingent incentive fees. The company has invested in certain of the entities, generally taking a portion of the unrated, junior subordinated position. The company's investments in CLOs are generally subordinated to other interests in the entities and entitle the company and other subordinated tranche investors to receive the residual cash flows, if any, from the entities. The company's subordinated interest can take the form of (1) subordinated notes, (2) income notes or (3) preference/preferred shares. The company has determined that, although the junior tranches have certain characteristics of equity, they should be accounted for and disclosed as debt on the company's Consolidated Balance Sheet, as the subordinated and income notes have a stated maturity indicating a date for which they are mandatorily redeemable. The preference shares are also classified as debt, as redemption is required only upon liquidation or termination of the CLO and not of the company.

Prior to the adoption of guidance now encompassed in ASC Topic 810 (discussed in Note 1, Accounting Policies), the company's ownership interests, which were classified as available-for-sale investments on the company's Consolidated Balance Sheets, combined with its other interests (management and incentive fees), were quantitatively assessed to determine if the company is the primary beneficiary of these entities. The company determined, for periods prior to the adoption of this guidance, that it did not absorb the majority of the expected gains or losses from the CLOs and therefore was not their primary beneficiary.

Upon adoption of additional guidance now encompassed in ASC Topic 810, the company determined that it was the primary beneficiary of certain CLOs, as it has the power to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, and the obligation to absorb losses/right to receive benefits from the CLOs that could potentially be significant to the CLOs. The primary beneficiary assessment includes an analysis of the rights of the company in its capacity as investment manager. In certain CLOs, the company's role as investment manager provides that the company contractually has the power, as defined in ASC Topic 810, to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, such as managing the collateral portfolio and its credit risk. In other CLOs, the company determined that it does not have this power in its role as investment manager due to certain restrictions that limit its ability to manage the collateral portfolio and its credit risk. Additionally, the primary beneficiary assessment includes an analysis of the company's rights to receive benefits and obligations to absorb losses associated with its first loss position and management/incentive fees. As part of this analysis, the company uses a quantitative model to corroborate its qualitative assessments. The quantitative model includes an analysis of the expected performance of the CLOs and a comparison of the company's absorption of this performance relative to the other investors in the CLOs. The company has determined that it could receive significant benefits and/or absorb significant losses from certain CLOs in which it holds a first loss position and has the right to significant fees. It was determined that the company's benefits and losses from certain other CLOs would not be significant, particularly in situations where the company does not hold a first loss position and where the fee interests are based upon a fixed percentage of collateral asset value.

Private equity, real estate and fund-of-funds (partnerships)

For investment products that are structured as partnerships and are determined to be VIEs, including private equity funds, real estate funds and fund-of-funds products, the company evaluates the structure of the partnership to determine if it is the primary beneficiary of the investment product. This evaluation includes assessing the rights of the limited partners to transfer their economic interests in the investment product. If the limited partners' rights are insufficient to manage their economic interests, they are considered to be de facto agents of the company, which may result in the company determining that it is the primary beneficiary of the investment product. The company generally

takes less than a 1% investment in these entities as the general partner. Non-VIE general partnership investments are deemed to be controlled by the company and are consolidated under a voting interest entity (VOE) model, unless the limited partners have substantive kick-out or participating rights. Interests in unconsolidated private equity funds, real estate funds and fund-of-funds products are classified as equity method investments in the company's Condensed Consolidated Balance Sheets.

Table of ContentsOther investment products

As discussed in Note 10, Commitments and Contingencies, the company has entered into contingent support agreements for two of its investment trusts to enable them to sustain a stable pricing structure, creating variable interests in these VIEs. The company earns management fees from the trusts and has a small investment in one of these trusts. The company was not deemed to be the primary beneficiary of these trusts after considering any explicit and implicit variable interests in relation to the total expected gains and losses of the trusts.

At June 30, 2011, the company's maximum risk of loss in significant VIEs in which the company is not the primary beneficiary is presented in the table below.

\$ in millions	Footnote Reference	Carrying Value	Company's Maximum Risk of Loss
CLO investments	3	0.4	0.4
Partnership and trust investments		31.6	31.6
Investments in Invesco Mortgage Capital Inc.		31.8	31.8
Support agreements*	10	(1.0)	36.0
Total			99.8

* As of June 30, 2011, the committed support under these agreements was \$36.0 million with an internal approval mechanism to increase the maximum possible support to \$66.0 million at the option of the company.

During the six months ended June 30, 2011, no additional entities were consolidated or deconsolidated. During the six months ended June 30, 2010, entities were consolidated due to the adoption of guidance now encompassed in ASC Topic 810 as well as the initial consolidation of certain CLOs acquired in the June 1, 2010 acquisition. The table below illustrates the summary balance sheet amounts related to these entities consolidated during the six months ended June 30, 2010. Balances are reflective of the amounts at the respective consolidation dates and are before consolidation into the company.

Balance Sheet

\$ in millions	CLOs - VIEs
During the six months ended June 30, 2010	
Current assets	254.6
Non-current assets	6,188.1
Total assets	6,442.7
Current liabilities	154.2
Non-current liabilities	5,883.4
Total liabilities	6,037.6
Total equity	405.1
Total liabilities and equity	6,442.7

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The following tables reflect the impact of consolidation of investment products into the Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010, and the Condensed Consolidated Statements of Income for the six months ended June 30, 2011 and 2010.

Condensed Consolidating Balance Sheets

\$ in millions	Before Consolidation⁽¹⁾	CLOs-VIEs	Other VIEs	VOEs	Adjustments⁽²⁾	Total
As of June 30, 2011						
Current assets	3,706.4	665.5	2.6	151.2	(67.0)	4,458.7
Non-current assets	9,197.1	6,415.6	51.1	883.0	(89.9)	16,456.9
Total assets	12,903.5	7,081.1	53.7	1,034.2	(156.9)	20,915.6
Current liabilities	2,990.7	399.7	0.6	8.9	(35.3)	3,364.6
Long-term debt of consolidated investment products		6,341.2			(48.5)	6,292.7
Other non-current liabilities	2,060.5					2,060.5
Total liabilities	5,051.2	6,740.9	0.6	8.9	(83.8)	11,717.8
Retained earnings appropriated for investors in consolidated investment products		340.2				340.2
Other equity attributable to common shareholders	7,847.6		0.1	73.5	(73.1)	7,848.1
Equity attributable to noncontrolling interests in consolidated entities	4.7		53.0	951.8		1,009.5
Total liabilities and equity	12,903.5	7,081.1	53.7	1,034.2	(156.9)	20,915.6
As of December 31, 2010						
Current assets	3,480.0	679.3	3.7	133.8	(22.3)	4,274.5
Non-current assets	9,025.1	6,204.6	59.6	941.3	(61.0)	16,169.6
Total assets	12,505.1	6,883.9	63.3	1,075.1	(83.3)	20,444.1
Current liabilities	2,777.9	500.2	0.9	7.8	(22.3)	3,264.5
		5,888.2			(22.8)	5,865.4

Long-term debt of consolidated investment products						
Other non-current liabilities	1,953.3					1,953.3
Total liabilities	4,731.2	6,388.4	0.9	7.8	(45.1)	11,083.2
Retained earnings appropriated for investors in consolidated investment products		495.5				495.5
Other equity attributable to common shareholders	7,769.1		0.1	38.1	(38.2)	7,769.1
Equity attributable to noncontrolling interests in consolidated entities	4.8		62.3	1,029.2		1,096.3
Total liabilities and equity	12,505.1	6,883.9	63.3	1,075.1	(83.3)	20,444.1

- (1) The Before Consolidation column includes Invesco's equity interest in the investment products subsequently consolidated, accounted for as equity method and available-for-sale investments.
- (2) Adjustments include the elimination of intercompany transactions between the company and its consolidated investment products, primarily the elimination of the company's equity at risk recorded as investments by the company (before consolidation) against either the equity (private equity and real estate partnership funds) or debt (CLOs) of the consolidated investment products.

Table of Contents**Condensed Consolidating Statements of Income**

\$ in millions	Before Consolidation⁽¹⁾	CLOs-VIEs	Other VIEs	VOEs	Adjustments⁽¹⁾⁽²⁾	Total
Three months ended June 30, 2011						
Total operating revenues	1,082.1			0.1	(12.2)	1,070.0
Total operating expenses	833.4	12.1	0.2	3.5	(12.2)	837.0
Operating income	248.7	(12.1)	(0.2)	(3.4)		233.0
Equity in earnings of unconsolidated affiliates	10.5				0.3	10.8
Interest and dividend income	4.0	79.8			(1.6)	82.2
Other investment income/(losses)	6.0	(73.8)	0.6	3.4	5.1	(58.7)
Interest expense	(16.0)	(48.1)			1.6	(62.5)
Income before income taxes	253.2	(54.2)	0.4		5.4	204.8
Income tax provision	(75.4)					(75.4)
Net income	177.8	(54.2)	0.4		5.4	129.4
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net		54.2	(0.4)	(0.2)		53.6
Net income attributable to common shareholders	177.8			(0.2)	5.4	183.0
Three months ended June 30, 2010						
Total operating revenues	799.3				(12.3)	787.0
Total operating expenses	712.9	10.2	0.6	4.2	(12.3)	715.6
Operating income	86.4	(10.2)	(0.6)	(4.2)		71.4
Equity in earnings of unconsolidated affiliates	10.6				(0.2)	10.4
Interest and dividend income	1.8	54.3			(1.2)	54.9
Other investment income/(losses)	(9.3)	155.7	1.3	27.8	2.4	177.9
Interest expense	(14.1)	(26.8)			1.2	(39.7)
	75.4	173.0	0.7	23.6	2.2	274.9

Income before income taxes						
Income tax provision	(36.7)					(36.7)
Net income	38.7	173.0	0.7	23.6	2.2	238.2
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.1)	(173.0)	(0.7)	(23.6)		(197.4)
Net income attributable to common shareholders	38.6				2.2	40.8

- (1) The Before Consolidation column includes Invesco's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies were effectively aligned, resulting in the reclassification of the company's gain for the three months ended June 30, 2011 of \$5.1 million (representing the increase in the market value of the company's holding in the consolidated CLOs) from other comprehensive income into other gains/losses (three months ended June 30, 2010: \$2.4 million). The company's gain on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting loss on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through consolidation.
- (2) Adjustments include the elimination of intercompany transactions between the company and its consolidated investment products, primarily the elimination of management fees expensed by the funds and recorded as operating revenues (before consolidation) by the company.

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\$ in millions	Before Consolidation⁽¹⁾	CLOs-VIEs	Other VIEs	VOEs	Adjustments⁽¹⁾⁽²⁾	Total
Six months ended						
June 30, 2011						
Total operating revenues	2,120.5			0.1	(23.3)	2,097.3
Total operating expenses	1,631.3	24.3	0.5	5.8	(23.3)	1,638.6
Operating income	489.2	(24.3)	(0.5)	(5.7)		458.7
Equity in earnings of unconsolidated affiliates	18.4				(0.9)	17.5
Interest and dividend income	7.3	154.0			(2.8)	158.5
Other investment income/(losses)	13.9	(210.6)	0.9	44.5	15.0	(136.3)
Interest expense	(32.2)	(89.3)			2.8	(118.7)
Income before income taxes	496.6	(170.2)	0.4	38.8	14.1	379.7
Income tax provision	(151.0)					(151.0)
Net income	345.6	(170.2)	0.4	38.8	14.1	228.7
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	0.1	170.2	(0.4)	(38.1)		131.8
Net income attributable to common shareholders	345.7			0.7	14.1	360.5
Six months ended						
June 30, 2010						
Total operating revenues	1,528.8			0.2	(22.9)	1,506.1
Total operating expenses	1,291.9	21.2	1.0	6.6	(22.9)	1,297.8
Operating income	236.9	(21.2)	(1.0)	(6.4)		208.3
Equity in earnings of unconsolidated affiliates	16.6				(0.4)	16.2
Interest and dividend income	3.4	107.4			(1.8)	109.0
Other investment income/(losses)	(11.4)	239.4	4.5	42.6	3.8	278.9
Interest expense	(26.5)	(48.2)			1.8	(72.9)
Income before income taxes	219.0	277.4	3.5	36.2	3.4	539.5

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Income tax provision	(86.8)					(86.8)
Net income	132.2	277.4	3.5	36.2	3.4	452.7
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.2)	(277.4)	(3.5)	(35.8)		(316.9)
Net income attributable to common shareholders	132.0			0.4	3.4	135.8

- (1) The Before Consolidation column includes Invesco's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies were effectively aligned, resulting in the reclassification of the company's gain for the six months ended June 30, 2011 of \$15.0 million (representing the increase in the market value of the company's holding in the consolidated CLOs) from other comprehensive income into other gains/losses (six months ended June 30, 2010: \$3.8 million). The company's gain on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting loss on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through consolidation.
- (2) Adjustments include the elimination of intercompany transactions between the company and its consolidated investment products, primarily the elimination of management fees expensed by the funds and recorded as operating revenues (before consolidation) by the company.

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The carrying value of investments held, derivative contracts, and notes issued by consolidated investment products is also their fair value. The following table presents the fair value hierarchy levels of investments held, derivative contracts, and notes issued by consolidated investment products, which are measured at fair value as of June 30, 2011:

	As of June 30, 2011			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
\$ in millions	Measurements			
Assets:				
CLO collateral assets:				
Bank loans	6,050.5		6,050.5	
Bonds	326.3	326.3		
Equity securities	38.8	38.8		
CLO-related derivative assets	16.5		16.5	
Private equity fund assets:				
Equity securities	132.9	15.7		117.2
Investments in other private equity funds	568.9			568.9
Debt securities issued by the U.S. Treasury	8.5	8.5		
Real estate investments	223.7			223.7
Total assets at fair value	7,366.1	389.3	6,067.0	909.8
Liabilities:				
CLO notes	(6,292.7)			(6,292.7)
CLO-related derivative liabilities	(7.5)		(7.5)	
Total liabilities at fair value	(6,300.2)		(7.5)	(6,292.7)

The following table presents the fair value hierarchy levels of investments held, derivative contracts, and notes issued by consolidated investment products, which are measured at fair value as of December 31, 2010:

	As of December 31, 2010			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
\$ in millions	Measurements			
Assets:				
CLO collateral assets:				
Bank loans	5,910.6		5,910.6	
Bonds	261.1	261.1		

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Equity securities	32.9	32.9		
CLO-related derivative assets	20.2		20.2	
Private equity fund assets:				
Equity securities	114.4	17.6		96.8
Investments in other private equity funds	586.1			586.1
Debt securities issued by the U.S. Treasury	11.0	11.0		
Real estate investments	289.9			289.9
Total assets at fair value	7,226.2	332.6	5,930.8	972.8
Liabilities:				
CLO notes	(5,865.4)			(5,865.4)
CLO-related derivative liabilities	(6.6)		(6.6)	
Total liabilities at fair value	(5,872.0)		(6.6)	(5,865.4)

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The following table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities using significant unobservable inputs:

\$ in millions	Three months Ended June 30, 2011		Six months Ended June 30, 2011	
	Level 3 Assets	Level 3 Liabilities	Level 3 Assets	Level 3 Liabilities
Beginning balance	950.3	(6,291.0)	972.8	(5,865.4)
Purchases, sales, issuances, and settlements/prepayments, net*	(40.4)	160.8	(104.6)	260.0
Gains and losses included in the Condensed Consolidated Statements of Income**	5.7	(52.8)	47.4	(433.7)
Foreign exchange	(5.8)	(109.7)	(5.8)	(253.6)
Ending balance	909.8	(6,292.7)	909.8	(6,292.7)

\$ in millions	Three months Ended June 30, 2010		Six months Ended June 30, 2010	
	Level 3 Assets	Level 3 Liabilities	Level 3 Assets	Level 3 Liabilities
Beginning balance	665.5	(5,119.1)	667.1	(5,234.9)
Purchases, sales, issuances, and settlements/prepayments, net*	(30.1)	55.0	(47.3)	102.4
Acquisition of business		(630.2)		(630.2)
Gains and losses included in the Condensed Consolidated Statements of Income**	27.3	119.0	42.9	55.9
Foreign exchange		170.9		302.4
Ending balance	662.7	(5,404.4)	662.7	(5,404.4)

* Prior to the adoption of guidance included in ASU 2010-06, discussed in Note 1, Accounting Policies, purchases and sales, were presented net. For the three and six months ended June 30, 2011, the consolidated funds recorded \$17.7 million and \$26.9 million related to purchase activity and \$58.1 million and \$131.5 million of sale activity, respectively, of level 3 assets. For three and six months ended June 30, 2011, the consolidated funds recorded \$160.8 million and \$260.0 million, respectively, related to the settlement of level 3 liabilities.

** Included in gains and losses of consolidated investment products in the Condensed Consolidated Statement of Income for the three and six months ended June 30, 2011 are \$6.9 million in net unrealized losses and \$11.0 million in net unrealized gains, respectively, attributable to investments still held at June 30, 2011 by consolidated investment products (three and six months ended June 30, 2010: \$23.5 million and \$42.1 million, respectively, attributable to investments still held at June 30, 2010).

Unforeseen events might occur that would subsequently change the fair values of investments of consolidated investment products, but such changes would be inconsequential to the company due to its minimal investments in these products (and the large offsetting appropriated retained earnings and noncontrolling interests resulting from their consolidation). Any gains or losses resulting from valuation changes in these investments are substantially offset by resulting changes in gains and losses attributable to noncontrolling interests in consolidated entities and therefore do not have a material effect on the financial condition, operating results (including earnings per share), liquidity or

capital resources of the company's common shareholders.

Fair value of consolidated CLOs

The company elected the fair value option for collateral assets held and notes issued by its consolidated CLOs to eliminate the measurement and recognition inconsistency that would otherwise arise from measuring assets and liabilities and recognizing the related gains and losses on different accounting bases.

The collateral assets held by consolidated CLOs are primarily invested in senior secured bank loans, bonds, and equity securities. Bank loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans from a variety of industries, including but not limited to the aerospace and defense, broadcasting, technology, utilities, household products, healthcare, oil and gas, and finance industries. Bank loan investments mature at various dates between 2011 and 2021, pay interest at Libor or Euribor plus a spread of up to 13.0%, and typically range in S&P credit rating categories from BBB down to unrated. At June 30, 2011 the unpaid principal balance exceeded the fair value of the senior secured bank loans and bonds by approximately \$349 million (December 31, 2010: \$261 million excess). Less than 1% of the collateral assets are in default as of June 30, 2011 (December

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31, 2010: less than 2% of the collateral assets were in default). CLO investments are valued based on price quotations provided by an independent third-party pricing source. For bank loan investments, in the event that the third-party pricing source is unable to price an investment, other relevant factors, data and information are considered, including: i) information relating to the market for the investment, including price quotations for and trading in the investment and interest in similar investments and the market environment and investor attitudes towards the investment and interests in similar investments; ii) the characteristics of and fundamental analytical data relating to the investment, including, for senior secured corporate loans, the cost, current interest rate, period until next interest rate reset, maturity and base lending rate, the terms and conditions of the senior secured corporate loan and any related agreements, and the position of the senior secured corporate loan in the borrower's debt structure; iii) the nature, adequacy and value of the senior secured corporate loan's collateral, including the CLO's rights, remedies and interests with respect to the collateral; iv) the creditworthiness of the borrower, based on an evaluation of its financial condition, financial statements and information about the business, cash flows, capital structure and future prospects; v) the reputation and financial condition of the agent and any intermediate participants in the senior secured corporate loan; and vi) general economic and market conditions affecting the fair value of the senior secured corporate loan.

Notes issued by consolidated CLOs mature at various dates between 2014 and 2024 and have a weighted average maturity of 9.4 years. The notes are issued in various tranches with different risk profiles. The interest rates are generally variable rates based on Libor or Euribor plus a pre-defined spread, which varies from 0.21% for the more senior tranches to 7.50% for the more subordinated tranches. At June 30, 2011, the outstanding balance on the notes issued by consolidated CLOs exceeds their fair value by approximately \$0.8 billion (December 31, 2010: \$1.2 billion excess). The investors in this debt are not affiliated with the company and have no recourse to the general credit of the company. Notes issued by CLOs are recorded at fair value using an income approach. Fair value is determined using current information, notably market yields and projected cash flows of collateral assets, which are impacted by forecasted default and recovery rates. Market yields, default rates and recovery rates used in the company's estimate of fair value vary based on the nature of the investments in the underlying collateral pools. In periods of rising market yields, default rates and lower debt recovery rates, the fair value, and therefore the carrying value, of the notes may be adversely affected. The current liquidity constraints within the market for CLO products require the use of certain unobservable inputs for CLO valuation. Once the undiscounted cash flows of the collateral assets have been determined, the company applies market participant discount rates to determine the fair value of the notes.

The significant inputs used in the valuation of the notes issued by consolidated CLOs include a cumulative average default rate between 1% and 4% and discount rates derived by utilizing the applicable forward rate curves and appropriate spreads.

Certain consolidated CLOs with Euro-denominated debt have entered into swap agreements with various counterparties to hedge economically interest rate and foreign exchange risk related to CLO collateral assets with non-Euro interest rates and currencies. These swap agreements are not designated as qualifying as hedging instruments. The fair value of derivative contracts in an asset position is included in the company's Condensed Consolidated Balance Sheet in other current assets, and the fair value of derivative contracts in a liability position is included in the company's Condensed Consolidated Balance Sheet in other current liabilities. These derivative contracts are valued under an income approach using forecasted interest rates and are classified within level 2 of the valuation hierarchy. Changes in fair value of \$1.9 million and \$5.7 million are reflected in gains/(losses) of consolidated investment products, net on the company's Condensed Consolidated Statement of Income for the three and six months ended June 30, 2011 (three months and six months ended June 30, 2010: none). As of June 30, 2011, there were 80 open swap agreements with a notional value of \$161.0 million (December 31, 2010: 105 open swap agreements with a notional value of \$168.4 million). Swap maturities are tied to the maturity of the underlying collateral assets.

Fair value of consolidated private equity funds

Consolidated private equity funds are generally structured as partnerships. Generally, the investment strategy of underlying holdings in these partnerships is to seek capital appreciation through direct investments in public or private companies with compelling business models or ideas or through investments in partnership investments that also invest in similar private or public companies. Various strategies may be used. Companies targeted could be distressed

organizations, targets of leveraged buyouts or fledgling companies in need of venture capital. Investees of these consolidated investment products may not redeem their investment until the partnership liquidates. Generally, the partnerships have a life that range from seven to twelve years unless dissolved earlier. The general partner may extend the partnership term up to a specified period of time as stated in the Partnership Agreement. Some partnerships allow the limited partners to cause an earlier termination upon the occurrence of certain events as specified in the Partnership Agreement.

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For private equity partnerships, fair value is determined by reviewing each investment for the sale of additional securities of an issuer to sophisticated investors or for investee financial conditions and fundamentals. Publicly traded portfolio investments are carried at market value as determined by their most recent quoted sale, or if there is no recent sale, at their most recent bid price. For these investments held by consolidated investment products, level 1 classification indicates that fair values have been determined using unadjusted quoted prices in active markets for identical assets that the partnership has the ability to access. Level 2 classification may indicate that fair values have been determined using quoted prices in active markets but give effect to certain lock-up restrictions surrounding the holding period of the underlying investments.

The fair value of level 3 investments held by consolidated investment products are derived from inputs that are unobservable and which reflect the limited partnerships' own determinations about the assumptions that market participants would use in pricing the investments, including assumptions about risk. These inputs are developed based on the partnership's own data, which is adjusted if information indicates that market participants would use different assumptions. The partnerships which invest directly into private equity portfolio companies (direct private equity funds) take into account various market conditions, subsequent rounds of financing, liquidity, financial condition, purchase multiples paid in other comparable third-party transactions, the price of securities of other companies comparable to the portfolio company, and operating results and other financial data of the portfolio company, as applicable.

The partnerships which invest into other private equity funds (funds-of-funds) take into account information received from those underlying funds, including their reported net asset values and evidence as to their fair value approach, including consistency of their fair value application. These investments do not trade in active markets and represent illiquid long-term investments that generally require future capital commitments. While the partnerships reported share of the underlying net asset values of the underlying funds is usually the most significant input in arriving at fair value and is generally representative of fair value, other information may also be used to value such investments at a premium or discount to the net asset values as reported by the funds, including allocations of priority returns within the funds as well as any specific conditions and events affecting the funds.

Fair value of consolidated real estate funds

Consolidated real estate funds are structured as limited liability companies. These limited liability companies invest in other real estate investment vehicles, and these investments are carried at fair value and presented as investments in consolidated investment products. The net asset value of the underlying vehicles, which primarily consists of the real estate investment value and mortgage loans, is adjusted to fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Real estate assets are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Due to the illiquid nature of investments made in real estate companies, all of the real estate assets are classified as level 3. The real estate investment vehicles use one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available to value investments classified within level 3. The income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used in estimating the value of level 3 investments include the original transaction price, recent transactions in the same or similar instruments, as well as completed or pending third-party transactions in the underlying investment or comparable investments. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability. Other inputs used include discount rates, cap rates and income and expense assumptions. The fair value measurement of level 3 investments does not include transaction costs and acquisition fees that may have been capitalized as part of the investment's cost basis. Due to the lack of observable inputs, the assumptions used may significantly impact the resulting fair value and therefore the consolidated real estate vehicles' results of operations.

12. GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Invesco Holding Company Limited, the Issuer and a subsidiary of Invesco Ltd. (the Parent), issued 5.625% \$300.0 million senior notes due 2012, 5.375% \$350.0 million senior notes due 2013, and 5.375% \$200.0 million

senior notes due 2014. These senior notes, are fully and unconditionally guaranteed as to payment of principal, interest and any other amounts due thereon by the Parent, together with the following wholly owned subsidiaries: Invesco Management Group, Inc., Invesco Advisers, Inc., and Invesco North American Holdings, Inc. (the Guarantors). The company's remaining consolidated subsidiaries do not guarantee this debt. The guarantees of each of the Guarantors are joint and several. Presented below are Condensed Consolidating Balance Sheets as of June 30, 2011, and December 31, 2010, Condensed Consolidating Statements of Income for the three and six months ended June 30, 2011 and 2010, and Condensed Consolidating Statements of Cash Flows for the six months ended June 30, 2011 and 2010.

Table of Contents**Condensed Consolidating Balance Sheets**

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
As of June 30, 2011						
Assets held for policyholders		1,373.2				1,373.2
Other current assets	246.7	2,800.0	1.8	37.0		3,085.5
Total current assets	246.7	4,173.2	1.8	37.0		4,458.7
Goodwill	2,323.2	4,309.4	458.0			7,090.6
Investments in subsidiaries	1,241.3	7.6	5,021.6	8,542.3	(14,812.8)	
Other non-current assets	583.6	8,775.6	4.3	2.8		9,366.3
Total assets	4,394.8	17,265.8	5,485.7	8,582.1	(14,812.8)	20,915.6
Policyholder payables		1,373.2				1,373.2
Other current liabilities	69.7	1,690.4	230.5	0.8		1,991.4
Total current liabilities	69.7	3,063.6	230.5	0.8		3,364.6
Intercompany balances	838.4	(1,275.7)	44.3	393.0		
Non-current liabilities	929.8	6,892.8	530.6			8,353.2
Total liabilities	1,837.9	8,680.7	805.4	393.8		11,717.8
Total equity attributable to common shareholders	2,556.9	7,575.6	4,680.3	8,188.3	(14,812.8)	8,188.3
Equity attributable to noncontrolling interests in consolidated entities		1,009.5				1,009.5
Total equity	2,556.9	8,585.1	4,680.3	8,188.3	(14,812.8)	9,197.8
Total liabilities and equity	4,394.8	17,265.8	5,485.7	8,582.1	(14,812.8)	20,915.6
December 31, 2010						
Assets held for policyholders		1,295.4				1,295.4
Other current assets	175.7	2,766.7	3.0	33.7		2,979.1
Total current assets	175.7	4,062.1	3.0	33.7		4,274.5
Goodwill	2,322.9	4,216.5	440.8			6,980.2

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Investments in subsidiaries	1,333.8	5.5	4,766.1	8,400.6	(14,506.0)	
Other non-current assets	557.0	8,625.0	4.5	2.9		9,189.4
Total assets	4,389.4	16,909.1	5,214.4	8,437.2	(14,506.0)	20,444.1
Policyholder payables		1,295.4				1,295.4
Other current liabilities	112.5	1,850.4	5.5	0.7		1,969.1
Total current liabilities	112.5	3,145.8	5.5	0.7		3,264.5
Intercompany balances	1,299.8	(1,449.6)	(22.1)	171.9		
Non-current liabilities	597.0	6,476.0	745.7			7,818.7
Total liabilities	2,009.3	8,172.2	729.1	172.6		11,083.2
Total equity attributable to common shareholders	2,380.1	7,640.6	4,485.3	8,264.6	(14,506.0)	8,264.6
Equity attributable to noncontrolling interests in consolidated entities		1,096.3				1,096.3
Total equity	2,380.1	8,736.9	4,485.3	8,264.6	(14,506.0)	9,360.9
Total liabilities and equity	4,389.4	16,909.1	5,214.4	8,437.2	(14,506.0)	20,444.1

Table of Contents**Condensed Consolidating Statements of Income**

\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the three months ended June 30, 2011						
Total operating revenues	338.5	731.5				1,070.0
Total operating expenses	208.7	620.3	0.2	7.8		837.0
Operating income/(loss)	129.8	111.2	(0.2)	(7.8)		233.0
Equity in earnings of unconsolidated affiliates	2.3	8.1	94.9	185.9	(280.4)	10.8
Other income/(expense)	(33.5)	(9.8)	(0.6)	4.9		(39.0)
Income before income taxes	98.6	109.5	94.1	183.0	(280.4)	204.8
Income tax provision	(40.0)	(34.5)	(0.9)			(75.4)
Net income	58.6	75.0	93.2	183.0	(280.4)	129.4
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net		53.6				53.6
Net income attributable to common shareholders	58.6	128.6	93.2	183.0	(280.4)	183.0
For the three months ended June 30, 2010						
Total operating revenues	230.1	556.9				787.0
Total operating expenses	183.3	528.5	0.2	3.6		715.6
Operating income/(losses)	46.8	28.4	(0.2)	(3.6)		71.4
Equity in earnings of unconsolidated affiliates	3.2	7.0	22.6	44.2	(66.6)	10.4
Other income/(expense)	(26.7)	235.3	(15.7)	0.2		193.1
Income before income taxes	23.3	270.7	6.7	40.8	(66.6)	274.9
Income tax provision	(6.5)	(28.1)	(2.1)			(36.7)
Net income	16.8	242.6	4.6	40.8	(66.6)	238.2
(Gains)/Losses attributable to the noncontrolling interests in consolidated entities, net of tax		(197.4)				(197.4)
	16.8	45.2	4.6	40.8	(66.6)	40.8

Net income attributable to
common shareholders

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\$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Adjustments	Consolidated
For the six months ended June 30, 2011						
Total operating revenues	668.7	1,428.6				2,097.3
Total operating expenses	415.0	1,211.1		12.5		1,638.6
Operating income/(loss)	253.7	217.5		(12.5)		458.7
Equity in earnings of unconsolidated affiliates	0.6	16.3	217.2	367.7	(584.3)	17.5
Other income/(expense)	(66.5)	(34.3)	(1.0)	5.3		(96.5)
Income before income taxes	187.8	199.5	216.2	360.5	(584.3)	379.7
Income tax provision	(70.1)	(68.7)	(12.2)			(151.0)
Net income	117.7	130.8	204.0	360.5	(584.3)	228.7
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net		131.8				131.8
Net income attributable to common shareholders	117.7	262.6	204.0	360.5	(584.3)	360.5
For the six months ended June 30, 2010						
Total operating revenues	411.3	1,094.8				1,506.1
Total operating expenses	323.7	967.2	0.8	6.1		1,297.8
Operating income/(losses)	87.6	127.6	(0.8)	(6.1)		208.3
Equity in earnings of unconsolidated affiliates	2.9	13.0	72.0	144.0	(215.7)	16.2
Other income/(expense)	(44.7)	392.1	(30.3)	(2.1)		315.0
Income before income taxes	45.8	532.7	40.9	135.8	(215.7)	539.5
Income tax provision	(23.9)	(64.9)	2.0			(86.8)
Net income	21.9	467.8	42.9	135.8	(215.7)	452.7
(Gains)/Losses attributable to the noncontrolling interests in consolidated entities, net of tax		(316.9)				(316.9)
	21.9	150.9	42.9	135.8	(215.7)	135.8

Net income attributable to
common shareholders

Condensed Consolidating Statements of Cash Flows

\$ in millions	Guarantors	Non- Guarantors	Issuer	Parent	Adjustments	Consolidated
For the six months ended June 30, 2011						
Net cash (used in)/provided by operating activities	(243.0)	77.5	63.8	440.0	(192.3)	146.0
Net cash (used in)/provided by investing activities	(22.1)	325.3	(64.6)	(6.2)	(2.5)	229.9
Net cash (used in)/provided by financing activities	268.0	(540.8)		(431.5)	194.8	(509.5)
(Decrease)/increase in cash and cash equivalents	2.9	(138.0)	(0.8)	2.3		(133.6)

\$ in millions	Guarantors	Non- Guarantors	Issuer	Parent	Adjustments	Consolidated
For the six months ended June 30, 2010						
Net cash (used in)/provided by operating activities	(38.2)	(99.3)	59.4	47.9	(33.2)	(63.4)
Net cash (used in)/provided by investing activities	(660.1)	363.4	(59.3)	(9.3)	(193.8)	(559.1)
Net cash (used in)/provided by financing activities	650.0	(403.8)		(38.9)	227.0	434.3
(Decrease)/increase in cash and cash equivalents	(48.3)	(139.7)	0.1	(0.3)		(188.2)

Table of Contents**13. SUBSEQUENT EVENTS**

On July 25, 2011, the company's Board of Directors declared a second quarter 2011 dividend of \$0.1225 per share, payable on September 8, 2011, to shareholders of record at the close of business on August 22, 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Consolidated Financial Statements and related Notes thereto, which appear elsewhere in this Report. Except for the historical financial information, this Report may include statements that constitute forward-looking statements under the United States securities laws. Forward-looking statements include information concerning possible or assumed future results of our operations, expenses, earnings, liquidity, cash flows and capital expenditures, industry or market conditions, assets under management, acquisition activities and the effect of completed acquisitions, debt levels and our ability to obtain additional financing or make payments on our debt, regulatory developments, demand for and pricing of our products and other aspects of our business or general economic conditions. In addition, when used in this Report, the documents incorporated by reference herein or such other documents or statements, words such as believes, expects, anticipates, intends, plans, estimates, projects, forecasts, and future or conditional verbs such as will, may, could, should, and would, and any other statement necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in our most recent Form 10-K and subsequent Forms 10-Q, filed with the Securities and Exchange Commission.

References

In this Report, unless otherwise specified, the terms we, our, us, company, Invesco, and Invesco Ltd. refer to Invesco Ltd., a company incorporated in Bermuda, and its subsidiaries.

Executive Overview

The following executive overview summarizes the significant trends affecting our results of operations and financial condition for the periods presented. This overview and the remainder of this management's discussion and analysis supplements, and should be read in conjunction with, the Condensed Consolidated Financial Statements of Invesco Ltd. and its subsidiaries and the notes thereto contained elsewhere in this Report.

Invesco is a leading independent global investment manager with offices in more than 20 countries. As of June 30, 2011, we managed \$653.7 billion in assets for retail, institutional and high-net-worth investors around the world. By delivering the combined power of our distinctive worldwide investment management capabilities, Invesco provides a comprehensive array of enduring solutions for our clients. We have a significant presence in the institutional and retail segments of the investment management industry in North America, U.K., Europe and Asia-Pacific, serving clients in more than 100 countries.

Equity market performance during the second quarter was mixed around the globe as a late quarter rally could not overcome a mid-quarter decline that saw equity markets sell off for six straight weeks. The sell-off was driven, in large part, by concerns over the sustainability of the global economic recovery and the continued scrutiny of the ability of Greece to meet its debt obligations. In the three months ended June 30, 2011, the S&P 500 Index declined 0.4%, the Nikkei 225 increased 0.6%, the FTSE 100 Index gained 0.6%, while the MSCI Emerging Markets index declined 2.1%.

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The table below summarizes the returns of several major market indices for the three and six months ended June 30, 2011 and 2010:

Index	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
S&P 500	(0.4%)	(11.9%)	5.0%	(7.6%)
FTSE 100	0.6%	(13.4%)	0.8%	(9.2%)
Nikkei 225	0.6%	(15.4%)	(4.0%)	(11.0%)
MSCI Emerging Markets	(2.1%)	(9.1%)	(0.4%)	(7.2%)

While equity markets achieved mixed returns during the second quarter, credit markets achieved positive returns across a number of fixed income asset classes. Investor trepidation regarding the strength of the global economy and continued European sovereign debt issues saw strong interest for the relative safety of fixed income securities. In the three months ended June 30, 2011, U.S. Treasury securities, as measured by the 10-year bond, returned 3.6%, while investment grade and high yield corporate debt returned 2.5% and 1.1% respectively.

European Infrastructure

The company is undertaking a broad, transformational initiative to build on its strong position in the European market and to position the business for competitive success in light of significant regulatory changes. This initiative is designed to enhance the European business product platform, better leverage our cross-border distribution efforts, and align our European infrastructure in advance of new regulation. Combined, we believe these forward looking steps will enhance our ability to deliver Invesco's comprehensive global investment capabilities to European clients and further strengthen the firm's competitive position in this region.

As part of this initiative, during the three months ended June 30, 2011, the company announced that it would outsource its transfer agency function in Europe, which is presently operated internally. This outsourcing activity is expected to be completed by December, 2012. We believe that taking steps today to outsource our European transfer agency will allow the firm to better respond in the future to the pending but still uncertain regulatory environment. It is too early to accurately forecast the implications of all the proposed regulations (e.g., MIFID II in Europe and the Retail Distribution Review in the U.K.), but it is clear that these have the potential to significantly change the relationships between distributors, clients and investment managers. Under any likely scenario, we believe outsourcing our European transfer agency will reduce both the cost and risk of operations for us and will allow us to react more swiftly to changes in the marketplace, and therefore further solidify and strengthen our competitive position.

During the three months ended June 30, 2011, the company incurred \$5.8 million of costs directly related to the implementation of this initiative and will incur total implementation costs of up to \$40 million by the projected completion date of December 2012. The \$40 million estimate is based on the expected cost to outsource our European transfer agency and on our plans to make certain structural changes to our product and distribution platforms. As regulations become more clear in the future, we will be able to provide updated estimates of the implementation costs and benefits of this initiative, to the extent that clarity of regulations affects the scope of the initiative. The implementation costs associated with the European transformation will include primarily systems and data conversion, surplus leased space, staff severance related to a reduction in headcount of approximately 330 employees, fund redomicile, legal, and consulting costs. These costs will be included within the respective expense line items in the U.S. GAAP Condensed Consolidated Income Statement and will be excluded in arriving at non-GAAP earnings information. This initiative is expected to generate material ongoing cost savings that will more than fully offset the implementation expense within a three year time frame after completion.

Table of Contents**Presentation of Management's Discussion and Analysis of Financial Condition and Results of Operations**

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance and are referred to as consolidated investment products. See Part I, Item 1, Financial Statements Note 11, Consolidated Investment Products, for additional details.

Effective January 1, 2010, the company adopted guidance now encompassed in Accounting Standards Codification Topic 810, Consolidation. The adoption of this guidance had a significant impact on the presentation of the company's financial statements in 2010, as its provisions required the company to consolidate certain CLOs that were not previously consolidated. The majority of the company's consolidated investment products balances are CLO-related. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability.

The impact of consolidation of investment products is so significant to the presentation of the company's financial statements (but not to the underlying financial condition or results of operations of the company) that the company has elected to deconsolidate these products in its non-GAAP disclosures. The following discussion therefore combines the results presented under U.S. generally accepted accounting principles (GAAP) with the company's non-GAAP presentation. There are four distinct sections within this Management's Discussion and Analysis of Financial Condition and Results of Operations after the Assets Under Management discussion:

Results of Operations (for the three and six months ended June 30, 2011 compared with the three and six months ended June 30, 2010);

Schedule of Non-GAAP Information;

Balance Sheet Discussion; and

Liquidity and Capital Resources.

Each of the financial statement summary sections (Results of Operations, Balance Sheet Discussion, and Liquidity and Capital Resources) begins with a table illustrating the impact of the consolidation of investment products. The narrative that follows each of these sections separately provides discussion of the underlying financial statement activity for the company, before consolidation of investment products, as well as of the financial statement activity of consolidated investment products. Additionally, wherever a non-GAAP measure is referenced, a disclosure will follow in the narrative or in the note referring the reader to the Schedule of Non-GAAP Information, where additional details regarding the use of the non-GAAP measure by the company are disclosed, along with reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures. To further enhance the readability of the Results of Operations section, separate tables for each of the revenue, expense, and non-operating income/expense sections of the income statement introduce the narrative that follows, providing a section-by-section review of the company's income statements for the periods presented.

Table of Contents**Summary Operating Information**

Summary operating information is presented in the table below:

U.S. GAAP Financial Measures Summary	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Operating revenues	\$ 1,070.0m	\$ 787.0m	\$ 2,097.3m	\$ 1,506.1m
Operating income	\$ 233.0m	\$ 71.4m	\$ 458.7m	\$ 208.3m
Operating margin	21.8%	9.1%	21.9%	13.8%
Net income attributable to common shareholders	\$ 183.0m	\$ 40.8m	\$ 360.5m	\$ 135.8m
Diluted EPS	\$ 0.39	\$ 0.09	\$ 0.77	\$ 0.30
<u>Non-GAAP Financial Measures Summary</u>				
Net revenues ⁽¹⁾	\$ 751.2m	\$ 571.4m	\$ 1,475.5m	\$ 1,103.2m
Adjusted operating income ⁽²⁾	\$ 284.8m	\$ 188.7m	\$ 556.9m	\$ 371.7m
Adjusted operating margin ⁽²⁾	37.9%	33.0%	37.7%	33.7%
Adjusted net income attributable to common shareholders ⁽³⁾	\$ 207.1m	\$ 125.4m	\$ 398.8m	\$ 245.4m
Adjusted diluted EPS ⁽³⁾	\$ 0.44	\$ 0.27	\$ 0.85	\$ 0.55
<u>Assets Under Management</u>				
Ending AUM (billions)	\$ 653.7	\$ 557.7	\$ 653.7	\$ 557.7
Average AUM (billions)	\$ 652.8	\$ 480.5	\$ 641.5	\$ 465.0

- (1) Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of the net revenues of our joint venture investments, plus management fees earned from, less other revenue recorded by, consolidated investment products. See Schedule of Non-GAAP Information for the reconciliation of operating revenues to net revenues.
- (2) Adjusted operating margin is adjusted operating income divided by net revenues. Adjusted operating income includes operating income plus our proportional share of the operating income of our joint venture investments, transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the consolidation of investment products, European infrastructure expenses and other reconciling items. See Schedule of Non-GAAP Information for the reconciliation of operating income to adjusted operating income.
- (3) Adjusted net income attributable to common shareholders is net income attributable to common shareholders adjusted to add back transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, and the tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. Adjusted net income attributable to common shareholders excludes the net income of consolidated investment products, and the net income impact of deferred compensation plans, European infrastructure expenses and other reconciling items. By calculation, adjusted diluted EPS is adjusted net income attributable to common shareholders divided by the weighted average number of diluted shares outstanding. See Schedule of Non-GAAP Information for the reconciliation of net income to adjusted net income.

A significant portion of our business and AUM is based outside of the U.S. The strengthening or weakening of the U.S. dollar against other currencies, primarily the Pound Sterling, Canadian dollar, Yen and Euro, will impact our reported revenues and expenses from period to period. Additionally, our revenues are directly influenced by the level and composition of our AUM. Therefore, movements in global capital market levels, net new business inflows (or

outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

On June 1, 2010, the company acquired Morgan Stanley's retail asset management business, including Van Kampen Investments (the acquired business or the acquisition) in exchange for a combination of \$770.0 million in cash paid and 30.9 million common shares and common share equivalents, which were subsequently sold, as converted, to unrelated third parties. The acquisition added assets under management across equity, fixed income and alternative asset classes (including mutual funds, variable insurance funds, separate accounts and UITs).

Table of Contents**Investment Capabilities Performance Overview**

Invesco's first strategic priority is to achieve strong investment performance over the long-term for our clients. Long-term performance in our equities capabilities, as measured by the percentage of AUM ahead of benchmark and ahead of peer median, is generally strong with some pockets of outstanding performance. Within our equity asset class, U.S. Value, U.K. and Global Ex-U.S. and Emerging Markets funds have exceptional long-term performance, with over 92% of assets ahead of benchmarks and peer group medians. Asian, U.S. Core and Continental European funds have also had strong relative performance versus peers and versus benchmark over five-year periods. Within our fixed income asset class Global fixed income products have achieved strong long-term performance with at least 80% of AUM ahead of benchmarks and peers.

		Benchmark Comparison			Peer Group Comparison		
		% of AUM Ahead of Benchmark			% of AUM In Top Half of Peer Group		
		1yr	3yr	5yr	1yr	3yr	5yr
Equities	U.S. Core	31%	80%	96%	19%	65%	75%
	U.S. Growth	25%	61%	33%	25%	62%	68%
	U.S. Value	89%	100%	95%	88%	100%	95%
	Sector	66%	57%	79%	67%	67%	65%
	U.K.	6%	98%	96%	0%	98%	92%
	Canadian	38%	100%	64%	38%	94%	29%
	Asian	60%	74%	96%	41%	78%	69%
	Continental European	47%	89%	91%	22%	85%	88%
	Global	24%	70%	80%	26%	56%	55%
	Global Ex U.S. and Emerging Markets	62%	99%	94%	63%	99%	99%
Balanced	Balanced	48%	94%	79%	39%	95%	75%
Money Market	Money Market	37%	73%	73%	96%	93%	94%
Fixed Income	U.S. Fixed Income	61%	41%	43%	28%	69%	66%
	Global Fixed Income	81%	80%	88%	82%	83%	80%

Note: AUM measured in the one-, three-, and five-year peer group rankings represents 60%, 59%, and 58% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 72%, 70%, and 68% of total Invesco AUM, respectively, as of 6/30/11. Peer group rankings are sourced from a widely-used third party ranking agency in each fund's market (Lipper, Morningstar, Russell, Mercer, eVestment Alliance, SITCA) and asset-weighted in USD. Rankings are as of prior quarter-end for most institutional products and preceding month-end for Australian retail funds due to their late release by third parties. Rankings for the most representative fund in each GIPS composite are applied to all products within each GIPS composite. Excludes Invesco PowerShares, W.L. Ross & Co., Invesco Private Capital, non-discretionary direct real estate products and CLOs. Certain funds and products were excluded from the analysis because of limited benchmark or peer group data. Had these been available, results may have been different. These results are preliminary and subject to revision. Performance assumes the reinvestment of dividends. Past performance is not indicative of future results and may not reflect an investor's experience.

Table of Contents**Assets Under Management movements for the three months ended June 30, 2011 compared with the three months ended June 30, 2010**

AUM at June 30, 2011 were \$653.7 billion (March 31, 2011: \$641.9 billion; June 30, 2010: \$557.7 billion). During the three months ended June 30, 2011, net inflows increased AUM by \$7.3 billion, while positive market movements increased AUM by \$3.2 billion. We experienced net inflows in institutional money market funds of \$3.5 billion, and increases in AUM of \$1.3 billion due to changes in foreign exchange rates during the three months ended June 30, 2011. During the three months ended June 30, 2010, net inflows increased AUM by \$13.0 billion, while negative market movements decreased AUM by \$24.2 billion. We experienced net outflows in institutional money market funds of \$0.9 billion and decreases in AUM of \$3.4 billion due to changes in foreign exchange rates during the three months ended June 30, 2010. Average AUM during the three months ended June 30, 2011 were \$652.8 billion compared to \$480.5 billion for the three months ended June 30, 2010. The acquisition added \$114.6 billion in AUM at June 1, 2010.

Long-term net inflows during the three months ended June 30, 2011 were \$3.8 billion and included net inflows of ETF, UIT and passive AUM of \$0.9 billion. Net long-term flows were driven by net inflows into our Retail and Institutional distribution channels of \$2.9 billion and \$0.7 billion, respectively, primarily in the fixed income and alternatives asset classes, while our equity asset class experienced net outflows of \$2.6 billion and our high net worth distribution channel experienced net inflows of \$0.2 billion. Net flows in the three months ended June 30, 2010 included an Asian inflow of \$15.8 billion related to a passive mandate in Japan which was a post-close direct consequence of the acquired business.

As discussed in the Executive Overview section of this Management's Discussion and Analysis, during the three months ended June 30, 2011, the S&P 500 declined 0.4% and the MSCI Emerging Markets index declined 2.1%; however, the FTSE 100 and Nikkei 225 both increased 0.6%. Of the \$3.2 billion increase in AUM resulting from market gains during the three months ended June 30, 2011, \$2.4 billion of this increase was due to the change in value of our fixed income asset class. Our other asset classes were marginally impacted by market valuation changes during the period. Of the \$24.2 billion decrease in AUM resulting from market declines during the three months ended June 30, 2010, \$21.6 billion of this decrease was due to the change in value of our equity asset class, in line with decreases in the S&P 500 and the FTSE 100 indices of 11.9% and 13.4%, respectively, during that period.

The positive impact of the change in foreign exchange rates in the three months ended June 30, 2011 was driven primarily by the strengthening of the Japanese Yen relative to the U.S. Dollar, which was reflected in the translation of our Yen-based AUM into U.S. Dollars, the strengthening of the Euro relative to the U.S. Dollar, which was reflected in the translation of our Euro-based AUM into U.S. Dollars and the strengthening of the Canadian Dollar relative to the U.S. Dollar, which was reflected in the translation of our Canadian Dollar-based AUM into U.S. Dollars. The impact of the change in foreign exchange rates in the three months ended June 30, 2010 was driven by the weakening of the Pound Sterling, Canadian Dollar and Euro relative to the U.S. Dollar.

The table below illustrates the spot foreign exchange rates for translation into the U.S. Dollar, the reporting currency of the company, at June 30, 2011 and 2010, as compared with the rates that existed at March 31, 2011 and 2010:

	June 30, 2011	March 31, 2011	June 30, 2010	March 31, 2010
Pound Sterling (\$ per £)	1.61	1.60	1.50	1.52
Canadian Dollar (CAD per \$)	0.96	0.97	1.06	1.02
Japan (¥ per \$)	80.66	82.94	88.51	93.36
Euro (\$ per €)	1.45	1.42	1.23	1.35

Net revenue yield decreased slightly to 46.0 basis points in the three months ended June 30, 2011 from the three months ended June 30, 2010 level of 47.6 basis points. Market driven changes in our asset mix significantly impact our net revenue yield calculation. Our equity AUM generally earn a higher net revenue rate than money market AUM. At June 30, 2011 equity AUM were \$301.9 billion, representing 46.2% of our total AUM at that date; whereas at June 30, 2010 equity AUM were \$263.1 billion, representing 47.2% of our total AUM at that date. With the mix of

AUM less weighted in equity AUM at June 30, 2011 compared to June 30, 2010, net revenue yield decreased slightly. The acquired business added \$114.6 billion in AUM at June 1, 2010 with an approximate effective fee rate of 47 basis points. In addition, ETF, UIT and Passive AUM generally earn a lower effective fee rate than AUM excluding ETF, UIT and Passive asset classes. At June 30, 2011 ETF, UIT and Passive AUM were \$91.8 billion, representing 14.0% of total AUM at that date; whereas at June 30, 2010 ETF, UIT and Passive AUM were \$79.2 billion, representing 14.2% of our total AUM at that date.

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Gross revenue yield on AUM decreased 0.1 basis points to 65.9 basis points in the three months ended June 30, 2011 from the three months ended June 30, 2010 level of 66.0 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management fees earned from consolidated investment products; however the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company's true effective fee rate from AUM. See Schedule of Non-GAAP Information for a reconciliation of operating revenues (gross revenues) to net revenues.

Changes in AUM were as follows:

	Total AUM 2011	AUM ex ETF, UIT & Passive 2011	ETF, UIT & Passive 2011	Total AUM 2010	AUM ex ETF, UIT & Passive 2010	ETF, UIT & Passive 2010
\$ in billions						
March 31	641.9	550.2	91.7	457.7	402.0	55.7
Long-term inflows	42.7	28.0	14.7	45.3	18.7	26.6
Long-term outflows	(38.9)	(25.1)	(13.8)	(31.4)	(19.5)	(11.9)
Long-term net flows	3.8	2.9	0.9	13.9	(0.8)	14.7
Net flows in institutional money market funds	3.5	3.5		(0.9)	(0.9)	
Market gains and losses/reinvestment	3.2	4.1	(0.9)	(24.2)	(19.4)	(4.8)
Acquisitions				114.6	100.9	13.7
Foreign currency translation	1.3	1.2	0.1	(3.4)	(3.3)	(0.1)
June 30	653.7	561.9	91.8	557.7	478.5	79.2
Average long-term AUM	583.0	489.5	93.5	413.4	355.9	57.5
Average institutional money market AUM	69.8	69.8		67.1	67.1	
Average AUM	652.8	559.3	93.5	480.5	423.0	57.5
Gross revenue yield on AUM ⁽¹⁾	65.9bps	75.1bps	11.3bps	66.0bps	73.4bps	12.0bps
Gross revenue yield on AUM before performance fees ⁽¹⁾	65.4bps	74.6bps	11.3bps	65.7bps	73.1bps	12.0bps
Net revenue yield on AUM ^(2,3)	46.0bps	51.8bps	11.3bps	47.6bps	52.4bps	12.0bps
Net revenue yield on AUM before performance fees ^(2,3)	45.6bps	51.3bps	11.3bps	47.3bps	52.1bps	12.0bps

- (1) Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in the three months ended June 30, 2011 for our JVs in China was \$3.5 billion (three months ended June 30, 2010: \$3.5 billion). It is appropriate to exclude the average AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income.
- (2) Net revenue yield on AUM is equal to annualized net revenues divided by average AUM. See Schedule of Non-GAAP Information for a reconciliation of operating revenues to net revenues.
- (3) As discussed in the Results of Operations section of this Management's Discussion and Analysis, in the three and six months ended June 30, 2011, we changed the presentation of third-party distribution, service and advisory expenses to include marketing support expenses, which are distribution-related. Net revenue yield calculations have been updated to reflect this new reclassification.

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Our AUM by channel, by asset class, and by client domicile were as follows:

Total AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
March 31, 2011 AUM	641.9	396.2	228.3	17.4
Long-term inflows	42.7	33.2	8.6	0.9
Long-term outflows	(38.9)	(30.3)	(7.9)	(0.7)
Long-term net flows	3.8	2.9	0.7	0.2
Net flows in institutional money market funds	3.5		3.5	
Market gains and losses/reinvestment	3.2	2.2	1.1	(0.1)
Foreign currency translation	1.3	0.4	0.9	
June 30, 2011 AUM	653.7	401.7	234.5	17.5
March 31, 2010 AUM ⁽²⁾	457.7	243.6	198.5	15.6
Long-term inflows	45.3	23.0	21.2	1.1
Long-term outflows	(31.4)	(25.4)	(5.5)	(0.5)
Long-term net flows	13.9	(2.4)	15.7	0.6
Net flows in institutional money market funds	(0.9)		(0.9)	
Market gains and losses/reinvestment	(24.2)	(18.6)	(4.8)	(0.8)
Acquisitions	114.6	105.1	9.5	
Foreign currency translation	(3.4)	(2.4)	(1.0)	
June 30, 2010 AUM	557.7	325.3	217.0	15.4

ETF, UIT & Passive AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
March 31, 2011 AUM	91.7	78.2	13.5	
Long-term inflows	14.7	12.7	2.0	
Long-term outflows	(13.8)	(13.3)	(0.5)	
Long-term net flows	0.9	(0.6)	1.5	
Net flows in institutional money market funds				
Market gains and losses/reinvestment	(0.9)	(0.9)		
Foreign currency translation	0.1		0.1	
June 30, 2011 AUM	91.8	76.7	15.1	
March 31, 2010 AUM ⁽²⁾	55.7	49.6	6.1	
Long-term inflows	26.6	10.6	16.0	

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Long-term outflows	(11.9)	(11.9)	
Long-term net flows	14.7	(1.3)	16.0
Net flows in institutional money market funds			
Market gains and losses/reinvestment	(4.8)	(4.6)	(0.2)
Acquisitions	13.7	13.7	
Foreign currency translation	(0.1)		(0.1)
June 30, 2010 AUM	79.2	57.4	21.8

See accompanying notes to these AUM tables on the following page.

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Table of Contents**Total AUM by Asset Class⁽³⁾**

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives⁽⁴⁾
March 31, 2011 AUM	641.9	303.0	139.7	44.7	71.0 ⁽⁵⁾	83.5
Long-term inflows	42.7	22.9	8.8	2.7	0.3	8.0
Long-term outflows	(38.9)	(25.5)	(5.3)	(2.2)	(0.5)	(5.4)
Long-term net flows	3.8	(2.6)	3.5	0.5	(0.2)	2.6
Net flows in institutional money market funds	3.5				3.5	
Market gains and losses/reinvestment ⁽⁷⁾	3.2	0.8	2.4	(0.8)	0.1	0.7
Foreign currency translation	1.3	0.7	0.2	0.1		0.3
June 30, 2011 AUM	653.7	301.9	145.8	44.5	74.4 ⁽⁵⁾	87.1
March 31, 2010 AUM ⁽²⁾	457.7	198.5	79.4	40.7	72.6	66.5
Long-term inflows	45.3	33.9	5.4	2.1	0.6	3.3
Long-term outflows	(31.4)	(19.4)	(4.7)	(2.2)	(0.4)	(4.7)
Long-term net flows	13.9	14.5	0.7	(0.1)	0.2	(1.4)
Net flows in institutional money market funds	(0.9)				(0.9)	
Market gains and losses/reinvestment	(24.2)	(21.6)	1.7	(1.9)		(2.4)
Acquisitions	114.6	73.7	37.8	0.3	0.6	2.2
Foreign currency translation	(3.4)	(2.0)	(0.3)	(0.7)		(0.4)
June 30, 2010 AUM	557.7	263.1	119.3	38.3	72.5	64.5

ETF, UIT and Passive AUM by Asset Class⁽³⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives⁽⁴⁾
March 31, 2011 AUM	91.7	47.3	23.7			20.7
Long-term inflows	14.7	10.0	3.0			1.7
Long-term outflows	(13.8)	(10.9)	(0.3)			(2.6)
Long-term net flows	0.9	(0.9)	2.7			(0.9)
Net flows in institutional money market funds						
Market gains and losses/reinvestment	(0.9)	(0.7)	0.3			(0.5)
Foreign currency translation	0.1					0.1
June 30, 2011 AUM	91.8	45.7	26.7			19.4

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March 31, 2010 AUM ⁽²⁾	55.7	34.3	4.5	16.9
Long-term inflows	26.6	24.4	0.8	1.4
Long-term outflows	(11.9)	(9.7)	(0.2)	(2.0)
Long-term net flows	14.7	14.7	0.6	(0.6)
Net flows in institutional money market funds				
Market gains and losses/reinvestment	(4.8)	(4.6)	0.9	(1.1)
Acquisitions	13.7	4.5	9.2	
Foreign currency translation	(0.1)			(0.1)
June 30, 2010 AUM	79.2	48.9	15.2	15.1

See accompanying notes to these AUM tables on the following page.

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Table of Contents**Total AUM by Client Domicile⁽⁶⁾**

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
March 31, 2011 AUM	641.9	435.2	28.2	94.2	36.2	48.1
Long-term inflows	42.7	26.8	0.7	4.3	4.9	6.0
Long-term outflows	(38.9)	(27.0)	(1.5)	(3.2)	(4.1)	(3.1)
Long-term net flows	3.8	(0.2)	(0.8)	1.1	0.8	2.9
Net flows in institutional money market funds	3.5	3.7		(0.2)	0.1	(0.1)
Market gains and losses/reinvestment	3.2	1.2	(0.1)	2.0	0.5	(0.4)
Foreign currency translation	1.3		0.2		0.3	0.8
June 30, 2011 AUM	653.7	439.9	27.5	97.1	37.9	51.3
March 31, 2010 AUM ⁽²⁾	457.7	290.4	29.2	83.9	27.0	27.2
Long-term inflows	45.3	18.9	0.6	4.7	3.3	17.8
Long-term outflows	(31.4)	(21.3)	(1.8)	(3.7)	(3.2)	(1.4)
Long-term net flows	13.9	(2.4)	(1.2)	1.0	0.1	16.4
Net flows in institutional money market funds	(0.9)	(1.7)		(0.3)	2.0	(0.9)
Market gains and losses/reinvestment	(24.2)	(12.9)	(1.4)	(5.6)	(1.4)	(2.9)
Acquisitions	114.6	103.7	0.6	1.8	2.9	5.6
Foreign currency translation	(3.4)		(1.2)	(1.2)	(1.0)	
June 30, 2010 AUM	557.7	377.1	26.0	79.6	29.6	45.4

ETF, UIT and Passive AUM by Client Domicile⁽⁶⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
March 31, 2011 AUM	91.7	88.0			1.4	2.3
Long-term inflows	14.7	14.6			0.1	
Long-term outflows	(13.8)	(13.7)			(0.1)	
Long-term net flows	0.9	0.9				
Net flows in institutional money market funds						
Market gains and losses/reinvestment	(0.9)	(0.9)				
Foreign currency translation	0.1					0.1
June 30, 2011 AUM	91.8	88.0			1.4	2.4

March 31, 2010 AUM ⁽²⁾	55.7	52.9	1.1	1.7
Long-term inflows	26.6	10.7	0.1	15.8
Long-term outflows	(11.9)	(11.8)	(0.1)	
Long-term net flows	14.7	(1.1)		15.8
Net flows in institutional money market funds				
Market gains and losses/reinvestment	(4.8)	(4.0)	(0.1)	(0.7)
Acquisitions	13.7	13.7		
Foreign currency translation	(0.1)			(0.1)
June 30, 2010 AUM	79.2	61.5	1.0	16.7

- (1) Channel refers to the distribution channel from which the AUM originated. Retail AUM arose from client investments into funds available to the public with shares or units. Institutional AUM originated from individual corporate clients, endowments, foundations, government authorities, universities, or charities. Private Wealth Management AUM arose from high net worth client investments.
- (2) The beginning balances were adjusted to reflect certain asset reclassifications.
- (3) Asset classes are descriptive groupings of AUM by common type of underlying investments.
- (4) The alternatives asset class includes absolute return, real estate, commodities, currencies, financial structures, Global Macro, REITS, private capital, and Risk Premia Capture.
- (5) Ending Money Market AUM includes \$70.4 billion in institutional money market AUM and \$4.0 billion in retail money market AUM.
- (6) Client domicile disclosure groups AUM by the domicile of the underlying clients.
- (7) As a result of fund mergers in the second quarter of 2011, the market gains and losses / reinvestment line includes \$0.9 billion transferred from the balanced to the equity asset class.

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Results of Operations for the three months ended June 30, 2011 compared with the three months ended June 30, 2010

Adoption of Guidance now encompassed in Accounting Standards Codification (ASC) Topic 810, Consolidation

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part I, Item 1, Financial Statements Note 11, Consolidated Investment Products, for additional details.

The guidance now encompassed in ASC Topic 810, which was effective January 1, 2010, had a significant impact on the presentation of the company's financial statements in 2010, as its provisions required the company to consolidate certain CLOs that were not previously consolidated.

The majority of the company's consolidated investment products balances were CLO-related as of June 30, 2011. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability. The discussion that follows will separate consolidated investment product results of operations from the company's investment management operations through the use of non-GAAP financial measures. See

Schedule of Non-GAAP Information for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

Table of Contents**Condensed Consolidating Statements of Income**

\$ in millions	Before Consolidation⁽¹⁾	Consolidated Investment Products	Adjustments⁽¹⁾⁽²⁾	Total
Three months ended June 30, 2011				
Total operating revenues	1,082.1	0.1	(12.2)	1,070.0
Total operating expenses	833.4	15.8	(12.2)	837.0
Operating income	248.7	(15.7)		233.0
Equity in earnings of unconsolidated affiliates	10.5		0.3	10.8
Interest and dividend income	4.0	79.8	(1.6)	82.2
Other investment income/(losses)	6.0	(69.8)	5.1	(58.7)
Interest expense	(16.0)	(48.1)	1.6	(62.5)
Income before income taxes	253.2	(53.8)	5.4	204.8
Income tax provision	(75.4)			(75.4)
Net income	177.8	(53.8)	5.4	129.4
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net		53.6		53.6
Net income attributable to common shareholders	177.8	(0.2)	5.4	183.0

\$ in millions	Before Consolidation⁽¹⁾	Consolidated Investment Products	Adjustments⁽¹⁾⁽²⁾	Total
Three months ended June 30, 2010				
Total operating revenues	799.3		(12.3)	787.0
Total operating expenses	712.9	15.0	(12.3)	715.6
Operating income	86.4	(15.0)		71.4
Equity in earnings of unconsolidated affiliates	10.6		(0.2)	10.4
Interest and dividend income	1.8	54.3	(1.2)	54.9
Other investment income/(losses)	(9.3)	184.8	2.4	177.9
Interest expense	(14.1)	(26.8)	1.2	(39.7)
Income before income taxes	75.4	197.3	2.2	274.9
Income tax provision	(36.7)			(36.7)
Net income	38.7	197.3	2.2	238.2
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.1)	(197.3)		(197.4)
	38.6		2.2	40.8

Net income attributable to common
shareholders

- (1) The Before Consolidation column includes Invesco's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies were effectively aligned, resulting in the reclassification of the company's gain for the three months ended June 30, 2011 of \$5.1 million (representing the increase in the market value of the company's holdings in the consolidated CLOs) from other comprehensive income into other gains/losses (three months ended June 30, 2010: \$2.4 million). The company's gain on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting loss on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through consolidation.
- (2) Adjustments include the elimination of intercompany transactions between the company and its consolidated investment products, primarily the elimination of management fees expensed by the funds and recorded as operating revenues (before consolidation) by the company.

Table of Contents*Operating Revenues and Net Revenues*

The main categories of revenues, and the dollar and percentage change between the periods, were as follows:

\$ in millions	Three months ended June 30,		\$	%
	2011	2010	Change	Change
Investment management fees	819.1	627.9	191.2	30.5%
Service and distribution fees	211.4	139.4	72.0	51.6%
Performance fees	7.6	3.5	4.1	117.1%
Other	31.9	16.2	15.7	96.9%
Total operating revenues	1,070.0	787.0	283.0	36.0%
Third-party distribution, service and advisory expenses	(341.8)	(238.3)	(103.5)	43.4%
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	10.8	10.4	0.4	3.8%
Management fees earned from consolidated investment products	12.2	12.3	(0.1)	(0.8)%
Net revenues	751.2	571.4	179.8	31.5%

Operating revenues increased by \$283.0 million (36.0%) in the three months ended June 30, 2011 to \$1,070.0 million (three months ended June 30, 2010: \$787.0 million). Net revenues increased by \$179.8 million (31.5%) in the three months ended June 30, 2011 to \$751.2 million (three months ended June 30, 2010: \$571.4 million). Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of net revenues from joint venture arrangements, plus management fees earned from, less other revenues recorded by, consolidated investment products. See Schedule of Non-GAAP Information for additional important disclosures regarding the use of net revenues. A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements accounted for \$38.1 million (13.5%) of the increase in operating revenues, and was 3.6% of total operating revenues, during the three months June 30, 2011 when compared to the three months ended June 30, 2010. Additionally, our revenues are directly influenced by the level and composition of our AUM as more fully discussed below. Movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

The operating results of the acquired business were included since the acquisition date of June 1, 2010. The integration of acquired business is largely complete with 67 of the 71 planned U.S. funds mergers completed by June 30, 2011 as part of the U.S. mutual fund product alignment. As such, accurate segregated revenue and expense information for the acquired business is no longer available, resulting in the inability of the company to quantify the impact of the acquisition on operating revenues and expenses. As a consequence of the U.S. mutual fund product alignment, certain 1 year and 2 year fee waivers were agreed between the company and the fund boards which will reduce the company's annual management fees by approximately \$30 million commencing June 1, 2011.

In the three months ended June 30, 2011, we changed the presentation of third-party distribution, service and advisory expenses to include marketing support expenses, which are distribution-related. See Part I, Financial Information, Note 1, Accounting Policies Reclassifications for additional information. Amounts for the comparative period have been reclassified to conform to the current year presentation, as illustrated in the table below.

\$ in millions	Three months ended June 30, 2010
Third-party distribution, service and advisory expenses, as previously reported	220.7
Reclassification	17.6
Third-party distribution, service and advisory expenses, as reclassified	238.3
Marketing expenses, as previously reported	35.2
Reclassification	(17.6)
Marketing expenses, as reclassified	17.6
Net revenues, as previously reported	589.0
Reclassification	(17.6)
Net revenues, as reclassified	571.4

Table of Contents***Investment management fees***

Investment management fees increased by \$191.2 million (30.5%) in the three months ended June 30, 2011 to \$819.1 million (three months ended June 30, 2010: \$627.9 million) due to the acquisition, increases in average AUM, primarily retail AUM, and changes in the mix of AUM between asset classes, together with the impact of foreign exchange rate movement. Average long-term AUM, which generally earn higher fee rates than money market AUM increased 41.0% to \$583.0 billion for the three months ended June 30, 2011 from \$413.4 billion for the three months ended June 30, 2010, while average institutional money market AUM increased 4.0% to \$69.8 billion for the three months ended June 30, 2011, from \$67.1 billion for the three months ended June 30, 2010. The increase in average long-term AUM includes the impact of the acquired business. The impact of foreign exchange rate movements accounted for \$34.1 million (17.8%) of the increase in investment management fees during the three months ended June 30, 2011, compared to the three months ended June 30, 2010. See the company's disclosures regarding the changes in AUM during the three months ended June 30, 2011 in the **Assets Under Management** section above for additional information regarding the movements in AUM.

Service and distribution fees

In the three months ended June 30, 2011, service and distribution fees increased by \$72.0 million (51.6%) to \$211.4 million, (three months ended June 30, 2010: \$139.4 million) primarily due to the acquisition as well as increases in average AUM during the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

Performance fees

Of our \$653.7 billion in AUM at June 30, 2011, only approximately \$34.1 billion, or 5.2%, could potentially earn performance fees. In the three months ended June 30, 2011 performance fees increased by \$4.1 (117.1%) million to \$7.6 million (three months ended June 30, 2010: \$3.5 million). The performance fees generated in the three months ended June 30, 2011 arose primarily due to products managed in the U.K and in the U.S private equity business. The performance fees generated in the three months ended June 30, 2010 arose primarily due to products managed in the U.K. and in our real estate group.

Other revenues

In the three months ended June 30, 2011, other revenues increased by \$15.7 million (96.9%) to \$31.9 million (three months ended June 30, 2010: \$16.2 million). Other revenues included an increase of \$8.9 million in UIT revenues during the period, a result of the acquired business, a \$2.1 million increase in transaction commissions, and an increase in mutual funds front end fees of \$2.6 million. The impact of foreign exchange rate movements accounted for \$0.6 million (3.8%) of the increase in other revenues during the three months ended June 30, 2011, compared to the three months ended June 30, 2010.

Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses increased by \$103.5 million (43.4%) in the three months ended June 30, 2011 to \$341.8 million (three months ended June 30, 2010: \$238.3 million). The increase in third-party distribution, service and advisory expenses includes the impact of the acquired business and is consistent with the increases in investment management and service and distribution fees.

Proportional share of revenues, net of third-party distribution expenses, from joint venture investments

Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See **Schedule of Non-GAAP Information** for additional disclosures regarding the use of net revenues.

Our proportional share of revenues, net of third-party distribution expenses increased by \$0.4 million (3.8%) to \$10.8 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$10.4 million). Our share of the Invesco Great Wall joint venture's average AUM in the three months ended June 30, 2011 was \$3.5 billion (three months ended June 30, 2010: \$3.5 billion).

Table of Contents**Management fees earned from consolidated investment products**

Management believes that the consolidation of investment products may impact a reader's analysis of our underlying results of operations and could result in investor confusion or the production of information about the company by analysts or external credit rating agencies that is not reflective of the underlying results of operations and financial condition of the company. Accordingly, management believes that it is appropriate to adjust operating revenues for the impact of consolidated investment products in calculating net revenues. As management and performance fees earned by Invesco from the consolidated products are eliminated upon consolidation of the investment products, management believes that it is appropriate to add these operating revenues back in the calculation of net revenues. See Schedule of Non-GAAP Information for additional disclosures regarding the use of net revenues.

Management fees earned from consolidated investment products were \$12.2 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$12.3 million).

Other revenues recorded by consolidated investment products

Operating revenues of consolidated investment products are included in U.S. GAAP operating revenues resulting from the consolidation of investment products into the company's results of operations. Management believes that this consolidation could impact a reader's analysis of our underlying results of operations. Therefore, management believes that it is appropriate to deduct operating revenues of consolidated investment products in calculating net revenues. See Schedule of Non-GAAP Information for additional disclosures regarding the use of net revenues.

Operating Expenses

The main categories of operating expenses, and the dollar and percentage changes between periods, are as follows:

\$ in millions	Three months ended June 30,		\$ Change	% Change
	2011	2010		
Employee compensation	318.3	260.5	57.8	22.2%
Third-party distribution, service and advisory	341.8	238.3	103.5	43.4%
Marketing	26.1	17.6	8.5	48.3%
Property, office and technology	61.9	55.8	6.1	10.9%
General and administrative	77.6	64.1	13.5	21.1%
Transaction and integration	11.3	79.3	(68.0)	(85.8)%
Total operating expenses	837.0	715.6	121.4	17.0%

The table below sets forth these cost categories as a percentage of total operating expenses and operating revenues, which we believe provides useful information as to the relative significance of each type of expense:

Three months ended:	\$ in millions	June 30, 2011	% of Total	% of	June 30, 2010	% of Total	% of
			Operating Expenses	Operating Revenues	Operating Expenses	Operating Revenues	
Employee compensation	318.3	38.0%	29.7%	260.5	36.4%	33.1%	
Third-party distribution, service and advisory	341.8	40.8%	31.9%	238.3	33.3%	30.3%	
Marketing	26.1	3.1%	2.4%	17.6	2.4%	2.2%	
	61.9	7.4%	5.8%	55.8	7.8%	7.1%	

Property, office and technology						
General and administrative	77.6	9.3%	7.3%	64.1	9.0%	8.1%
Transaction and integration	11.3	1.4%	1.1%	79.3	11.1%	10.1%
Total operating expenses	837.0	100.0%	78.2%	715.6	100.0%	90.9%

During the three months ended June 30, 2011, operating expenses increased by \$121.4 million (17.0%) to \$837.0 million (three months ended June 30, 2010: \$715.6 million). As discussed above, the acquisition occurred on June 1, 2010, which increased expenses across all categories, except transaction and integration expenses, which have decreased during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. As the integration of the acquired business is largely complete, segregated expense data is not available.

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In addition to the acquired business, foreign exchange differences have an impact on our reported expense variances. A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements accounted for \$31.9 million (26.3%) of the increase in operating expenses, and was 3.8% of total operating expenses, during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010.

Employee Compensation

Employee compensation increased \$57.8 million (22.2%) to \$318.3 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$260.5 million). Base salaries and variable compensation increased \$39.5 million, staff benefits increased \$3.7 million and payroll taxes increased \$2.1 million during the three months ended June 30, 2011 from the three months ended June 30, 2010, due to incremental costs associated with the acquisition, the impact of annual base salary increases, the internalization of our Hyderabad operations, and the increase in variable compensation accruals to reflect the overall earnings growth of the company, including improving operating results and sales. Also included in compensation expenses during the three months ended June 30, 2011 are share-based costs of \$30.7 million compared to \$29.4 million during the three months ended June 30, 2010, a slight increase due to the incremental expense impact of the acquisition. The impact of foreign exchange rate movements accounted for \$12.5 million (21.6%) of the increase in employee compensation, during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010.

Additionally, employee compensation costs for the three months ended June 30, 2011 and 2010 included \$5.0 million of prepaid compensation amortization expenses related to the 2006 acquisition of W.L. Ross & Co. This acquisition-related asset will be fully amortized by the third quarter of 2011.

Headcount at June 30, 2011 was 6,189 (June 30, 2010: 5,421). The increase is primarily driven by acquisitions and the internalization of our new Hyderabad, India, facility.

Third-Party Distribution, Service and Advisory Expenses

Third-party distribution, service and advisory expenses are discussed above in the operating and net revenues section.

Marketing

Marketing expenses increased by \$8.5 million (48.3%) in the three months ended June 30, 2011 to \$26.1 million (three months ended June 30, 2010: \$17.6 million), driven in part by the impact of the acquired business. The increase during the three months ended June 30, 2011 includes an increase advertising expenses of \$4.3 million, sales literature and research of \$0.7 million and travel and client event expenses of \$2.2 million as compared to the three months ended June 30, 2010. The impact of foreign exchange rate movements accounted for \$1.0 million (11.8%) of the increase in marketing expenses, during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010.

Property, Office and Technology

Property, office and technology expenses increased by \$6.1 million (10.9%) to \$61.9 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$55.8 million). Property and office expenses increased \$3.2 million over the comparable 2010 period, due to an increase of \$3.0 million in property operating costs and depreciation expense related to new properties brought on as part of the acquisition. Technology and communications expenses increased \$0.8 million due to increases in depreciation and maintenance totaling \$4.1 million, offset by decreases in outsourced administration expenses of \$3.0 million, partly due to the internalization of Hyderabad compared to the three months ended June 30, 2010. The impact of foreign exchange rate movements accounted for \$2.2 million (36.1%) of the increase in property, office and technology expenses, during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010.

General and Administrative

General and administrative expenses increased by \$13.5 million (21.1%) to \$77.6 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$64.1 million). Professional services expenses increased \$11.2 million during the three months ended June 30, 2011 from the three months ended June 30, 2010 due to increases in consultant fees of \$3.6 million, contractor and recruitment fees of \$3.0 million, information services of

\$2.6 million, regulatory fees of \$0.8 million, legal fees of \$0.7 million, and
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audit fees of \$0.5 million. Travel expenses increased \$3.4 million driven by higher levels of business activity and mutual fund expenses increased \$3.1 million during the three months ended June 30, 2011 compared to the three months ended June 30, 2010. During the three months ended June 30, 2011 intangible amortization expense increased \$7.4 million resulting from additional amortization of the various finite-lived intangible assets that arose from the acquisition. The impact of foreign exchange rate movements accounted for \$1.7 million (12.6%) of the increase in general and administrative costs during the three months ended June 30, 2011. Expenditure related tax increases, including U.K. value added tax (VAT), resulted in an additional \$0.6 million of irrecoverable VAT expense in the three months ended June 30, 2011 compared to the three June 30, 2010 period. Increases in general and administrative expenses in the three months ended June 30, 2011 are offset by a credit of \$6.4 million related to a reduction in contingent consideration payable. Included in general and administrative expenses for the three months ended June 30, 2010, was \$8.9 million representing fund reimbursement costs from the correction of historical foreign exchange allocations which reduced the overall increase of general and administrative expenses when compared to current period.

Transaction and integration

Transaction and integration charges were \$11.3 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$79.3 million) and relate to the integration of the acquired business. Transaction and integration expenses during the three months ended June 30, 2011 include \$2.1 million of employee compensation costs, \$0.2 million of property and office costs, \$0.3 million of technology and communication costs and \$8.6 million of professional services costs, principally legal, proxy solicitation, consultancy, mutual fund and insurance. Transaction and integration expenses for the three months ended June 30, 2010, included \$18.5 million of employee compensation costs, including \$14.5 million of severance costs, \$6.1 million for the proxy solicitation of fund investors to approve a change in fund advisor, \$27.5 million for transition of the Van Kampen funds to Invesco's platform and governance structure, \$4.7 million related to office space including onerous lease charges associated with vacating office space in Houston as we consolidated operations, \$5.4 million of sales and marketing costs as we printed re-branded fund prospectuses, \$12.8 million of professional services, principally legal, consultancy and insurance, and \$4.3 million in technology contractor and travel costs.

Operating Income, Adjusted Operating Income, Operating Margin and Adjusted Operating Margin

Operating income increased by \$161.6 million (226.3%) to \$233.0 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$71.4 million). Operating margin (operating income divided by operating revenues), increased from 9.1% in the three months ended June 30, 2010 to 21.8% in the three months ended June 30, 2011. The increase in operating income and margin resulted from a greater relative increase in operating revenues (36.0%) than in operating expenses (17.0%) during the period. Adjusted operating income (operating income plus our proportional share of the operating income from joint venture arrangements, transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the consolidation of investment products, European infrastructure expenses and other reconciling items), increased by \$96.1 million (50.9%) to \$284.8 million in the three months ended June 30, 2011 from \$188.7 million in the three months ended June 30, 2010. Adjusted operating margin is equal to adjusted operating income divided by net revenues. Net revenues are equal to operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of the net revenues from our joint venture arrangements, plus management fees earned from, less other revenue recorded by, consolidated investment products. Adjusted operating margin increased to 37.9% in the three months ended June 30, 2011 from 33.0% in the three months ended June 30, 2010. See Schedule of Non-GAAP Information for a reconciliation of operating revenues to net revenues, a reconciliation of operating income to adjusted operating income and additional important disclosures regarding net revenues, adjusted operating income and adjusted operating margin.

Table of Contents*Other Income and Expenses*

The main categories of other income and expenses, and the dollar and percentage changes between periods are as follows:

\$ in millions	Three months ended June 30,			%
	2011	2010	\$ Change	Change
Equity in earnings of unconsolidated affiliates	10.8	10.4	0.4	3.8%
Interest and dividend income	2.4	1.8	0.6	33.3%
Interest income of consolidated investment products	79.8	53.1	26.7	50.3%
Gains/(losses) of consolidated investment products, net	(64.7)	187.2	(251.9)	N/A
Interest expense	(16.0)	(14.1)	(1.9)	13.5%
Interest expense of consolidated investment products	(46.5)	(25.6)	(20.9)	81.6%
Other gains and losses, net	6.0	(9.3)	15.3	N/A
Total other income and expenses	(28.2)	203.5	(231.7)	N/A

Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates increased by \$0.4 million (3.8%) to \$10.8 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$10.4 million). The increase in equity in earnings is impacted by our share of the market-driven valuation changes in the underlying holdings of certain partnership investments, including our investment in Invesco Mortgage Capital, Inc, which increased by \$0.2 million, and other partnership and joint venture investments generated a net increase of \$0.2 million from the comparative period.

Interest and dividend income and interest expense

Interest and dividend income increased by \$0.6 million (33.3%) to \$2.4 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$1.8 million). The three months ended June 30, 2011 includes dividend income of \$1.3 million on investments held to hedge economically deferred compensation plans. This dividend income is passed through to employee participants in the deferred compensation plans. See Schedule of Non-GAAP Information for additional details. The increase in interest and dividend income is offset by a decrease in investment income earned on investments of \$0.7 million. Interest expense increased by \$1.9 million (13.5%) to \$16.0 million in the three months ended June 30, 2011 (three months ended June 30, 2010: \$14.1 million) due to higher average debt balances versus the comparative period.

Interest income and interest expense of consolidated investment products

In the three months ended June 30, 2011, interest income of consolidated investment products increased by \$26.7 million (50.3%) to \$79.8 million (three months ended June 30, 2010: \$53.1 million) reflecting the acquisition and higher interest rates on variable rate asset collateral held by the CLOs. Interest expense of consolidated investment products increased by \$20.9 million (81.6%) to \$46.5 million (three months ended June 30, 2010: \$25.6 million) reflecting the acquisition and higher variable interest rates on outstanding CLO notes in 2011.

Gains and losses of consolidated investment products, net income impact of consolidated investment products, and noncontrolling interests in consolidated entities

Included in other income and expenses are gains and losses of consolidated investment products, net, which are driven by realized and unrealized gains and losses on the underlying investments and debt of consolidated investment products. In the three months ended June 30, 2011, other gains and losses of consolidated investment products were a net loss of \$64.7 million, as compared to a net gain of \$187.2 million in the three months ended June 30, 2010. The net loss in the period is primarily due to an increase in the market value of long term debt of consolidated investment products which exceeded the increase in the market value of investments of consolidated investment products.

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As illustrated in the Condensed Consolidating Statements of Income for the three months ended June 30, 2011 and 2010 at the beginning of this Results of Operations section, the consolidation of investment products during the three months ended June 30, 2011 resulted in a decrease to net income of \$48.4 million before attribution to noncontrolling interests (three months ended June 30, 2010: \$199.5 million increase to net income). Invesco invests in only a portion of these products, and as a result this net loss is offset by noncontrolling interests of \$53.6 million (three months ended June 30, 2010: \$197.3 million offset to net gain), resulting in a net increase in net income of the company of \$5.2 million (three months ended June 30, 2010: \$2.2 million).

Noncontrolling interests in consolidated entities represent the profit or loss amounts attributed to third party investors in consolidated investment products. Movements in amounts attributable to noncontrolling interests in consolidated entities on the company's Consolidated Statements of Income generally offset the gains and losses, interest income and interest expense of consolidated investment products.

Other gains and losses, net

Other gains and losses, net were a net gain of \$6.0 million in the three months ended June 30, 2011 as compared to a net loss of \$9.3 million in the three months ended June 30, 2010. Included in other gains and losses is a net gain of \$3.1 million resulting from the appreciation of investments held for our deferred compensation plans (three months ended June 30, 2010: \$5.6 million net loss), together with \$3.1 million of seed investment net realized gains (three months ended June 30, 2010: none). There were no other-than-temporary impairment charges related to seed money investments during the three months ended June 30, 2011; however, during the three months ended June 30, 2010, there were other-than-temporary impairment charges of \$3.7 million. In the three months ended June 30, 2011, we incurred \$0.3 million in net foreign exchange losses (three months ended June 30, 2010: \$0.1 million in net foreign exchange losses).

Income Tax Expense

Our subsidiaries operate in several taxing jurisdictions around the world, each with its own statutory income tax rate. As a result, our effective tax rate will vary from year to year depending on the mix of the profits and losses of our subsidiaries. The majority of our profits are earned in the U.S., U.K. and Canada. The U.K. statutory tax rate at June 30, 2011 was 27%, the Canadian statutory tax rate was 28.25% and the U.S. Federal statutory tax rate was 35%.

On July 27, 2010, legislation was introduced to reduce the U.K. income tax rate to 27% on April 1, 2011. On March 29, 2011, the U.K. Parliament approved an additional 1% decrease in the income tax rate, to 26%, effective April 1, 2011, and a further reduction to 25%, effective April 1, 2012. However, the measures are not enacted for U.S. GAAP purposes (and cannot be accounted for) until they receive Royal Assent, which occurred July 19, 2011. Therefore the impact of the rate reduction will be reflected in the third quarter of 2011.

Our effective tax rate, excluding noncontrolling interests in consolidated entities, for the three months ended June 30, 2011 was 29.2%, down from 47.4% for the three months ended June 30, 2010. The three months ended June 30, 2010 rate was higher due to the inclusion of non-deductible transaction and integration costs incurred during that period.

Table of Contents**Assets Under Management movements for the six months ended June 30, 2011 compared with the six months ended June 30, 2010**

AUM at June 30, 2011 were \$653.7 billion (March 31, 2011: \$641.9 billion; June 30, 2010: \$557.7 billion). During the six months ended June 30, 2011, net inflows increased AUM by \$16.5 billion, while positive market movements increased AUM by \$16.1 billion. We experienced net inflows in institutional money market funds of \$6.1 billion, and increases in AUM of \$4.6 billion due to changes in foreign exchange rates during the six months ended June 30, 2011. During the six months ended June 30, 2010, net inflows increased AUM by \$6.0 billion, while negative market movements decreased AUM by \$14.5 billion. We experienced net outflows in institutional money market funds of \$11.5 billion and decreases in AUM of \$7.9 billion due to changes in foreign exchange rates during the six months ended June 30, 2010. Average AUM during the six months ended June 30, 2011 were \$641.5 billion compared to \$465.0 billion for the six months ended June 30, 2010. The acquisition added \$114.6 billion in AUM at June 1, 2010.

Long-term net inflows during the six months ended June 30, 2011 were \$10.4 billion and included net inflows of ETF, UIT and passive AUM of \$9.0 billion. Net long-term flows were driven by net inflows into our Retail and Institutional distribution channels of \$7.0 billion and \$3.1 billion, respectively, primarily in the fixed income and alternatives asset classes, while our high net worth distribution channel experienced net inflows of \$0.3 billion. Net flows in the six months ended June 30, 2010 included an Asian inflow of \$15.8 billion related to a passive mandate in Japan which was a post-close direct consequence of the acquired business.

As discussed in the Executive Overview section of this Management's Discussion and Analysis, the S&P 500 and FTSE 100 increased 5.0% and 0.8%, respectively and the MSCI Emerging Markets index declined 0.4% during the six months ended June 30, 2011. During the six months ended June 30, 2011, our equity AUM increased in line with equity markets globally. Of the \$16.1 billion increase in AUM resulting from market gains during the six months ended June 30, 2011, \$10.5 billion of this increase was due to the change in value of our equity asset class. Our other asset classes were also positively impacted by the change in market valuations during the period. The increase in equity valuations impacted our retail distribution channel the most significantly. Of the \$14.5 billion reduction in AUM resulting from market movements during the six months ended June 30, 2010, \$15.0 billion of this decrease was due to the change in value of our equity asset class, in line with decreases in the S&P 500 and the FTSE 100 indices of 8.5% and 8.9%, respectively, during that period.

The impact of the change in foreign exchange rates in the six months ended June 30, 2011 was driven primarily by the strengthening of the Pound Sterling relative to the U.S. Dollar, which was reflected in the translation of our Pound Sterling-based AUM into U.S. Dollars, the strengthening of the Euro relative to the U.S. Dollar, which was reflected in the translation of our Euro-based AUM into U.S. Dollars, the strengthening of the Canadian Dollar relative to the U.S. Dollar, which was reflected in the translation of our Canadian Dollar-based AUM into U.S. Dollars, and the strengthening of the Japanese Yen relative to the U.S. Dollar, which was reflected in the translation of our Yen-based AUM into U.S. Dollars. The impact of the change in foreign exchange rates in the six months ended June 30, 2010 was driven by the weakening of the Pound Sterling, Euro and Canadian Dollar relative to the U.S. Dollar.

The table below illustrates the spot foreign exchange rates for translation into the U.S. Dollar, the reporting currency of the company, at June 30, 2011 and 2010, as compared with the rates that existed at December 31, 2010 and 2009:

	June 30, 2011	December 31, 2010	June 30, 2010	December 31, 2009
Pound Sterling (\$ per £)	1.61	1.56	1.50	1.61
Canadian Dollar (CAD per \$)	0.96	0.99	1.06	1.05
Japan (¥ per \$)	80.66	81.08	88.51	93.03
Euro (\$ per €)	1.45	1.34	1.23	1.43

Net revenue yield decreased slightly to 46.0 basis points in the six months ended June 30, 2011 from the six months ended June 30, 2010 level of 47.4 basis points. Market driven changes in our asset mix significantly impact our net revenue yield calculation. Our equity AUM generally earn a higher net revenue rate than money market AUM. At June 30, 2011 equity AUM were \$301.9 billion, representing 46.2% of our total AUM at that date; whereas at

June 30, 2010 equity AUM were \$263.1 billion, representing 47.2% of our total AUM at that date. With the mix of AUM was less weighted in equity AUM at June 30, 2011 compared to June 30, 2010, net revenue yield decreased slightly. The acquired business added \$114.6 billion in AUM at June 1, 2010 with an approximate effective fee rate of 47 basis points. In addition, ETF, UIT and Passive AUM generally earn a lower effective fee rate than AUM excluding ETF, UIT and Passive asset classes. At June 30, 2011 ETF, UIT and Passive AUM were \$91.8 billion, representing 14.0% of total AUM at that date; whereas at June 30, 2010 ETF, UIT and Passive AUM were \$79.2 billion, representing 14.2% of our total AUM at that date.

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Gross revenue yield on AUM increased 0.4 basis points to 65.7 basis points in the six months ended June 30, 2011 from the six months ended June 30, 2010 level of 65.3 basis points. Management does not consider gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, to be a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management fees earned from consolidated investment products; however the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company's true effective fee rate from AUM. See Schedule of Non-GAAP Information for a reconciliation of operating revenues (gross revenues) to net revenues.

Changes in AUM were as follows:

	Total	AUM ex	ETF,	ETF,	AUM	ETF,
	AUM	ETF,	UIT &	UIT &	ex	ETF,
	2011	Passive	Passive	Total	UIT	UIT &
\$ in billions	2011	2011	2011	AUM	&	Passive
				2010	Passive	2010
January 1	616.5	535.7	80.8	459.5	406.5	53.0
Long-term inflows	90.7	57.0	33.7	77.4	38.3	39.1
Long-term outflows	(80.3)	(55.6)	(24.7)	(59.9)	(36.0)	(23.9)
Long-term net flows	10.4	1.4	9.0	17.5	2.3	15.2
Net flows in institutional money market funds	6.1	6.1		(11.5)	(11.5)	
Market gains and losses/reinvestment	16.1	14.2	1.9	(14.5)	(11.9)	(2.6)
Acquisitions				114.6	100.9	13.7
Foreign currency translation	4.6	4.5	0.1	(7.9)	(7.8)	(0.1)
June 30	653.7	561.9	91.8	557.7	478.5	79.2
Average long-term AUM	573.6	483.5	90.1	393.5	338.9	54.6
Average institutional money market AUM	67.9	67.9		71.5	71.5	
Average AUM	641.5	551.4	90.1	465.0	410.4	54.6
Gross revenue yield on AUM ⁽¹⁾	65.7bps	74.7bps	11.1bps	65.3bps	72.3bps	13.0bps
Gross revenue yield on AUM before performance fees ⁽¹⁾	65.4bps	74.3bps	11.1bps	65.1bps	72.1bps	13.0bps
Net revenue yield on AUM ^(2,3)	46.0bps	51.7bps	11.1bps	47.4bps	52.0bps	13.0bps
Net revenue yield on AUM before performance fees ^(2,3)	45.6bps	51.3bps	11.1bps	47.2bps	51.8bps	13.0bps

(1) Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in the six months ended June 30, 2011 for our JVs in

China was \$3.5 billion (six months ended June 30, 2010: \$3.6 billion). It is appropriate to exclude the average AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income.

- (2) Net revenue yield on AUM is equal to annualized net revenues divided by average AUM. See Schedule of Non-GAAP Information for a reconciliation of operating revenues to net revenues.
- (3) As discussed in the Results of Operations section of this Management's Discussion and Analysis, in the three and six months ended June 30, 2011, we changed the presentation of third-party distribution, service and advisory expenses to include marketing support expenses, which are distribution-related. Net revenue yield calculations have been updated to reflect this new reclassification.

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Our AUM by channel, by asset class, and by client domicile were as follows:

Total AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
January 1, 2011 AUM	616.5	378.1	221.4	17.0
Long-term inflows	90.7	69.7	19.3	1.7
Long-term outflows	(80.3)	(62.7)	(16.2)	(1.4)
Long-term net flows	10.4	7.0	3.1	0.3
Net flows in institutional money market funds	6.1		6.1	
Market gains and losses/reinvestment	16.1	13.5	2.4	0.2
Foreign currency translation	4.6	3.1	1.5	
June 30, 2011 AUM	653.7	401.7	234.5	17.5
January 1, 2010 AUM ⁽²⁾	459.5	239.1	205.2	15.2
Long-term inflows	77.4	47.6	27.9	1.9
Long-term outflows	(59.9)	(49.3)	(9.6)	(1.0)
Long-term net flows	17.5	(1.7)	18.3	0.9
Net flows in institutional money market funds	(11.5)		(11.5)	
Market gains and losses/reinvestment	(14.5)	(11.1)	(2.7)	(0.7)
Acquisitions	114.6	105.1	9.5	
Foreign currency translation	(7.9)	(6.1)	(1.8)	
June 30, 2010 AUM	557.7	325.3	217.0	15.4

ETF, UIT & Passive AUM by Channel⁽¹⁾

\$ in billions	Total	Retail	Institutional	Private Wealth Management
January 1, 2011 AUM	80.8	70.6	10.2	
Long-term inflows	33.7	28.1	5.6	
Long-term outflows	(24.7)	(24.0)	(0.7)	
Long-term net flows	9.0	4.1	4.9	
Net flows in institutional money market funds				
Market gains and losses/reinvestment	1.9	2.0	(0.1)	
Foreign currency translation	0.1		0.1	
June 30, 2011 AUM	91.8	76.7	15.1	
January 1, 2010 AUM ⁽²⁾	53.0	47.9	5.1	
Long-term inflows	39.1	23.1	16.0	

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Long-term outflows	(23.9)	(23.9)	
Long-term net flows	15.2	(0.8)	16.0
Net flows in institutional money market funds			
Market gains and losses/reinvestment	(2.6)	(3.4)	0.8
Acquisitions	13.7	13.7	
Foreign currency translation	(0.1)		(0.1)
June 30, 2010 AUM	79.2	57.4	21.8

See accompanying notes to these AUM tables on the following page.

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Table of Contents**Total AUM by Asset Class⁽³⁾**

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives⁽⁴⁾
January 1, 2011 AUM	616.5	294.0	132.0	43.5	68.3	78.7
Long-term inflows	90.7	47.9	22.1	4.8	0.7	15.2
Long-term outflows	(80.3)	(53.3)	(12.0)	(4.6)	(0.9)	(9.5)
Long-term net flows	10.4	(5.4)	10.1	0.2	(0.2)	5.7
Net flows in institutional money market funds	6.1				6.1	
Market gains and losses/reinvestment ⁽⁷⁾	16.1	10.5	3.1	0.1	0.2	2.2
Foreign currency translation	4.6	2.8	0.6	0.7		0.5
June 30, 2011 AUM	653.7	301.9	145.8	44.5	74.4 ⁽⁵⁾	87.1
January 1, 2010 AUM ⁽²⁾	459.5	192.7	76.1	40.0	83.5	67.2
Long-term inflows	77.4	53.3	12.3	3.9	0.9	7.0
Long-term outflows	(59.9)	(36.6)	(9.2)	(3.9)	(1.0)	(9.2)
Long-term net flows	17.5	16.7	3.1		(0.1)	(2.2)
Net flows in institutional money market funds	(11.5)				(11.5)	
Market gains and losses/reinvestment	(14.5)	(15.0)	3.4	(0.9)		(2.0)
Acquisitions	114.6	73.7	37.8	0.3	0.6	2.2
Foreign currency translation	(7.9)	(5.0)	(1.1)	(1.1)		(0.7)
June 30, 2010 AUM	557.7	263.1	119.3	38.3	72.5 ⁽³⁾	64.5

ETF, UIT and Passive AUM by Asset Class⁽³⁾

\$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives⁽⁴⁾
January 1, 2011 AUM	80.8	42.8	19.8			18.2
Long-term inflows	33.7	21.2	7.5			5.0
Long-term outflows	(24.7)	(19.7)	(0.8)			(4.2)
Long-term net flows	9.0	1.5	6.7			0.8
Net flows in institutional money market funds						
Market gains and losses/reinvestment	1.9	1.4	0.2			0.3
Foreign currency translation	0.1					0.1
June 30, 2011 AUM	91.8	45.7	26.7			19.4

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January 1, 2010 AUM ⁽²⁾	53.0	31.1	3.9	18.0
Long-term inflows	39.1	34.5	1.3	3.3
Long-term outflows	(23.9)	(18.1)	(0.5)	(5.3)
Long-term net flows	15.2	16.4	0.8	(2.0)
Net flows in institutional money market funds				
Market gains and losses/reinvestment	(2.6)	(3.1)	1.3	(0.8)
Acquisitions	13.7	4.5	9.2	
Foreign currency translation	(0.1)			(0.1)
June 30, 2010 AUM	79.2	48.9	15.2	15.1

See accompanying notes to these AUM tables on the following page.

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Table of Contents**Total AUM by Client Domicile⁽⁶⁾**

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
January 1, 2011 AUM	616.5	415.4	27.9	92.1	35.3	45.8
Long-term inflows	90.7	60.3	1.4	7.8	9.7	11.5
Long-term outflows	(80.3)	(53.6)	(3.2)	(7.5)	(9.5)	(6.5)
Long-term net flows	10.4	6.7	(1.8)	0.3	0.2	5.0
Net flows in institutional money market funds	6.1	6.4	0.1	(0.5)	0.1	
Market gains and losses/reinvestment	16.1	11.4	0.5	3.0	1.3	(0.1)
Foreign currency translation	4.6		0.8	2.2	1.0	0.6
June 30, 2011 AUM	653.7	439.9	27.5	97.1	37.9	51.3
January 1, 2010 AUM ⁽²⁾	459.5	294.1	29.0	84.9	24.4	27.1
Long-term inflows	77.4	39.9	1.2	9.2	7.1	20.0
Long-term outflows	(59.9)	(40.0)	(3.5)	(8.0)	(5.3)	(3.1)
Long-term net flows	17.5	(0.1)	(2.3)	1.2	1.8	16.9
Net flows in institutional money market funds	(11.5)	(13.3)		(0.9)	3.7	(1.0)
Market gains and losses/reinvestment	(14.5)	(7.3)	(0.9)	(1.7)	(1.4)	(3.2)
Acquisitions	114.6	103.7	0.6	1.8	2.9	5.6
Foreign currency translation	(7.9)		(0.4)	(5.7)	(1.8)	
June 30, 2010 AUM	557.7	377.1	26.0	79.6	29.6	45.4

ETF, UIT and Passive AUM by Client Domicile⁽⁶⁾

\$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
January 1, 2011 AUM	80.8	77.3			1.2	2.3
Long-term inflows	33.7	33.4			0.3	
Long-term outflows	(24.7)	(24.5)			(0.2)	
Long-term net flows	9.0	8.9			0.1	
Net flows in institutional money market funds						
Market gains and losses/reinvestment	1.9	1.8			0.1	
Foreign currency translation	0.1					0.1
June 30, 2011 AUM	91.8	88.0			1.4	2.4

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January 1, 2010 AUM ⁽²⁾	53.0	50.2	1.1	1.7
Long-term inflows	39.1	23.2	0.1	15.8
Long-term outflows	(23.9)	(23.8)	(0.1)	
Long-term net flows	15.2	(0.6)		15.8
Net flows in institutional money market funds				
Market gains and losses/reinvestment	(2.6)	(1.8)	(0.1)	(0.7)
Acquisitions	13.7	13.7		
Foreign currency translation	(0.1)			(0.1)
June 30, 2010 AUM	79.2	61.5	1.0	16.7

- (1) Channel refers to the distribution channel from which the AUM originated. Retail AUM arose from client investments into funds available to the public with shares or units. Institutional AUM originated from individual corporate clients, endowments, foundations, government authorities, universities, or charities. Private Wealth Management AUM arose from high net worth client investments.
- (2) The beginning balances were adjusted to reflect certain asset reclassifications.
- (3) Asset classes are descriptive groupings of AUM by common type of underlying investments.
- (4) The alternatives asset class includes absolute return, real estate, commodities, currencies, financial structures, Global Macro, REITS, private capital, and Risk Premia Capture.
- (5) Ending Money Market AUM includes \$70.4 billion in institutional money market AUM and \$4.0 billion in retail money market AUM.
- (6) Client domicile disclosure groups AUM by the domicile of the underlying clients.
- (7) As a result of fund mergers in the second quarter of 2011, the market gains and losses / reinvestment line includes \$0.9 billion transferred from the balanced to the equity asset class.

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Results of Operations for the six months ended June 30, 2011 compared with the six months ended June 30, 2010

Adoption of Guidance now encompassed in Accounting Standards Codification (ASC) Topic 810, Consolidation

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part I, Item 1, Financial Statements Note 11, Consolidated Investment Products, for additional details.

The guidance now encompassed in ASC Topic 810, which was effective January 1, 2010, had a significant impact on the presentation of the company's financial statements in 2010, as its provisions required the company to consolidate certain CLOs that were not previously consolidated.

The majority of the company's consolidated investment products balances were CLO-related as of June 30, 2011. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability. The discussion that follows will separate consolidated investment product results of operations from the company's investment management operations through the use of non-GAAP financial measures. See

Schedule of Non-GAAP Information for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

Table of Contents**Condensed Consolidating Statements of Income**

\$ in millions	Before Consolidation⁽¹⁾	Consolidated Investment Products	Adjustments⁽¹⁾⁽²⁾	Total
Six months ended June 30, 2011				
Total operating revenues	2,120.5	0.1	(23.3)	2,097.3
Total operating expenses	1,631.3	30.6	(23.3)	1,638.6
Operating income	489.2	(30.5)		458.7
Equity in earnings of unconsolidated affiliates	18.4		(0.9)	17.5
Interest and dividend income	7.3	154.0	(2.8)	158.5
Other investment income/(losses)	13.9	(165.2)	15.0	(136.3)
Interest expense	(32.2)	(89.3)	2.8	(118.7)
Income before income taxes	496.6	(131.0)	14.1	379.7
Income tax provision	(151.0)			(151.0)
Net income	345.6	(131.0)	14.1	228.7
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	0.1	131.7		131.8
Net income attributable to common shareholders	345.7	0.7	14.1	360.5

\$ in millions	Before Consolidation⁽¹⁾	Consolidated Investment Products	Adjustments⁽¹⁾⁽²⁾	Total
Six months ended June 30, 2010				
Total operating revenues	1,528.8	0.2	(22.9)	1,506.1
Total operating expenses	1,291.9	28.8	(22.9)	1,297.8
Operating income	236.9	(28.6)		208.3
Equity in earnings of unconsolidated affiliates	16.6		(0.4)	16.2
Interest and dividend income	3.4	107.4	(1.8)	109.0
Other investment income/(losses)	(11.4)	286.5	3.8	278.9
Interest expense	(26.5)	(48.2)	1.8	(72.9)
Income before income taxes	219.0	317.1	3.4	539.5
Income tax provision	(86.8)			(86.8)
Net income	132.2	317.1	3.4	452.7
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.2)	(316.7)		(316.9)
Net income attributable to common shareholders	132.0	0.4	3.4	135.8

Net income attributable to common
shareholders

- (1) The Before Consolidation column includes Invesco's equity interest in the investment products accounted for as equity method (private equity and real estate partnership funds) and available-for-sale investments (CLOs). Upon consolidation of the CLOs, the company's and the CLOs' accounting policies were effectively aligned, resulting in the reclassification of the company's gain for the six months ended June 30, 2011 of \$15.0 million (representing the increase in the market value of the company's holdings in the consolidated CLOs) from other comprehensive income into other gains/losses (six months ended June 30, 2010: \$3.8 million). The company's gain on its investments in the CLOs (before consolidation) eliminates with the company's share of the offsetting loss on the CLOs' debt. The net income arising from consolidation of CLOs is therefore completely attributed to other investors in these CLOs, as the company's share has been eliminated through consolidation.
- (2) Adjustments include the elimination of intercompany transactions between the company and its consolidated investment products, primarily the elimination of management fees expensed by the funds and recorded as operating revenues (before consolidation) by the company.

Table of Contents*Operating Revenues and Net Revenues*

The main categories of revenues, and the dollar and percentage change between the periods, were as follows:

\$ in millions	Six months ended June 30,		\$	%
	2011	2010	Change	Change
Investment management fees	1,611.4	1,221.4	390.0	31.9%
Service and distribution fees	410.1	251.9	158.2	62.8%
Performance fees	11.4	4.9	6.5	132.7%
Other	64.4	27.9	36.5	130.8%
Total operating revenues	2,097.3	1,506.1	591.2	39.3%
Third-party distribution, service and advisory expenses	(666.3)	(446.5)	(219.8)	49.2%
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	21.2	20.9	0.3	1.4%
Management fees earned from consolidated investment products	23.3	22.9	0.4	1.7%
Other revenues recorded by consolidated investment products		(0.2)	0.2	N/A
Net revenues	1,475.5	1,103.2	372.3	33.7%

Operating revenues increased by \$591.2 million (39.3%) in the six months ended June 30, 2011 to \$2,097.3 million (six months ended June 30, 2010: \$1,506.1 million). Net revenues increased by \$372.3 million (33.7%) in the six months ended June 30, 2011 to \$1,475.5 million (six months ended June 30, 2010: \$1,103.2 million). Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of net revenues from joint venture arrangements, plus management fees earned from, less other revenues recorded by, consolidated investment products. See Schedule of Non-GAAP Information for additional important disclosures regarding the use of net revenues. A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements accounted for \$56.9 million (9.6%) of the increase in operating revenues, and was 2.7% of total operating revenues, during the six months June 30, 2011 when compared to the six months ended June 30, 2010. Additionally, our revenues are directly influenced by the level and composition of our AUM as more fully discussed below. Movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

The operating results of the acquired business were included since the acquisition date of June 1, 2010. The integration of acquired business is largely complete with 67 of the 71 planned U.S. funds mergers completed by June 30, 2011 as part of the U.S. mutual fund product alignment. As such, accurate segregated revenue and expense information for the acquired business is no longer available, resulting in the inability of the company to quantify the impact of the acquisition on operating revenues and expenses. As a consequence of the U.S. mutual fund product alignment, certain 1 year and 2 year fee waivers were agreed between the company and the fund boards which will reduce the company's annual management fees by approximately \$30 million commencing June 1, 2011.

In the three months ended June 30, 2011, we changed the presentation of third-party distribution, service and advisory expenses to include marketing support expenses, which are distribution-related. See Part I, Financial Information, Note 1, Accounting Policies Reclassifications for additional information. Amounts for the comparative period have been reclassified to conform to the current year presentation, as illustrated in the table below.

\$ in millions	Six months ended June 30, 2010
Third-party distribution, service and advisory expenses, as previously reported	416.3
Reclassification	30.2
Third-party distribution, service and advisory expenses, as reclassified	446.5
Marketing expenses, as previously reported	63.5
Reclassification	(30.2)
Marketing expenses, as reclassified	33.3
Net revenues, as previously reported	1,133.4
Reclassification	(30.2)
Net revenues, as reclassified	\$ 1,103.2

Table of Contents***Investment management fees***

Investment management fees increased by \$390.0 million (31.9%) in the six months ended June 30, 2011 to \$1,611.4 million (six months ended June 30, 2010: \$1,221.4 million) due to the acquisition, increases in average AUM, primarily retail AUM, and changes in the mix of AUM between asset classes, together with the impact of foreign exchange rate movement. Average long-term AUM, which generally earn higher fee rates than money market AUM, for the six months ended June 30, 2011 increased 45.8% to \$573.6 billion from \$393.5 billion for the six months ended June 30, 2010, while average institutional money market AUM decreased 5.0% to \$67.9 billion for the six months ended June 30, 2011, from \$71.5 billion for the six months ended June 30, 2010. The increase in average long-term AUM includes the impact of the acquired business. See the company's disclosures regarding the changes in AUM during the six months ended June 30, 2011 in the **Assets Under Management** section above for additional information regarding the movements in AUM. The impact of foreign exchange rate movements accounted for \$50.9 million (13.1%) of the increase in investment management fees during the six months ended June 30, 2011, compared to the six months ended June 30, 2010.

Service and distribution fees

In the six months ended June 30, 2011, service and distribution fees increased by \$158.2 million (62.8%) to \$410.1 million, (six months ended June 30, 2010: \$251.9 million) primarily due to the acquisition as well as increases in average AUM during the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

Performance fees

Of our \$653.7 billion in AUM at June 30, 2011, only approximately \$34.1 billion, or 5.2%, could potentially earn performance fees. In the six months ended June 30, 2011, performance fees increased by \$6.5 (132.7%) million to \$11.4 million (six months ended June 30, 2010: \$4.9 million). The performance fees generated in the six months ended June 30, 2011 arose primarily due to products managed in the U.K and by our U.S. private equity group, bank loan group, real estate group and Asia Pacific operations. The performance fees generated in the six months ended June 30, 2010 arose primarily due to products managed in the U.K. and in our real estate group.

Other revenues

In the six months ended June 30, 2011, other revenues increased by \$36.5 (130.8%) million to \$64.4 million (six months ended June 30, 2010: \$27.9 million). Other revenues included increase of \$24.4 million in UIT revenues during the period, a result of the acquired business, \$4.3 million increase in transaction commissions, and an increase in mutual funds front end fees of \$5.8 million. The impact of foreign exchange rate movements accounted for \$1.0 million (2.7%) of the increase in other revenues during the six months ended June 30, 2011, compared to the six months ended June 30, 2010.

Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses increased by \$219.8 million (49.2%) in the six months ended June 30, 2011 to \$666.3 million (six months ended June 30, 2010: \$446.5 million). The increase in third-party distribution, service and advisory expenses includes the impact of the acquired business and is consistent with the increases in investment management and service and distribution fees.

Proportional share of revenues, net of third-party distribution expenses, from joint venture investments

Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See **Schedule of Non-GAAP Information** for additional disclosures regarding the use of net revenues.

Our proportional share of revenues, net of third-party distribution expenses increased by \$0.3 million (1.4%) to \$21.2 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$20.9 million). Our share of the Invesco Great Wall joint venture's average AUM in the six months ended June 30, 2011 was \$3.5 billion (six months ended June 30, 2010: \$3.6 billion).

Table of Contents**Management fees earned from consolidated investment products**

Management believes that the consolidation of investment products may impact a reader's analysis of our underlying results of operations and could result in investor confusion or the production of information about the company by analysts or external credit rating agencies that is not reflective of the underlying results of operations and financial condition of the company. Accordingly, management believes that it is appropriate to adjust operating revenues for the impact of consolidated investment products in calculating net revenues. As management and performance fees earned by Invesco from the consolidated products are eliminated upon consolidation of the investment products, management believes that it is appropriate to add these operating revenues back in the calculation of net revenues. See Schedule of Non-GAAP Information for additional disclosures regarding the use of net revenues.

Management fees earned from consolidated investment products increased by \$0.4 million (1.7%) to \$23.3 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$22.9 million), primarily due to the impact of additional funds consolidated in connection with the acquisition.

Other revenues recorded by consolidated investment products

Operating revenues of consolidated investment products are included in U.S. GAAP operating revenues resulting from the consolidation of investment products into the company's results of operations. Management believes that this consolidation could impact a reader's analysis of our underlying results of operations. Therefore, management believes that it is appropriate to deduct operating revenues of consolidated investment products in calculating net revenues. See Schedule of Non-GAAP Information for additional disclosures regarding the use of net revenues.

Operating Expenses

The main categories of operating expenses, and the dollar and percentage changes between periods, are as follows:

\$ in millions	Six months ended June 30,		\$ Change	% Change
	2011	2010		
Employee compensation	624.2	498.1	126.1	25.3%
Third-party distribution, service and advisory	666.3	446.5	219.8	49.2%
Marketing	51.8	33.3	18.5	55.6%
Property, office and technology	125.9	109.3	16.6	15.2%
General and administrative	151.2	114.1	37.1	32.5%
Transaction and integration	19.2	96.5	(77.3)	(80.1)%
Total operating expenses	1,638.6	1,297.8	340.8	26.3%

The table below sets forth these cost categories as a percentage of total operating expenses and operating revenues, which we believe provides useful information as to the relative significance of each type of expense:

Six months ended:	\$ in millions	June 30, 2011	% of Total Operating	% of Operating Revenues	June 30, 2010	% of Total Operating	% of Operating Revenues
			Expenses	Revenues		Expenses	Revenues
Employee compensation	624.2	38.1%	29.8%	498.1	38.4%	33.1%	
Third-party distribution, service and advisory	666.3	40.7%	31.8%	446.5	34.4%	29.6%	
Marketing	51.8	3.2%	2.5%	33.3	2.6%	2.2%	
Property, office and technology	125.9	7.7%	6.0%	109.3	8.4%	7.3%	

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General and administrative	151.2	9.2%	7.2%	114.1	8.8%	7.6%
Transaction and integration	19.2	1.1%	0.8%	96.5	7.4%	6.4%
Total operating expenses	1,638.6	100.0%	78.1%	1,297.8	100.0%	86.2%

During the six months ended June 30, 2011, operating expenses increased by \$340.8 million (26.3%) to \$1,638.6 million (six months ended June 30, 2010: \$1,297.8 million). As discussed above, the acquisition occurred on June 1, 2010, which increased expenses across all categories, except transaction and integration expenses, which have decreased during the six months ended June 30, 2011 compared to the six months ended June 30, 2010. As the integration of the acquired business is complete, segregated expense data is not available.

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In addition to the acquired business, foreign exchange differences have an impact on our reported expense variances. A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. The impact of foreign exchange rate movements accounted for \$48.4 million (14.2%) of the increase in operating expenses, and was 3.0% of total operating expenses, during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010.

Employee Compensation

Employee compensation increased \$126.1 million (25.3%) to \$624.2 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$498.1 million). Base salaries and variable compensation increased \$85.7 million, staff benefits increased \$8.5 million and payroll taxes and termination costs increased \$11.0 million during the six months ended June 30, 2011 from the six months ended June 30, 2010, due to incremental costs associated with the acquisition, the impact of annual base salary increases, the internalization of our Hyderabad operation and the increase in variable compensation accruals to reflect the overall earnings growth of the company, including improving operating results and sales. Also included in compensation expenses during the six months ended June 30, 2011 are share-based costs of \$57.0 million compared to \$53.6 million during the six months ended June 30, 2010, a slight increase due to the incremental expense impact of the acquisition. The impact of foreign exchange rate movements accounted for \$19.3 million (15.3%) of the increase in employee compensation, during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010.

Additionally, employee compensation costs for the six months ended June 30, 2011 and 2010 included \$10.0 million of prepaid compensation amortization expenses related to the 2006 acquisition of W.L. Ross & Co. This acquisition-related asset will be fully amortized by the third quarter of 2011.

Headcount at June 30, 2011 was 6,189 (June 30, 2010: 5,421). The increase is primarily driven by acquisitions and the internalization of our new Hyderabad, India, facility.

Third-Party Distribution, Service and Advisory Expenses

Third-party distribution, service and advisory expenses are discussed above in the operating and net revenues section.

Marketing

Marketing expenses increased by \$18.5 million (55.6%) in the six months ended June 30, 2011 to \$51.8 million (six months ended June 30, 2010: \$33.3 million), driven in part by the impact of the acquired business. The increase during the six months ended June 30, 2011 includes an increase in advertising expenses of \$8.8 million, sales literature and research of \$1.4 million and travel and client event expenses of \$6.0 million as compared to the six months ended June 30, 2010. The impact of foreign exchange rate movements accounted for \$1.4 million (7.6%) of the increase in marketing expense during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010.

Property, Office and Technology

Property, office and technology expenses increased by \$16.6 million (15.2%) to \$125.9 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$109.3 million). Property and office expenses increased \$8.1 million over the comparable 2010 period, due to an increase of \$1.0 million in depreciation expense and an increase of \$5.4 million in property management fees and rent expense related to new properties brought on as part of the acquisition. Technology and communications expenses increased \$5.2 million due to increases in depreciation and maintenance totaling \$8.0 million, offset by decrease in outsourced administration expenses, partly due to Hyderabad internalization, of \$3.0 million compared to the six months ended June 30, 2010. The impact of foreign exchange rate movements accounted for \$3.3 million (19.9%) of the increase in property, office and technology expenses during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010.

General and Administrative

General and administrative expenses increased by \$37.1 million (32.5%) to \$151.2 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$114.1 million). Professional services expenses increased \$19.4 million during the six months ended June 30, 2011 from the six months ended June 30, 2010 due to increases in consultant fees of \$6.0 million, information services of \$5.7 million, contractor and recruitment fees of \$4.2 million,

regulatory fees of \$1.8 million, audit fees of \$0.8 million, legal fees of \$0.4 million, training costs of \$0.3 million and publication costs of \$0.2 million. Travel expenses increased \$6.3 million driven by higher levels of business activity and mutual fund expenses increased \$5.6 million during the six months ended June 30, 2011

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compared to the six months ended June 30, 2010. During the six months ended June 30, 2011 intangible amortization expense increased \$13.2 million resulting from additional amortization of the various finite-lived intangible assets that arose from the acquisition. The impact of foreign exchange rate movements accounted for \$2.9 million (7.8%) of the increase in general and administrative costs during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. Expenditure related tax increases, including U.K. value added tax (VAT), resulted in an additional \$1.4 million of irrecoverable VAT expense in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. Increases in general and administrative expenses in the six months ended June 30, 2011 are offset by a credit of \$6.4 million related to a reduction in contingent consideration payable. Included in general and administrative expenses for the six months ended June 30, 2010, was \$8.9 million representing fund reimbursement costs from the correction of historical foreign exchange allocations which reduced the overall increase of general and administrative expenses when compared to current period.

Transaction and integration

Transaction and integration charges were \$19.2 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$96.5 million) and relate to the integration of the acquired business. Transaction and integration expenses during the six months ended June 30, 2011 include \$2.4 million of employee compensation costs, \$1.1 million of property and office, \$1.0 million of technology and communication costs and \$14.4 million of professional services, principally legal, proxy solicitation, consultancy and insurance. Transaction and integration expenses for the six months ended June 30, 2010 included \$19.2 million of employee compensation costs, including \$14.5 million of severance costs; \$16.3 million for the proxy solicitation of fund investors to approve a change in fund advisor, \$27.5 million for transition of the Van Kampen funds to Invesco's platform and governance structure, \$5.5 million related to office space including onerous lease charges associated with vacating office space in Houston as we consolidated operations, \$5.5 million of sales and marketing costs as we printed re-branded fund prospectuses, \$17.4 million of professional services, principally legal, consultancy and insurance, and \$4.3 million in technology contractor and travel costs.

Operating Income, Adjusted Operating Income, Operating Margin and Adjusted Operating Margin

Operating income increased by \$250.4 million (120.2%) to \$458.7 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$208.3 million). Operating margin (operating income divided by operating revenues), increased from 13.8% in the six months ended June 30, 2010 to 21.9% in the six months ended June 30, 2011. The increase in operating income and margin resulted from a greater relative increase in operating revenues (39.3%) than in operating expenses (26.3%) during the period. Adjusted operating income (operating income plus our proportional share of the operating income from joint venture arrangements, transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, compensation expense related to market valuation changes in deferred compensation plans, the operating income impact of the consolidation of investment products, European infrastructure expense and other reconciling items), increased by \$185.2 million (49.8%) to \$556.9 million in the six months ended June 30, 2011 from \$371.7 million in the six months ended June 30, 2010. Adjusted operating margin is equal to adjusted operating income divided by net revenues. Net revenues are equal to operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of the net revenues from our joint venture arrangements, plus management fees earned from, less other revenue recorded by, consolidated investment products. Adjusted operating margin increased to 37.7% in the six months ended June 30, 2011 from 33.7% in the six months ended June 30, 2010. See Schedule of Non-GAAP Information for a reconciliation of operating revenues to net revenues, a reconciliation of operating income to adjusted operating income and additional important disclosures regarding net revenues, adjusted operating income and adjusted operating margin.

Other Income and Expenses

The main categories of other income and expenses, and the dollar and percentage changes between periods are as follows:

**Six months ended
June 30,**

\$ in millions	2011	2010	\$ Change	% Change
Equity in earnings of unconsolidated affiliates	17.5	16.2	1.3	8.0%
Interest and dividend income	4.5	3.4	1.1	32.4%
Interest income of consolidated investment products	154.0	105.6	48.4	45.8%
Gains/(losses) of consolidated investment products, net	(150.2)	290.3	(440.5)	N/A
Interest expense	(32.2)	(26.5)	(5.7)	21.5%
Interest expense of consolidated investment products	(86.5)	(46.4)	(40.1)	86.4%
Other gains and losses, net	13.9	(11.4)	25.3	N/A
Total other income and expenses	(79.0)	331.2	(410.2)	N/A

Table of Contents***Equity in earnings of unconsolidated affiliates***

Equity in earnings of unconsolidated affiliates increased by \$1.3 million (8.0%) to \$17.5 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$16.2 million). The increase in equity in earnings is impacted by our share of the market-driven valuation changes in the underlying holdings of certain partnership investments, including our investment in Invesco Mortgage Capital, Inc, which increased by \$0.7 million, and other partnership and joint venture investments generated a net increase of \$0.6 million from the comparative period.

Interest and dividend income and interest expense

Interest and dividend income increased by \$1.1 million (32.4%) to \$4.5 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$3.4 million). The six months ended June 30, 2011 includes an increase in dividend income of \$2.3 million on investments held to hedge economically deferred compensation plans. This dividend income is passed through to employee participants in the deferred compensation plans. See Schedule of Non-GAAP Information for additional details. The increases in interest and dividend income are offset by a decrease in investment income earned on investments of \$1.0 million. Interest expense increased by \$5.7 million (21.5%) to \$32.2 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$26.5 million) due to higher average debt balances versus the comparative period.

Interest income and interest expense of consolidated investment products

In the six months ended June 30, 2011, interest income of consolidated investment products increased by \$48.4 million (45.8%) to \$154.0 million (six months ended June 30, 2010: \$105.6 million) reflecting the acquisition and higher interest rates on variable rate asset collateral held by the CLOs. Interest expense of consolidated investment products increased by \$40.1 million (86.4%) to \$86.5 million (six months ended June 30, 2010: \$46.4 million) reflecting the acquisition and higher variable interest rates on outstanding principal balances of CLO notes in 2011.

Gains and losses of consolidated investment products, net income impact of consolidated investment products, and noncontrolling interests in consolidated entities

Included in other income and expenses are gains and losses of consolidated investment products, net, which are driven by realized and unrealized gains and losses on the underlying investments and debt of consolidated investment products. In the six months ended June 30, 2011, other gains and losses of consolidated investment products were a net loss of \$150.2 million, as compared to a net gain of \$290.3 million in the six months ended June 30, 2010. The net loss in the period is primarily due to an increase in the market value of long term debt of consolidated investment products which exceeded the increase in the market value of investments of consolidated investment products.

As illustrated in the Condensed Consolidating Statements of Income for the six months ended June 30, 2011 and 2010 at the beginning of this Results of Operations section, the consolidation of investment products during the six months ended June 30, 2011 resulted in a decrease to net income of \$116.9 million before attribution to noncontrolling interests (six months ended June 30, 2010: \$320.5 million increase to net income). Invesco invests in only a portion of these products, and as a result this net loss is offset by noncontrolling interests of \$131.7 million (six months ended June 30, 2010: \$316.7 million offset to net gain), resulting in a net increase in net income of the company of \$14.8 million (six months ended June 30, 2010: \$3.8 million).

Noncontrolling interests in consolidated entities represent the profit or loss amounts attributed to third party investors in consolidated investment products. Movements in amounts attributable to noncontrolling interests in consolidated entities on the company's Consolidated Statements of Income generally offset the gains and losses, interest income and interest expense of consolidated investment products.

Other gains and losses, net

Other gains and losses, net were a net gain of \$13.9 million in the six months ended June 30, 2011 as compared to a net loss of \$11.4 million in the six months ended June 30, 2010. Included in other gains and losses for the six months ended June 30, 2011 is a net gain of \$7.4 million resulting from the appreciation of investments held for our deferred compensation plans (six months ended June 30, 2010: \$3.4 million net loss), together with \$6.3 million of seed investment net realized gains (six months ended June 30, 2010: none). There were no other-than-temporary impairment charges related to seed money investments during the six months ended June 30, 2011; however, during the six months ended June 30, 2010, there were other-than-temporary impairment charges of \$6.1 million. In the six

months ended June 30, 2011, we benefited from \$0.3 million in net foreign exchange gains (six months ended June 30, 2010: \$2.2 million in net foreign exchange losses).

Table of Contents***Income Tax Expense***

Our subsidiaries operate in several taxing jurisdictions around the world, each with its own statutory income tax rate. As a result, our effective tax rate will vary from year to year depending on the mix of the profits and losses of our subsidiaries. The majority of our profits are earned in the U.S., U.K. and Canada. The U.K. statutory tax rate at June 30, 2011 was 27%, the Canadian statutory tax rate was 28.25% and the U.S. Federal statutory tax rate was 35%.

On July 27, 2010, legislation was introduced to reduce the U.K. income tax rate to 27% on April 1, 2011. On March 29, 2011, the U.K. Parliament approved an additional 1% decrease in the income tax rate, to 26%, effective April 1, 2011, and a further reduction to 25%, effective April 1, 2012. However, the measures are not enacted for U.S. GAAP purposes (and cannot be accounted for) until they receive Royal Assent, which occurred July 19, 2011. Therefore the impact of the rate reduction will be reflected in the third quarter of 2011.

Our effective tax rate, excluding noncontrolling interests in consolidated entities, for the six months ended June 30, 2011 was 29.5%, down from 39.0% for the six months ended June 30, 2010. The six months ended June 30, 2010 rate was higher due to the inclusion of non-deductible transaction and integration costs incurred during that period.

Schedule of Non-GAAP Information

We are presenting the following non-GAAP measures: net revenue (and by calculation, net revenue yield on AUM), adjusted operating income (and by calculation, adjusted operating margin), adjusted net income attributable to common shareholders (and by calculation, adjusted diluted earnings per share (EPS)). We believe these non-GAAP measures provide greater transparency into our business and allow more appropriate comparisons with industry peers. Management uses these performance measures to evaluate the business, and they are consistent with internal management reporting. The most directly comparable U.S. GAAP measures are operating revenues (and by calculation, gross revenue yield on AUM), operating income (and by calculation, operating margin), net income (and by calculation, diluted EPS). Each of these measures is discussed more fully below.

These non-GAAP measures should not be considered as substitutes for any measures derived in accordance with U.S. GAAP and may not be comparable to other similarly titled measures of other companies. Additional reconciling items may be added in the future to these non-GAAP measures if deemed appropriate. The Schedule of Non-GAAP Information contained in the company's most recent annual report on Form 10-K contains expanded definitions of reconciling items from U.S. GAAP to non-GAAP information, including the reasons why management believes that the presentation of our non-GAAP measures provides useful information to investors.

In the three months ended June 30, 2011, we changed the presentation of third-party distribution, service and advisory expenses to include marketing support expenses, which are distribution-related. See Part I, Financial Information, Note 1, Accounting Policies Reclassifications for additional information. Amounts for the comparative period have been reclassified to conform to the current year presentation, as illustrated in the tables in the Results of Operations for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 and Results of Operations for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 sections above.

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The following are reconciliations of operating revenues, operating income (and by calculation, operating margin), and net income (and by calculation, diluted EPS) on a U.S. GAAP basis to net revenues, adjusted operating income (and by calculation, adjusted operating margin), and adjusted net income attributable to common shareholders (and by calculation, adjusted diluted EPS):

\$ in millions, except per share data	Three months ended		Six months ended June	
	June 30,		30,	
	2011	2010	2011	2010
Operating revenues, U.S. GAAP basis	1,070.0	787.0	2,097.3	1,506.1
Third-party distribution, service and advisory expenses ⁽¹⁾	(341.8)	(238.3)	(666.3)	(446.5)
Proportional share of net revenues from joint venture arrangements ⁽²⁾	10.8	10.4	21.2	20.9
Management fees earned from consolidated investment products eliminated upon consolidation ⁽³⁾	12.2	12.3	23.3	22.9
Other revenues recorded by consolidated investment products ⁽³⁾				(0.2)
Net revenues	751.2	571.4	1,475.5	1,103.2
Operating income, U.S. GAAP basis	233.0	71.4	458.7	208.3
Proportional share of operating income from joint venture investments ⁽²⁾	5.0	6.0	10.2	11.3
Transaction and integration charges ⁽⁴⁾	11.3	79.3	19.2	96.5
Amortization of acquisition-related prepaid compensation ⁽⁴⁾	5.0	5.0	10.0	10.0
Amortization of other intangibles ⁽⁴⁾	12.9	5.2	21.9	8.3
Change in contingent consideration estimates	(6.4)		(6.4)	
Compensation expense related to market valuation changes in deferred compensation plans ⁽⁵⁾	2.5	(2.1)	6.6	(0.2)
Consolidation of investment products ⁽³⁾	15.7	15.0	30.5	28.6
European infrastructure ⁽⁶⁾	5.8		5.8	
Other reconciling items ⁽⁷⁾		8.9	0.4	8.9
Adjusted operating income	284.8	188.7	556.9	371.7
Operating margin*	21.8%	9.1%	21.9%	13.8%
Adjusted operating margin**	37.9%	33.0%	37.7%	33.7%
Net income attributable to common shareholders, U.S. GAAP basis	183.0	40.8	360.5	135.8
Transaction and integration charges, net of tax ⁽⁴⁾	6.9	64.5	11.9	79.8
Amortization of acquisition-related prepaid compensation ⁽⁴⁾	5.0	5.0	10.0	10.0
Amortization of other intangibles, net of tax ⁽⁴⁾	11.8	4.6	19.6	7.6
Change in contingent consideration estimates	(6.4)		(6.4)	
	(1.5)	2.5	(2.2)	2.2

Deferred compensation plan market valuation changes and dividend income less compensation expense, net of tax ⁽⁵⁾				
Deferred income taxes on intangible assets ⁽⁴⁾	8.3	4.2	14.7	7.8
Consolidation of investment products ⁽³⁾	(5.2)	(2.2)	(14.8)	(3.8)
European infrastructure, net of tax ⁽⁶⁾	5.2		5.2	
Other reconciling items ⁽⁷⁾		6.0	0.3	6.0
Adjusted net income attributable to common shareholders	207.1	125.4	398.8	245.4
Average shares outstanding diluted	467.4	457.8	469.7	450.1
Diluted EPS	\$ 0.39	\$ 0.09	\$ 0.77	\$ 0.30
Adjusted diluted EPS***	\$ 0.44	\$ 0.27	\$ 0.85	\$ 0.55

* Operating margin is equal to operating income divided by operating revenues.

** Adjusted operating margin is equal to adjusted operating income divided by net revenues.

*** Adjusted diluted EPS is equal to adjusted net income attributable to common shareholders divided by the weighted average shares outstanding amount used in the calculation of diluted EPS.

Table of Contents**(1) *Third-party distribution, service and advisory expenses***

Third-party distribution, service and advisory expenses include renewal commissions, management fee rebates and distribution costs (12b-1 and marketing support) paid to brokers and independent financial advisors. While the terms used for these types of expense vary by geography, they are all expense items that are closely linked to the value of AUM and the revenue earned by Invesco from AUM. Since the company has been deemed to be the principal in the third-party arrangements, the company must reflect these expenses gross of operating revenues under U.S. GAAP. Management believes that the deduction of third-party distribution, service and advisory expenses from operating revenues in the computation of net revenues (and by calculation, net revenue yield on AUM) and the related computation of adjusted operating income (and by calculation, adjusted operating margin) appropriately reflects the nature of these expenses as revenue-sharing activities, as these costs are passed through to external parties who perform functions on behalf of, and distribute, the company's managed funds. Further, these expenses vary extensively by geography due to the differences in distribution channels. The net presentation assists in identifying the revenue contribution generated by the business, removing distortions caused by the differing distribution channel fees and allowing for a fair comparison with U.S. peer investment managers and within Invesco's own investment units. Additionally, management evaluates net revenue yield on AUM, which is equal to net revenues divided by average AUM during the reporting period. This financial measure is an indicator of the basis point net revenues we receive for each dollar of AUM we manage and is useful when evaluating the company's performance relative to industry competitors and within the company for capital allocation purposes.

(2) *Proportional share of net revenues and operating income from joint venture investments*

The company has two joint venture investments in China. Enhancing our operations in China is one effort that we believe could improve our competitive position over time. Accordingly, we believe that it is appropriate to evaluate the contribution of our joint venture investments to the operations of the business.

(3) *Consolidated investment products*

See Part I, Item 1, Financial Statements, Note 11, Consolidated Investment Products for a detailed analysis of the impact to the company's Condensed Consolidated Financial Statements from the consolidation of investment products. The reconciling items add back the management and performance fees earned by Invesco from the consolidated products and remove the revenues and expenses recorded by the consolidated products that have been included in the U.S. GAAP Condensed Consolidated Statements of Income.

(4) *Acquisition-related reconciling items*

Acquisition-related adjustments include transaction and integration expenses and intangible asset amortization related to acquired assets, amortization of prepaid compensation related to the 2006 acquisition of W.L. Ross & Co., and tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. These charges reflect the legal, regulatory, advisory, valuation, integration-related employee incentive awards and other professional or consulting fees, general and administrative costs, including travel costs related to the transaction and the costs of temporary staff involved in executing the transaction, and the post closing costs of integrating the acquired business into the company's existing operations including incremental costs associated with achieving synergy savings. Additionally, transaction and integration expenses include legal costs related to the defense of auction rate preferred securities complaints raised in the pre-acquisition period with respect to various closed-end funds included in the acquisition. See Part I, Item 1, Financial Statements, Note 10, Commitments and Contingencies for additional information.

(5) *Market movement on deferred compensation plan liabilities*

Certain deferred compensation plan awards involve a return to the employee linked to the appreciation (depreciation) of specified investments, typically the funds managed by the employee. Invesco hedges economically the exposure to market movements by holding these investments on its balance sheet. U.S. GAAP requires the appreciation (depreciation) in the compensation liability to be expensed over the award vesting period in proportion to the vested amount of the award as part of compensation expense. The full value of the investment appreciation (depreciation) is immediately recorded below operating income in other gains and losses. This creates a timing difference between the recognition of the compensation expense and the investment gain or loss impacting net income attributable to common shareholders and diluted EPS which will reverse over the life of the award and net to zero at the end of the multi-year vesting period. During periods of high market volatility these timing differences impact compensation expense, operating income and operating margin in a manner which, over the life of the award, will ultimately be offset by gains and losses recorded below operating income on the Consolidated Statements of Income. The non-GAAP measures exclude the mismatch created by differing U.S. GAAP treatments of the market movement on the liability and the investments.

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Additionally, dividend income from investments held to hedge economically deferred compensation plans is recorded as dividend income and as compensation expense on the company's Consolidated Statements of Income on the record dates. This dividend income is passed through to the employee participants in the plan and is not retained by the company. The non-GAAP measures exclude this dividend income and related compensation expense.

(6) *European infrastructure expenses*

Expenses related to the company's European infrastructure alignment efforts represent primarily severance and consulting costs associated with the company's fund rationalization and distribution efforts in Europe. Management does not include these costs in internal reporting, and these costs do not form part of the overall evaluation of the business. Management therefore believes that the exclusion of these costs, due to their incremental nature and projected magnitude, from total operating expenses provides useful information to investors, as this view is consistent with how management evaluates the performance of the business. Exclusion of these costs will aid in comparability of our results from periods to period and the comparability of our results with those of peer investment managers.

(7) *Other reconciling items*

Included within general and administrative expenses in the first quarter of 2011 was an additional charge of \$0.4 million relating to a levy from the U.K. Financial Services Compensation Scheme. Assessments were levied upon all Financial Services Authority (FSA)-registered investment management companies in proportion to their eligible income (as defined by the FSA) to cover claims resulting from failures of non-affiliated investment firms. The company's income tax provision included tax benefits of \$0.1 million in the first quarter of 2011 relating to this charge.

Included within the second quarter 2010 general and administrative expenses was a charge of \$8.9 million representing reimbursement costs from the correction of historical foreign exchange allocations in the fund accounting process that impacted the reporting of fund performance in certain funds. The company's income tax provision includes tax benefits of \$2.9 million relating to this charge. The net of tax charge of \$6.0 million is equivalent to a reduction in diluted EPS of \$0.01. Due to the unique character and magnitude of these charges in current and prior periods, their impact has been excluded in calculating the non-GAAP financial measures.

Table of Contents**Balance Sheet Discussion**

Condensed Consolidating Balance Sheets are presented below and reflect the consolidation of investment products, including the adoption of guidance now encompassed in ASC Topic 810 on January 1, 2010. The majority of the company's consolidated investment products were CLOs as of June 30, 2011. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be a company liability.

Condensed Consolidating Balance Sheets

\$ in millions	Before Consolidation⁽¹⁾	Consolidated Investment Products	Adjustments⁽²⁾	Total
As of June 30, 2011				
Current assets	3,706.4	819.3	(67.0)	4,458.7
Non-current assets	9,197.1	7,349.7	(89.9)	16,456.9
Total assets	12,903.5	8,169.0	(156.9)	20,915.6
Current liabilities	2,990.7	409.2	(35.3)	3,364.6
Long-term debt of consolidated investment products		6,341.2	(48.5)	6,292.7
Other non-current liabilities	2,060.5			2,060.5
Total liabilities	5,051.2	6,750.4	(83.8)	11,717.8
Retained earnings attributable to investors in consolidated investment products		340.2		340.2
Other equity attributable to common shareholders	7,847.6	73.6	(73.1)	7,848.1
Equity attributable to noncontrolling interests in consolidated entities	4.7	1,004.8		1,009.5
Total liabilities and equity	12,903.5	8,169.0	(156.9)	20,915.6

\$ in millions	Before Consolidation⁽¹⁾	Consolidated Investment Products	Adjustments⁽²⁾	Total
As of December 31, 2010				
Current assets	3,480.0	816.8	(22.3)	4,274.5
Non-current assets	9,025.1	7,205.5	(61.0)	16,169.6
Total assets	12,505.1	8,022.3	(83.3)	20,444.1
Current liabilities	2,777.9	508.9	(22.3)	3,264.5
		5,888.2	(22.8)	5,865.4

Long-term debt of consolidated investment products				
Other non-current liabilities	1,953.3			1,953.3
Total liabilities	4731.2	6,397.1	(45.1)	11,083.2
Retained earnings appropriated for investors in consolidated investment products		495.5		495.5
Other equity attributable to common shareholders	7,769.1	38.2	(38.2)	7,769.1
Equity attributable to noncontrolling interests in consolidated entities	4.8	1,091.5		1,096.3
Total liabilities and equity	12,505.1	8,022.3	(83.3)	20,444.1

- (1) The Before Consolidation column includes Invesco's equity interest in the investment products, accounted for as equity method and available-for-sale investments and does not include any other adjustments related to non-GAAP financial measure presentation.
- (2) Adjustments include the elimination of intercompany transactions between the company and its consolidated investment products and the elimination of the company's equity at risk recorded as investments by the company (before consolidation) against either the equity (private equity and real estate partnership funds) or debt (CLOs) of the consolidated investment products.

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The company's Condensed Consolidated Statement of Changes in Equity in Part I, Item 1, Financial Statements, contains a detailed analysis of the changes in balance sheet equity line items. The following table presents a comparative analysis of significant detailed balance sheet assets and liabilities:

\$ in millions	June 30, 2011	December 31, 2010	\$ Change	% Change
Cash and cash equivalents	621.5	740.5	(119.0)	(16.1)%
Unsettled fund receivables	674.2	513.4	160.8	31.3%
Current investments	352.0	308.8	43.2	14.0%
Assets held for policyholders	1,373.2	1,295.4	77.8	6.0%
Non-current investments	194.1	164.4	29.7	18.1%
Intangible assets, net	1,318.6	1,337.2	(18.6)	(1.4)%
Goodwill	7,090.6	6,980.2	110.4	1.6%
Policyholder payables	1,373.2	1,295.4	77.8	6.0%
Current maturities of total debt	215.1		215.1	N/A
Long-term debt	1,368.6	1,315.7	52.9	4.0%
Equity attributable to common shareholders	8,188.3	8,264.6	(76.3)	(0.9)%
Equity attributable to noncontrolling interests in consolidated entities	1,009.5	1,096.3	(86.8)	(7.9)%

Cash and Cash Equivalents

See Liquidity and Capital Resources Cash Flows Discussion for details of the movements in the company's cash and cash equivalents balances in the periods presented.

Unsettled Fund Receivables

Unsettled fund receivables increased by \$160.8 million from \$513.4 million at December 31, 2010 to \$674.2 million at June 30, 2011, due to \$5.1 million of unsettled balances associated with the unit investment trust (UIT) products, together with higher transaction activity between funds and investors in June 2011 when compared to December 2010 in our U.K. and offshore funds.

Investments (current and non-current)

As of June 30, 2011, we had \$546.1 million in investments, of which, \$352.0 million were current investments and \$194.1 million were non-current investments. Included in current investments are \$95.3 million of seed money investments in affiliated funds used to seed funds as we launch new products, and \$197.7 million of investments related to assets held for deferred compensation plans, which are also held primarily in affiliated funds. Seed investments decreased by \$4.2 million during the six months to June 30, 2011, due primarily to net disposals of seed money investments. Investments held to hedge deferred compensation awards increased by \$32.2 million during the six month period, primarily attributable to additional investments in affiliated funds to hedge economically new employee plan awards. Included in non-current investments are \$186.8 million in equity method investments in our Chinese joint ventures and in certain of the company's private equity partnerships, real estate partnerships and other investments (December 31, 2010: \$156.9 million). The increase of \$29.9 million in equity method investments includes an increase of \$18.2 million in partnership investments due to a \$23.1 million co-investment in a new European real estate fund, other capital calls and valuation improvements exceeding distributions and capital returns during the period. The value of the joint venture investments has increased by \$11.7 million during the period as a result of current year earnings of \$8.9 million, cash additions of \$1.5 million and foreign exchange movement of \$1.3 million.

Assets Held for Policyholders and Policyholder Payables

The increasing balance of assets held for policyholders and the offsetting policyholder payables from \$1,295.4 million at December 31, 2010, to \$1,373.2 million at June 30, 2011 was the result of foreign exchange movements, the increase in the market values of these assets, and net flows into the funds.

Table of Contents***Intangible assets, net***

Intangible assets, net decreased by \$18.6 million from \$1,337.2 million at December 31, 2010, to \$1,318.6 million at June 30, 2011. The decrease is due to amortization of \$21.9 million offset by the impact of foreign currency translation of \$3.3 million for certain subsidiaries whose functional currency differs from that of the Parent.

Goodwill

Goodwill increased by \$110.4 million from \$6,980.2 million at December 31, 2010, to \$7,090.6 million at June 30, 2011. The increase is due to the impact of foreign currency translation for certain subsidiaries whose functional currency differs from that of the Parent.

Current Portion of total debt

The balance increased from December 31, 2010, as a result of the reclassification out of long-term and into current of \$215.1 million 5.625% senior notes that mature on April 17, 2012.

Long-term debt

The non-current portion of our total debt was \$1,368.6 million at June 30, 2011 (December 31, 2010: \$1,315.7 million). The increase during the second quarter of 2011 is due to a net draw on the credit facility of \$251.0 million less the reclassification of \$215.1 million to current.

Liquidity and Capital Resources

The adoption of guidance now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, which resulted in the consolidation of \$7.1 billion and \$6.3 billion of total assets and long-term debt of certain CLO products as of June 30, 2011, respectively, did not impact the company's liquidity and capital resources. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company's minimal direct investments in, and management fees generated from, these products, which are eliminated upon consolidation. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Conversely, if the CLOs were to liquidate, their investors would have no recourse to the general credit of the company. The company therefore does not consider this debt to be an obligation of the company. See Part I, Item 1, Financial Statements Note 11, Consolidated Investment Products, for additional details.

We believe that our capital structure, together with available cash balances, cash flows generated from operations, existing capacity under our credit facility, and further capital market activities, if necessary, should provide us with sufficient resources to meet present and future cash needs, including operating, debt and other obligations as they come due and anticipated future capital requirements. During the three months ended June 30, 2011 we repurchased 11.3 million common shares in open market transactions utilizing \$279.9 million in cash. We believe that the cash flow generated from operations of the combined firm, the remaining \$412.0 million in credit facility capacity, and our ability to access the capital markets, will provide sufficient liquidity to meet future capital resource needs.

Our ability to continue to access the capital markets in a timely manner depends on a number of factors, including our Moody's and Standard & Poor's credit ratings of A3/Stable and A-/Stable, respectively, the condition of the global economy, investors' willingness to purchase our securities, interest rates, credit spreads and the valuation levels of equity markets. If we are unable to access capital markets in a timely manner, our business could be adversely impacted.

Certain of our subsidiaries are required to maintain minimum levels of capital. These and other similar provisions of applicable law may have the effect of limiting withdrawals of capital, repayment of intercompany loans and payment of dividends by such entities. A sub-group of Invesco subsidiaries, including all of our regulated EU subsidiaries, is subject to consolidated capital requirements under applicable European Union (EU) directives, and capital is maintained within this sub-group to satisfy these regulations. These requirements mandate the retention of liquid resources in those jurisdictions, which we meet in part by holding cash and cash equivalents. This retained cash can be used for general business purposes in the European sub-group or in the countries where it is located. Due to the capital restrictions, the ability to transfer cash between certain jurisdictions may be limited. In addition, transfers of

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cash between international jurisdictions may have adverse tax consequences that may substantially limit such activity. At June 30, 2011, the European sub-group had cash and cash equivalent balances of \$372.5 million (December 2010: \$456.2 million), much of which is used to satisfy these regulatory requirements. We are in compliance with all regulatory minimum net capital requirements.

In addition, the company is required to hold cash deposits with clearing organizations or to otherwise segregate cash to maintain compliance with federal and other regulations in connection with its UIT broker dealer entity, which was included in the acquired business. At June 30, 2011 these cash deposits totaled \$12.7 million.

Cash Flows

The ability to consistently generate cash from operations in excess of capital expenditures and dividend payments is one of our company's fundamental financial strengths. Operations continue to be financed from current earnings and borrowings. Our principal uses of cash, other than for operating expenses, include dividend payments, capital expenditures, acquisitions, purchase of our shares in the open market and investments in certain new investment products.

Cash flows of consolidated investment products (discussed in Part I, Item 1, Financial Statements Note 11,

Consolidated Investment Products) are reflected in Invesco's cash used in operating activities, provided by investing activities and provided by financing activities. Cash held by consolidated investment products is not available for general use by Invesco, nor is Invesco cash available for general use by its consolidated investment products. Accordingly, the table below presents the cash flows of the company separately and before consolidation of investment products, as the cash flows of consolidated investment products do not form part of the company's cash flow management processes, nor do they form part of the company's significant liquidity evaluations and decisions for the reasons noted. The discussion that follows the table will focus on the company's cash flows as presented in the

Before Consolidation column of the table.

Condensed Consolidating Statements of Cash Flows

\$ in millions	Before Consolidation	Consolidated Investment Products	Adjustments	Total
For the six months ended June 30, 2011				
Net income	345.6	(131.0)	14.1	228.7
Net purchases of trading investments	(40.3)			(40.3)
Other adjustments to reconcile net income to net cash provided by operating activities	144.6	165.2	(14.1)	295.7
Changes in cash held by consolidated investment products		31.5		31.5
Other changes in operating assets and liabilities	(355.4)	(14.2)		(369.6)
Net cash (used in)/provided by operating activities	94.5	51.5		146.0
Net proceeds of investments by consolidated investment products		301.1		301.1
Purchases of available for sale and other investments	(90.1)		0.7	(89.4)
Proceeds from sales and returns of capital of available for sale and other investments	83.8		(4.6)	79.2
Other investing activities	(61.0)			(61.0)
Net cash (used in)/provided by investing activities	(67.3)	301.1	(3.9)	229.9

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Net capital distributed by consolidated investment products		(352.6)	3.9	(348.7)
Other financing activities	(160.8)			(160.8)
Net cash (used in)/provided by financing activities	(160.8)	(352.6)	3.9	(509.5)
Decrease in cash and cash equivalents	(133.6)			(133.6)
Foreign exchange movement on cash and cash equivalents	14.6			14.6
Cash and cash equivalents, beginning of period	740.5			740.5
Cash and cash equivalents, end of period	621.5			621.5

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\$ in millions	Before Consolidation	Consolidated Investment Products	Adjustments	Total
For the six months ended June 30, 2010				
Net income	132.2	320.9	(0.4)	452.7
Net proceeds from sale of trading investments	(62.5)			(62.5)
Other adjustments to reconcile net income to net cash provided by operating activities	124.2	(290.3)	0.4	(165.7)
Changes in cash held by consolidated investment products		(92.5)		(92.5)
Other changes in operating assets and liabilities	(202.5)	7.1		(195.4)
Net cash (used in)/provided by operating activities	(8.6)	(54.8)		(63.4)
Net proceeds of investments by consolidated investment products		195.3		195.3
Purchases of available for sale and other investments	(56.7)			(56.7)
Proceeds from sales and returns of capital of available for sale and other investments	50.2			50.2
Other investing activities	(747.9)			(747.9)
Net cash (used in)/provided by investing activities	(754.4)	195.3		(559.1)
Net capital distributed by consolidated investment products		(38.1)		(38.1)
Other financing activities	574.8	(102.4)		472.4
Net cash (used in)/provided by financing activities	574.8	(140.5)		434.3
Decrease in cash and cash equivalents	(188.2)			(188.2)
Foreign exchange movement on cash and cash equivalents	(18.2)			(18.2)
Cash and cash equivalents, beginning of period	762.0			762.0
Cash and cash equivalents, end of period	555.6			555.6

Operating Activities

During the six months ended June 30, 2011, cash provided by operating activities increased \$209.4 million to \$146.0 million from cash used of \$63.4 million during the six months ended June 30, 2010. As shown in the table above, consolidated investment products contributed \$51.5 million of the cash generated during the six months ended June 30, 2011 compared to \$54.8 million cash used in the six months ended June 30, 2010. The sum of the operating, investing and financing cash flows of consolidated investment products offsets to a zero impact to the company's change in cash and cash equivalent balances from period to period. Excluding the impact of consolidated investment products, cash provided by operations was \$94.5 million in the six months ended June 30, 2011 compared to cash

used of \$8.6 million in the six months ended June 30, 2010.

The \$94.5 million of cash provided by operations during the six months ended June 30, 2011 included:
net purchases of trading investments of \$40.3 million. Trading investments are held to provide an economic hedge against staff deferred compensation plan awards together with investments held for a short period, often only a few days, for the purpose of creating a UIT.

net cash provided by other operating activities of \$134.8 million, representing net income, as adjusted for non-cash items, and the changes in operating assets and liabilities. This six month period included the use of \$352.4 million of cash to pay the annual staff bonuses, related payroll taxes, payroll taxes on annual share award vesting, and annual pension contributions.

The use of \$8.6 million of cash to fund operations during the six months ended June 30, 2010, included:
net purchases of trading investments of \$62.5 million, primarily to provide an economic hedge against staff deferred compensation plan awards, and
net cash generated from the other operating activities of \$53.9 million, representing net income as adjusted for non-cash items and the changes in operating assets and liabilities. This six month period included the use of \$227.7 million of cash to pay the annual staff bonuses, related payroll taxes, payroll taxes on then annual share award vesting, and annual pension contributions, all of which result in increased operating cash utilization in the first half of the calendar year.

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The increase in cash used from operations in the six months ended June 30, 2011 from the six months ended June 30, 2010 is primarily due to the \$213.4 million increase in net income. After net purchases of trading investments and changes in operating assets and liabilities, cash generated from other operating activities in the six months ended June 30, 2011 improved by \$233.8 million from \$256.4 million cash generated in the six months ended June 30, 2010 to \$490.2 million in the six months ended June 30, 2011. This reflects the increased net income, as realized into cash, together with increases in other adjustments to reconcile net income to net cash provided by operating activities. These increases were partly offset by an increase in cash used to pay the annual staff bonuses, related payroll taxes, payroll taxes on then annual share award vesting, and annual pension contributions of \$99.2 million.

Investing Activities

Net cash generated from investing activities totaled \$229.9 million for the six months ended June 30, 2011 (six months ended June 30, 2010: net cash used of \$559.1 million). As shown in the table above, consolidated investment products, including investment purchases, sales and returns of capital, contributed \$297.2 million (2010: \$195.3 million contributed). After allowing for these consolidated investment product cash flows, net cash used in investing activities was \$67.3 million (six months ended June 30, 2010: net cash used of \$754.4 million).

During the six months ended June 30, 2011 the company purchased available-for-sale investments and other investments of \$90.1 million (six months ended June 30, 2010: \$56.7 million) and had capital expenditures of \$40.7 million (six months ended June 30, 2010: \$35.7 million). These cash outflows were partly offset from collected proceeds of \$83.8 million from sales and returns of capital of investments in the six months ended June 30, 2011 (six months ended June 30, 2010: \$50.2 million).

Our capital expenditures related principally in each year to technology initiatives, including enhancements to platforms from which we maintain our portfolio management systems and fund accounting systems, improvements in computer hardware and software desktop products for employees, new telecommunications products to enhance our internal information flow, and back-up disaster recovery systems. Also, in each year, a portion of these costs related to leasehold improvements made to the various buildings and workspaces used in our offices. These projects have been funded with proceeds from our operating cash flows. During the six months ended June 30, 2011 and 2010, our capital divestitures were not significant relative to our total fixed assets.

During the six months ended June 30, 2011, net acquisition payments were \$20.3 million, compared to \$712.2 million during the six months ended June 30, 2010.

Financing Activities

Net cash used in financing activities totaled \$509.5 million for the six months ended June 30, 2011 (six months ended June 30, 2010: \$434.3 million net cash generated). As shown in the table above, the financing activities of the consolidated investment products used cash of \$348.7 million (six months ended June 30, 2010: \$140.5 million). Excluding the impact of consolidated investment products, financing activities used cash of \$160.8 million in the six months ended June 30, 2011 (six months ended June 30, 2010: \$574.8 million net cash generated).

Other financing cash flows during the six months ended June 30, 2011 included \$268.0 million net borrowings from the credit facility (six months ended June 30, 2010: \$650.0 million), \$108.5 million of dividend payments for the dividends declared in January 2011 and April 2011 (six months ended June 30, 2010: dividends paid of \$93.7 million), the purchase of treasury shares through market transactions totaling \$333.0 million (six months ended June 30, 2010: none), cash inflows from the exercise of options of \$9.9 million (six months ended June 30, 2010: \$6.2 million), excess tax benefits cash inflows from share-based compensation of \$15.1 million (six months ended June 30, 2010: \$12.3 million) and \$12.3 million for the purchase of a third-party's non-controlling interest in a consolidated investment product (six months ended June 30, 2010: none).

Dividends

Invesco declares and pays dividends on a quarterly basis in arrears. On May 20, 2011, the company's Board of Directors declared a first quarter 2011 cash dividend of 12.25 cents per share, which was paid on June 8, 2011 to common shareholders of record at the close of business on May 20, 2011. On July 25, 2011, the company's Board of Directors declared a second quarter 2011 cash dividend of 12.25 cents per share, which is payable on September 8, 2011 to shareholders of record at the close of business on August 22, 2011.

Table of Contents**Share Repurchase Plan**

During the three and six months ended June 30, 2011, the company repurchased 11.3 million and 13.4 million common shares, respectively, utilizing \$279.9 million and \$333.0 million, respectively (three and six months ended June 30, 2010: no shares were repurchased), leaving approximately \$835.4 million authorized at June 30, 2011 (June 30, 2010: \$1.4 billion). Separately, an aggregate of 2.7 million shares were withheld on vesting events during the six months ended June 30, 2011, to meet employees' tax obligations (six months ended June 30, 2010: 1.4 million). The carrying value of these shares withheld was \$70.8 million (six months ended June 30, 2010: \$34.0 million).

Debt

Our total indebtedness at June 30, 2011 was \$1,583.7 million (December 31, 2010 is \$1,315.7 million) and was comprised of the following:

\$ in millions	June 30, 2011	December 31, 2010
Unsecured Senior Notes:		
5.625% due April 17, 2012	215.1	215.1
5.375% due February 27, 2013	333.5	333.5
5.375% due December 15, 2014	197.1	197.1
Floating rate credit facility expiring June 3, 2016	838.0	570.0
Total debt	1,583.7	1,315.7
Less: current maturities of total debt	215.1	
Long-term debt	1,368.6	1,315.7

For the six months ended June 30, 2011 the company's weighted average cost of debt was 3.47% (six months ended June 30, 2010: 4.87%). Total debt increased from \$1,315.7 million at December 31, 2010, to \$1,583.7 million at June 30, 2011, due primarily to borrowings under our credit facility.

On June 3, 2011 the company amended and restated its existing five-year unsecured \$1.25 billion credit agreement to, among other matters, provide for a term of five years. The amended and restated facility is now scheduled to expire on June 3, 2016.

Financial covenants under the credit agreement include: (i) the quarterly maintenance of a debt/EBITDA ratio, as defined in the credit agreement, of not greater than 3.25:1.00 through June 30, 2014, and not greater than 3.00:1.00 thereafter, (ii) a coverage ratio (EBITDA, as defined in the credit agreement, divided by interest payable for the four consecutive fiscal quarters ended before the date of determination) of not less than 4.00:1.00. As of June 30, 2011, we were in compliance with our financial covenants. At June 30, 2011 our leverage ratio was 1.33:1.00 (December 31, 2010: 1.34:1.00), and our interest coverage ratio was 18.89:1.00 (December 31, 2010: 17.27:1.00).

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The June 30, 2011 coverage ratio calculations are as follows:

\$ millions	Total	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Net income attributable to common shareholders	690.4	183.0	177.5	175.2	154.7
Net income attributable to consolidated investment products	(20.8)	(5.2)	(9.6)	(4.2)	(1.8)
Tax expense	261.2	75.4	75.6	55.7	54.5
Amortization/depreciation	117.6	32.1	27.9	31.3	26.3
Interest expense	64.3	16.0	16.2	16.0	16.1
Share-based compensation expense	119.1	30.5	26.3	30.8	31.5
Unrealized gains and losses from investments, net*	(17.0)	(1.9)	(2.1)	(4.2)	(8.8)
EBITDA**	1,214.8	329.9	311.8	300.6	272.5
Adjusted debt**	\$ 1,612.8				
Leverage ratio (Debt/EBITDA maximum 3.25:1.00)	1.33				
Interest coverage (EBITDA/Interest Expense minimum 4.00:1.00)	18.89				

* Adjustments for unrealized gains and losses from investments, as defined in our credit facility, include non-cash gains and losses on investments to the extent that they do not represent anticipated future cash receipts or expenditures.

** EBITDA and Adjusted debt are non-GAAP financial measures; however management does not use these measures for anything other than these debt covenant calculations. The calculation of EBITDA above (a reconciliation from net income attributable to common shareholders) is defined by our credit agreement, and therefore net income attributable to common shareholders is the most appropriate GAAP measure from which to reconcile to EBITDA. The calculation of adjusted debt is defined in our credit facility and equals total long-term debt of \$1,583.7 million plus \$29.1 million in letters of credit.

Off Balance Sheet Commitments

The company has transactions with various private equity, real estate and other investment entities sponsored by the company for the investment of client assets in the normal course of business. Many of the company's investment products are structured as limited partnerships. The company's investment may take the form of the general partner or a limited partner and the entities are structured such that each partner makes capital commitments that are to be drawn down over the life of the partnership as investment opportunities are identified. At June 30, 2011, the company's undrawn capital commitments were \$183.9 million (December 31, 2010: \$136.4 million).

During the fourth quarter of 2007, Invesco elected to enter into contingent support agreements for two of its investment trusts to enable them to sustain a stable pricing structure. These two trusts are unregistered trusts that invest in fixed income securities and are available only to limited types of investors. In June 2011, the agreements were amended to extend the term through December 31, 2011; further extensions are likely. As of June 30, 2011, the total committed support under these agreements was \$36.0 million with an internal approval mechanism to increase the maximum possible support to \$66.0 million at the option of the company. The estimated value of these agreements

at June 30, 2011 was \$1.0 million (December 31, 2010: \$2.0 million), which was recorded in other current liabilities on the Condensed Consolidated Balance Sheet. The estimated value of these agreements is lower than the maximum support amount, reflecting management's estimation that the likelihood of funding under the support agreements is low. Significant investor redemptions out of the trusts before the scheduled maturity of the underlying securities or significant credit default issues of the securities held within the trusts' portfolios could change the company's estimation of likelihood of funding. No payment has been made under either agreement nor has Invesco realized any loss from the support agreements through the date of this Report. These trusts were not consolidated because the company was not deemed to be the primary beneficiary.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, financing and operating leases, long-term defined benefit pension and post-retirement medical plans, and acquisition contracts. During the six months ended June 30, 2011, there were no significant changes to these obligations reported in our Annual Report on Form 10-K for the year ended December 31, 2010. Additionally, based on current projections, we do not expect significant payment related to the PowerShares acquisition contingency discussed in Part I, Item 1, Financial Statements, Note 10, Commitments and Contingencies to be significant.

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Critical Accounting Policies and Estimates

There have been no significant changes to the accounting policies that we believe are the most critical to an understanding of our results of operations and financial condition, which are disclosed in our most recent Form 10-K for the year ended December 31, 2010.

Recent Accounting Standards

See Part I, Item 1, Financial Statements Note 1, Accounting Policies Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

In the normal course of its business, the company is primarily exposed to market risk in the form of securities market risk, interest rate risk, and foreign exchange rate risk.

AUM Market Price Risk

The company's investment management revenues are comprised of fees based on a percentage of the value of AUM. Declines in equity or fixed income security market prices could cause revenues to decline because of lower investment management fees by:

Causing the value of AUM to decrease,

Causing the returns realized on AUM to decrease (impacting performance fees).

Causing clients to withdraw funds in favor of investments in markets that they perceive to offer greater opportunity and that the company does not serve,

Causing clients to rebalance assets away from investments that the company manages into investments that the company does not manage, and/or

Causing clients to reallocate assets away from products that earn higher revenues into products that earn lower revenues.

Underperformance of client accounts relative to competing products could exacerbate these factors.

Securities Market Risk

The company has investments in sponsored investment products that invest in a variety of asset classes. Investments are generally made to establish a track record or to hedge exposure to certain deferred compensation plans. The company's exposure to market risk arises from its investments. A 20% increase or decrease in the fair value of investments exposed to market risk is not material to the operating results of the company.

Interest Rate Risk

Interest rate risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk primarily through its external debt and cash and cash equivalent investments. On June 30, 2011 the interest rates on 47% of the company's borrowings were fixed for a weighted average period of 1.9 years. Borrowings under the credit facility, which represent 53% of the company's borrowings, have floating interest rates. A 1% change in the level of interest rates on current debt levels would change annualized interest expense by \$8.4 million but would not have a material impact on the ability of the company to continue to service its indebtedness.

Foreign Exchange Rate Risk

The company has transactional currency exposures that occur when any of the company's subsidiaries receives or pays cash in a currency different from its functional currency. Such exposure arises from sales or purchases by operating subsidiaries in currencies other than the subsidiaries' functional currencies. These exposures are not actively managed.

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The company also has certain investments in foreign operations, whose net assets and results of operations are exposed to foreign currency translation risk when translated into U.S. dollars upon consolidation into Invesco Ltd. The company does not hedge these exposures.

The company is exposed to foreign exchange revaluation into the income statement on monetary assets and liabilities that are held by subsidiaries in different functional currencies than the subsidiaries' functional currencies. There were no material net foreign exchange revaluation gains or losses for the six months ended June 30, 2011, however, \$3.9 million in losses in the comparable prior year period, and are included in general and administrative and other gains and losses, net on the Condensed Consolidated Statements of Income. We continue to monitor our exposure to foreign exchange revaluation.

Item 4. Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures that are designed to ensure that information the company is required to disclose in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in the reports that the company files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of June 30, 2011. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated any change in our internal control over financial reporting that occurred during the six months ended June 30, 2011 and have concluded that there was no change that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 1. *Legal Proceedings***

See Part I, Item 1, Note 10, Commitments and Contingencies, for information regarding legal proceedings.

Item 1A. *Risk Factors*

The company has had no significant changes in its risk factors from those previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*
Repurchases of Equity Securities

The following table sets forth information regarding purchases of our common shares by us and any affiliated purchases during the three months ended June 30, 2011:

Month	Total Number of Shares Purchased⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽²⁾	Maximum Number at end of period (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs⁽²⁾ (billions)
April 1-30, 2011	103,012	25.56		\$ 1.1
May 1-31, 2011	11,200,333	24.70	11,198,024	\$ 0.8
June 1-30, 2011	225,645	23.76	138,500	\$ 0.8
Total	11,528,990		11,336,524	

(1) An aggregate of 192,466 shares were surrendered to us by Invesco employees to satisfy tax withholding obligations or loan repayments in connection with the vesting of equity awards.

(2) On April 23, 2008, our board of directors authorized a share repurchase authorization of up to \$1.5 billion of our common shares with no stated expiration date.

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Item 6. Exhibits

Exhibit Index

- 3.1 Memorandum of Association of Invesco Ltd., incorporating amendments up to and including December 4, 2007, incorporated by reference to exhibit 3.1 to Invesco's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 12, 2007
- 3.2 Amended and Restated Bye-Laws of Invesco Ltd., incorporating amendments up to and including December 4, 2007, incorporated by reference to exhibit 3.2 to Invesco's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 12, 2007
- 31.1 Certification of Martin L. Flanagan pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Loren M. Starr pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Martin L. Flanagan pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Loren M. Starr pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INVESCO LTD.

July 29, 2011

By: /s/ MARTIN L. FLANAGAN
Martin L. Flanagan
President and Chief Executive Officer

July 29, 2011

By: /s/ LOREN M. STARR
Loren M. Starr
Senior Managing Director and Chief Financial
Officer