Invesco Ltd
Form 10-Q
May 09, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

OR

O **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	**98-0557567**
(State or Other Jurisdiction of	*(I.R.S. Employer*
Incorporation or Organization)	*Identification No.)*
1360 Peachtree Street, NE, Atlanta, GA	**30309**
(Address of Principal Executive Offices)	*(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 o No x

The registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 contained financial statements prepared in accordance with International Financial Reporting Standards.

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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

(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 o No x

As of April 30, 2008, the most recent practicable date, 387,706,031 of the company's common shares, par value U.S. $0.20 per share, were outstanding.

TABLE OF CONTENTS

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.

		Page
PART I – Financial Information		
Item 1.	Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Income	4
	Condensed Consolidated Statements of Cash Flows	5
	Notes to the Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4.	Controls and Procedures	35
PART II – Other Information		
Item 1.	Legal Proceedings	36
Item 1A.	Risk Factors	36
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3.	Defaults upon Senior Securities	37
Item 4.	Submission of Matters to a Vote of Security Holders	37
Item 6.	Exhibits	37
	Signatures	39

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

Invesco Ltd.

Condensed Consolidated Balance Sheets

(Unaudited)

$ in millions	As of March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	**802.3**	915.8
Cash and cash equivalents of consolidated investment products	**49.1**	36.6
Unsettled fund receivables	**844.4**	605.5
Accounts receivable	**301.9**	292.1
Investments	**149.8**	151.4
Prepaid assets	**67.1**	65.9
Other current assets	**157.8**	203.3
Assets held for policyholders	**1,763.7**	1,898.0
Total current assets	**4,136.1**	4,168.6
Non-current assets:		
Investments	**120.5**	114.1
Investments of consolidated investment products	**1,213.3**	1,239.6
Prepaid assets	**50.7**	55.6
Deferred sales commissions	**30.1**	31.3
Deferred tax assets, net	**148.3**	133.8
Property and equipment, net	**186.7**	180.0
Intangible assets, net	**151.4**	154.2
Goodwill	**6,844.2**	6,848.0
	8,745.2	8,756.6
Total assets	**12,881.3**	12,925.2
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Unsettled fund payables	**841.9**	581.2
Income taxes payable	**117.1**	140.6
Other current liabilities	**645.4**	1,021.1
Policyholder payables	**1,763.7**	1,898.0
Total current liabilities	**3,368.1**	3,640.9
Non-current liabilities:		
Long-term debt	**1,537.0**	1,276.4
Borrowings of consolidated investment products	**136.2**	116.6

Other non-current liabilities	**189.0**	179.5
	1,862.2	1,572.5
Total liabilities	**5,230.3**	5,213.4
Minority interests in equity of consolidated entities	**1,082.2**	1,121.2
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Common shares ($0.20 par value; 1,050.0 million authorized; 426.6 million and 424.7 million shares issued as of March 31, 2008 and December 31, 2007, respectively)	**85.3**	84.9
Additional paid-in capital	**5,353.3**	5,306.3
Treasury shares	**(1,106.9)**	(954.4)
Retained earnings	**1,267.4**	1,201.7
Accumulated other comprehensive income, net of tax	**969.7**	952.1
Total shareholders' equity	**6,568.8**	6,590.6
Total liabilities, minority interests and shareholders' equity	**12,881.3**	12,925.2

See accompanying notes.

Invesco Ltd.

Condensed Consolidated Statements of Income

(Unaudited)

	Three Months Ended March 31,			
$ in millions	**2008**		**2007**	
Operating revenues:				
Investment management fees	**737.6**		706.3	
Performance fees	**11.0**		18.8	
Service and distribution fees	**138.4**		143.4	
Other	**23.4**		31.7	
Total operating revenues	**910.4**		900.2	
Operating expenses:				
Employee compensation	**272.8**		284.3	
Third-party distribution, service and advisory	**247.1**		232.4	
Marketing	**43.9**		37.0	
Property, office and technology	**50.1**		57.4	
General and administrative	**68.4**		57.0	
Total operating expenses	**682.3**		668.1	
Operating income	**228.1**		232.1	
Other income/(expense):				
Equity in earnings of unconsolidated affiliates	**17.9**		5.8	
Interest income	**11.5**		10.3	
Gains and losses of consolidated investment products, net	**(44.3)**		30.0	
Interest expense	**(21.5)**		(18.6)	
Other gains and losses, net	**(6.5)**		7.5	
Income before income taxes and minority interest	**185.2**		267.1	
Income tax provision	**(73.8)**		(81.9)	
Income before minority interest	**111.4**		185.2	
Minority interest losses/(income) of consolidated entities, net of tax	**43.8**		(30.0)	
Net income	**155.2**		155.2	
Earnings per share:				
— basic	**$**	**0.40**	$	0.39
— diluted	**$**	**0.39**	$	0.38
Dividends declared per share	**$**	**0.220**	$	0.208

See accompanying notes.

Invesco Ltd.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31,	
$ in millions	**2008**	**2007**
Operating activities:		
Net income	**155.2**	155.2
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Amortization and depreciation	**11.6**	16.3
Share-related compensation expense	**26.7**	24.8
Loss/(gain) on disposal of property, equipment and software, net	**0.1**	(1.4)
Other gains and losses, net	**6.5**	(7.5)
Loss/(gain) on trading investments, net	**44.3**	(30.0)
Purchase of trading investments, net	**(1.6)**	(5.8)
Tax benefit from share-based compensation	**29.3**	15.1
Excess tax benefits from share-based compensation	**(9.8)**	(8.6)
Minority interest in (losses)/income of consolidated entities, net of tax	**(43.8)**	30.0
Equity in earnings of unconsolidated affiliates	**(17.9)**	(5.8)
Changes in operating assets and liabilities:		
Change in cash held by consolidated investment products	**(12.5)**	(23.6)
Increase in receivables	**(14.2)**	(637.5)
(Decrease)/increase in payables	**(308.3)**	482.0
Net cash (used in)/provided by operating activities	**(134.4)**	3.2
Investing activities:		
Purchase of property and equipment	**(14.2)**	(8.2)
Purchase of available-for-sale investments	**(21.1)**	(5.4)
Proceeds from sale of available-for-sale investments	**16.4**	19.2
Purchase of investments by consolidated investment products	**(51.5)**	(48.9)
Proceeds from sale of investments by consolidated investment products	**29.5**	85.8
Returns of capital in investments of consolidated investment products	**30.1**	67.1
Purchase of other investments	**(5.1)**	(1.0)
Proceeds from sale of other investments	**9.9**	1.0
Acquisition earn-out payment	**(129.6)**	--
Net cash provided by (used in) investing activities	**(135.6)**	109.6
Financing activities:		
Proceeds from exercises of share options	**26.6**	43.3
Purchases of treasury shares	**(168.2)**	(107.0)
Excess tax benefits from share-based compensation	**9.8**	8.6
Capital invested into consolidated investment products	**5.7**	57.5
Capital distributed by consolidated investment products	**(17.1)**	(137.7)
Net borrowings/(repayments) of consolidated investment products	**19.6**	(15.0)
Net borrowings under credit facility	**260.6**	321.1
Repayments of senior notes	**--**	(300.0)
Net cash provided by/(used in) financing activities	**137.0**	(129.2)
	(133.0)	(16.4)

Decrease in cash and cash equivalents		
Foreign exchange movement on cash and cash equivalents	**19.5**	2.0
Cash and cash equivalents, beginning of period	**915.8**	778.9
Cash and cash equivalents, end of period	**802.3**	764.5

Supplemental Cash Flow Information:				
Interest paid	**$**	**13.8**	$	24.1
Taxes paid	**$**	**71.8**	$	61.6

See accompanying notes.

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 operates globally and its sole business is investment management.

On December 4, 2007, the predecessor to Invesco Ltd., Invesco Holding Company Limited (formerly INVESCO PLC) became a wholly-owned subsidiary of Invesco Ltd., and the shareholders of INVESCO PLC received common shares of Invesco Ltd. in exchange for their ordinary shares of INVESCO PLC. This transaction was accounted for in a manner similar to a pooling of interests. Additionally, the company's primary share listing moved from the London Stock Exchange to the New York Stock Exchange, a share capital consolidation was immediately implemented (a reverse stock split) on a one-for-two basis, and the company's regulated business in the European Union was transferred from INVESCO PLC to Invesco Ltd. All prior period share and earnings per share amounts have been adjusted to reflect the reverse stock split.

Basis of Accounting and Consolidation

The accompanying Condensed Consolidated Balance Sheets, Statements of Income and Statements of Cash Flows (together, the Condensed Consolidated Financial Statements) have not been audited and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the company's Annual Report on Form 10-K for the year ended December 31, 2007. In the opinion of management, the Condensed Consolidated Financial Statements in this Form 10-Q 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 under Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46(R), "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51," and any entities required to be consolidated under Emerging Issues Task Force (EITF) Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" (EITF 04-5). Under FASB Statement No. 94, "Consolidation of All Majority-Owned Subsidiaries" (FASB Statement No. 94), control is deemed to be present when the Parent 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. FIN 46(R) requires that VIEs, or entities in which the risks and rewards of ownership are not directly linked to voting interests, for which the company is the primary beneficiary (having the majority of rewards/risks of ownership) be consolidated. Certain of the company's managed products are structured as partnerships in which the company is the general partner receiving a management and/or performance fee. If the company is deemed to have a variable interest in these entities and is determined to be the primary beneficiary, these entities are consolidated into the company's financial statements. If the company is not determined to be the primary beneficiary, the equity method of accounting is used to account for the company's investment in these entities. In accordance with EITF 04-5, non-VIE general partnership investments would be deemed to be controlled by the company and would be consolidated, unless the limited partners have the substantive ability to remove the general partner without cause based upon a simple majority vote or can otherwise dissolve the partnership, or unless the limited partners have substantive participating rights over decision making. Investment products that are consolidated as variable interest entities as well as under EITF 04-5 and FASB Statement No. 94 are referred to as consolidated investment products in the accompanying Condensed Consolidated Financial Statements. See Note 7, “Consolidated Investment Products,” for additional details.

As required by Accounting Principles Board (APB) No. 18, “The Equity Method of Accounting for Investments in Common Stock,” the equity method of accounting is used to account for investments in joint ventures and non-controlled subsidiaries in which the company’s ownership is between 20 and 50 percent. Equity investments are carried initially at cost (subsequently adjusted to recognize the company’s share of the profit or loss of the investee after the date of acquisition) and are included in investments on the Condensed Consolidated Balance Sheets. The proportionate share of income or loss is included in equity in earnings of unconsolidated affiliates in the Condensed Consolidated Statements of Income.

The financial statements have been prepared primarily on the historical cost basis; however, certain items are presented using other bases such as fair value, where such treatment is required. The financial statements of subsidiaries are prepared for the same reporting year as the Parent and use consistent accounting policies, which, where applicable, have been adjusted to U.S. GAAP from local generally accepted accounting principles or reporting regulations. Minority interests represent the interests in certain entities consolidated by the company either because the company has control over the entity or has determined that it is the primary beneficiary under FIN 46(R), but of which the company does not own all of the equity.

In preparing the financial statements, 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

The presentation of certain 2007 reported amounts have been reclassified to current presentation. Such reclassifications had no impact on net income or shareholders' equity.

Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (FASB Statement No. 157), which became effective for Invesco on January 1, 2008. FASB Statement No. 157 clarifies how companies should measure fair value when companies are required by U.S. GAAP to use a fair value measure for recognition or disclosure. FASB Statement No. 157 establishes a common definition of fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements to eliminate differences in current practice that exist in measuring fair value under existing accounting standards. The adoption of FASB Statement No. 157 did not result in any retrospective adjustments to prior period information or in a cumulative effect adjustment to retained earnings. See Note 2, "Fair Value of Assets and Liabilities," for additional disclosures.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (FASB Statement No. 159), which also became effective for Invesco on January 1, 2008, at its own discretion. FASB Statement No. 159 permits companies to elect, on an instrument-by-instrument basis, to fair value certain financial assets and financial liabilities with changes in fair value recognized in earnings as they occur (the fair value option). The company chose not to elect the FASB Statement No. 159 fair value option for eligible items existing on its balance sheet as of January 1, 2008, or for any new eligible items recognized subsequent to January 1, 2008.

2. FAIR VALUE OF ASSETS AND LIABILITIES

As discussed in Note 1, "Accounting Policies," the company adopted FASB Statement No. 157 on January 1, 2008. FASB Statement No. 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- § Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- § Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- § Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

FASB Statement No. 157 allows three types of valuation approaches: a market approach, which uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities; an income approach, which uses valuation techniques to convert future amounts to a single, discounted present value amount; and the cost approach, which is based on the amount that currently would be required to replace the service capacity of an asset.

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. Cash investments in time deposits are very short-term in nature and are accordingly valued at cost plus accrued interest, which approximates fair value, and are classified within level 2 of the valuation hierarchy.

Available-for-sale investments

Available-for-sale investments include amounts seeded into affiliated investment products, foreign time deposits and investments in collateralized loan and debt obligations (CLO/CDOs). Seed money is valued under the market approach through use of quoted market prices available in an active market, which is the net asset value of the underlying funds, and is classified within level 1 of the valuation hierarchy. Foreign time deposits are valued under the income approach based on observable interest rate(s), which is classified within level 2 of the valuation hierarchy.

The company provides investment management services to a number of CLO/CDO entities. The company has invested in these entities, generally taking a relatively small portion of the unrated, junior, subordinated positions. At March 31, 2008, the company held $32.3 million of investments in these CLO/CDOs, which represents its maximum risk of loss. CLO/CDOs 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/CDO products that require the use of unobservable inputs, these investments are classified as level 3 within the valuation hierarchy.

Trading investments

Trading investments primarily include the investments of the deferred compensation plans that are offered to certain Invesco employees. Trading securities are valued under the market approach through use of quoted prices in an active market, which is classified within level 1 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 investment-type 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 American Institute of Certified Public Accountants Statement of Position No. 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts. The assets are measured at fair value under the market approach based on the quoted prices of the funds in an active market, which is classified within level 1 of the valuation hierarchy.

The following table presents for each of the hierarchy levels described above, the company’s assets that are measured at fair value as of March 31, 2008.

As of March 31, 2008

$ in millions	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	509.6	306.3	203.3	—
Investments *				
Available-for-sale	89.8	63.9	25.9	—
Trading investments	56.0	56.0	—	—
Assets held for policyholders	1,763.7	1,763.7	—	—
Total current assets	2,419.1	2,189.9	229.2	—
Non-current assets:				
Investments – available-for-sale *	32.3	—	—	32.3
Total assets at fair value	2,451.4	2,189.9	229.2	32.3

* Other current held-to-maturity investments of $3.0 million and cost method investments of $1.0 million are excluded from this table. Other non-current equity and cost method investments of $88.2 million are also excluded from this table. These investments are not measured at fair value.

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

$ in millions	Collateralized Loan and Debt Obligations
Beginning balance January 1, 2008	39.0
Unrealized losses included in accumulated other comprehensive income	(3.8)
Purchases and issuances	0.9
Other than temporary impairment included in other gains and losses, net	(3.5)
Return of capital	(0.3)
Ending balance March 31, 2008	32.3

The company reviewed the cash flow estimates of its CLO/CDOs, which are based on the underlying pool of securities and take into account the overall credit quality of the issuers, the forecasted default rate of the securities, and the company's past experience in managing similar securities. The updated estimates of future cash flows (taking into account both timing and amounts) were adversely impacted compared to the last revised estimates for certain CLO/CDOs, resulting in a $3.5 million other than temporary impairment charge during the three months ended March 31, 2008.

3. SHARE REPURCHASE PROGRAM

In March 2008, the company completed a $500.0 million share repurchase program that was authorized by the board of directors in June 2007. In the three months ended March 31, 2008, 6.1 million common shares of Invesco Ltd. were purchased at a cost of $154.5 million and recorded as Treasury Shares on the Condensed Consolidated Balance Sheet. See Note 12, "Subsequent Events," for details regarding a new share repurchase program.

4. OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income were as follows:

$ in millions	March 31, 2008	December 31, 2007
Net unrealized (losses)/gains on available-for-sale investments	(3.0)	1.6
Tax on unrealized (losses)/gains on available-for-sale investments	(1.0)	(2.2)
Cumulative foreign currency translation adjustments	1,009.1	987.9
Tax on cumulative foreign currency translation adjustments	6.5	6.3
Pension liability adjustments	(59.7)	(59.1)
Tax on pension liability adjustments	17.8	17.6
Total accumulated other comprehensive income	969.7	952.1

The details of total other comprehensive income are presented below.

	Three Months Ended March 31,	
$ in millions	**2008**	**2007**
Net income	155.2	155.2
Unrealized holding (losses)/gains on available-for-sale investments	(8.0)	1.6
Tax on unrealized holding losses/(gains) on available-for-sale investments	1.2	(0.1)
Reclassification adjustments for losses/(gains) on available-for-sale investments included in net income	3.4	(7.7)
Foreign currency translation adjustments	21.2	(11.5)
Tax on foreign currency translation adjustments	0.2	--
Adjustments to pension liability	(0.6)	1.4
Tax on adjustments to pension liability	0.2	(0.5)
Total other comprehensive income	172.8	138.4

5. TAXATION

Invesco adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109,” (“FIN 48”) on January 1, 2007. At March 31, 2008, the total amount of gross unrecognized tax benefits was $70.6 million as compared to the December 31, 2007 total amount of $69.0 million.

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to shareholders by the weighted average number of shares outstanding during the periods, excluding treasury shares. Diluted earnings per share is computed using the treasury stock method outlined in FASB Statement No. 128, “Earnings per Share,” which requires computing share equivalents and dividing net income by the total weighted average number of shares and share equivalents outstanding during the period.

The calculation of earnings per share is as follows:

In millions, except per share data	Net Income	Weighted Average Number of Shares*	Per Share Amount*
For the three months ended March 31, 2008			
Basic earnings per share	$ 155.2	387.8	$ 0.40
Dilutive effect of share-based awards	—	11.6	—
Diluted earnings per share	$ 155.2	399.4	$ 0.39
For the three months ended March 31, 2007			
Basic earnings per share	$ 155.2	398.9	$ 0.39
Dilutive effect of share-based awards	—	11.2	—
Diluted earnings per share	$ 155.2	410.1	$ 0.38

———

* Prior period weighted average number of shares and earnings per share amounts have been adjusted to give effect to the one-for-two reverse stock split that the company effected on December 4, 2007 in connection with its relisting and redomicile. See Note 1, “Accounting Policies,” for additional information.

See Note 8 for a summary of share awards outstanding under the company’s stock-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 14.2 million common shares at a weighted average exercise price of 1888p were outstanding for the three months ended March 31, 2008 (for the three months ended March 31, 2007: 16.3 million share options), but were not included in the computation of diluted earnings per share because the option’s exercise price was greater than the average market price of the common shares and therefore their inclusion would have been anti-dilutive.

The company excluded 3.6 million contingently issuable common shares from the diluted earnings per share computation for the three months ended March 31, 2008 (three months ended March 31, 2007: 11.2 million contingently issuable shares) because the necessary performance conditions for the shares to be issuable had not been satisfied at the end of the period.

7. CONSOLIDATED INVESTMENT PRODUCTS

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. Certain of these investments are considered to be variable interest entities in which the company is the primary beneficiary and are consolidated into the company's financial statements. Other partnership entities are consolidated under EITF 04-5, as the company is the general partner and is presumed to have control, in the absence of substantive kick-out or participating rights of the other limited partners. Investment products are also consolidated under FASB Statement No. 94, if appropriate. The following table reflects this impact of consolidation of these investment products into the Condensed Consolidated Balance Sheets as of March 31, 2008 and December 31, 2007 and Condensed Consolidated Statements of Income for the periods ended March 31, 2008 and 2007.

Balance Sheets

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
As of March 31, 2008				
Current assets	4,085.3	46.9	3.9	4,136.1
Non-current assets	7,531.9	780.3	433.0	8,745.2
Total assets	11,617.2	827.2	436.9	12,881.3
Current liabilities	3,362.6	5.3	0.2	3,368.1
Non-current liabilities	1,726.0	—	136.2	1,862.2
Total liabilities	5,088.6	5.3	136.4	5,230.3
Minority interests in equity of consolidated entities	6.7	808.2	267.3	1,082.2
Total shareholders’ equity	6,521.9	13.7	33.2	6,568.8
Total liabilities, minority interests and shareholders’ equity	11,617.2	827.2	436.9	12,881.3

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
As of December 31, 2007				
Current assets	4,128.9	35.3	4.4	4,168.6
Non-current assets	7,517.0	825.8	413.8	8,756.6
Total assets	11,645.9	861.1	418.2	12,925.2
Current liabilities	3,634.0	5.9	1.0	3,640.9
Non-current liabilities	1,454.8	—	117.7	1,572.5
Total liabilities	5,088.8	5.9	118.7	5,213.4
Minority interests in equity of consolidated entities	14.9	842.5	263.8	1,121.2
Total shareholders’ equity	6,542.2	12.7	35.7	6,590.6
Total liabilities, minority interests and shareholders’ equity	11,645.9	861.1	418.2	12,925.2

Statements of Income

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
Three Months ended March 31, 2008				
Total operating revenues	910.6	(0.2)	—	910.4
Total operating expenses	(682.0)	(0.3)	—	(682.3)
Operating income	228.6	(0.5)	—	228.1
Equity in earnings of unconsolidated affiliates	17.9	—	—	17.9
Interest income	11.5	—	—	11.5
Other investment income/(losses)	(6.5)	(34.4)	(9.9)	(50.8)
Interest expense	(21.5)	—	—	(21.5)
Income before income taxes and minority interest	230.0	(34.9)	(9.9)	185.2
Income tax provision	(73.8)	—	—	(73.8)
Income before minority interest	156.2	(34.9)	(9.9)	111.4
Minority interest (income)/loss of consolidated entities, net of tax	(0.4)	34.7	9.5	43.8
Net income	155.8	(0.2)	(0.4)	155.2

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
Three Months ended March 31, 2007				
Total operating revenues	895.9	3.5	0.8	900.2
Total operating expenses	(665.7)	(1.6)	(0.8)	(668.1)
Operating income	230.2	1.9	—	232.1
Equity in earnings of unconsolidated affiliates	5.8	—	—	5.8
Interest income	10.3	—	—	10.3
Other investment income	7.5	19.6	10.4	37.5
Interest expense	(18.6)	—	—	(18.6)
Income before income taxes and minority interest	235.2	21.5	10.4	267.1
Income tax provision	(81.9)	—	—	(81.9)
Income before minority interest	153.3	21.5	10.4	185.2
Minority interest (income)/loss of consolidated entities, net of tax	(0.7)	(20.0)	(9.3)	(30.0)
Net income	152.6	1.5	1.1	155.2

At March 31, 2008, 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	Company's Maximum Risk of Loss
Collateralized debt obligations	32.3
Private equity investments	14.3
Support agreements (See Note 10)	33.0
Total	79.6

The following table presents the fair value hierarchy levels of investments held by consolidated investment products, which are measured at fair value as of March 31, 2008.

	As of March 31, 2008			
$ in millions	**Fair Value Measurements**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Investments held by consolidated investment products	1,213.3	137.0	5.1	1,071.2

Consolidated investment products are structured as partnerships. 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. If these securities are subject to trading restrictions, they may be valued at a discount to quoted prices. 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 indicates 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. Level 3 classification indicates that the fair value of these investments was determined using inputs that are unobservable and reflect the partnership’s own assumptions about the assumptions that market participants would use in pricing the asset (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the partnership’s own data. The partnership’s own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.

For real estate partnerships, investments in real estate reflect the partnership’s allocable share of the fair value of the underlying assets. In the year of acquisition, investments are stated at cost (which approximates market value) unless events have occurred that would significantly impact their fair value. After the year of acquisition, real estate investments are valued internally on at least an annual basis and are appraised by an independent third party every three years. Determination of fair value of real estate involves subjective judgments as the value of real estate investments can be determined only by negotiation between independent parties in a sale transaction. The most significant estimates involve (1) the amount of expected future cash flows, (2) the timing of receipt of those cash flows, and (3) the discount rate used to apply to the cash flows. In estimating future cash flows from the partnership’s investments, consideration is given to recent sales and offers on real property and other factors to determine estimated future cash flows from the partnership’s investments. The estimated cash flows are then discounted to arrive at the estimated fair value. The discount rates utilized are estimates of market rates based on the risks inherent in the underlying investments. These investments are accordingly classified within level 3 of the valuation hierarchy. The amounts that will ultimately be realized by the partnership upon disposition of these real estate investments may differ materially from the values at which they are carried in the financial statements.

The company’s risk with respect to each investment is limited to its equity ownership (generally less than 5%) and any uncollected management fees. Therefore, realized and unrealized gains or losses of consolidated investment products have not had a significant impact on the company’s results of operations, liquidity or capital resources.

8. SHARE-BASED COMPENSATION

Share Incentive Awards

Share incentive awards, which are used to retain and motivate key executives and the next generation of management of the company and to ensure future succession in the business, are broadly classified into two categories: time-vested and performance-vested share awards. All such awards are granted under the company’s Global Stock Plan.

Time-vested awards vest ratably over or cliff-vest at the end of a period of continued employee service. Performance-vested awards cliff-vest at the end of a defined vesting period of continued employee service upon the company’s attainment of certain performance criteria. Time-vested and performance-vested share incentive awards are granted in the form of restricted shares or deferred share awards. Dividends accrue directly to the employee holder of restricted shares, and cash payments in lieu of dividends are made to employee holders of certain deferred share awards. When the company was listed on the London Stock Exchange, shares were priced in Sterling.

Changes in unvested awards are as follows:

	Three months ended March 31, 2008		
Millions of shares, except fair values	**Time-Vested**	**Performance-Vested**	**Weighted Average Grant Date Fair Value (pence)**
Unvested at the beginning of period	15.2	6.2	915.69
Forfeited during the period	(0.4)	(0.1)	840.52
Vested and distributed during the period	(0.9)	—	895.50
Unvested at the end of the period	13.9	6.1	918.28

Subsequent to the company's primary share listing moving to the New York Stock Exchange, shares are now priced in U.S. dollars. Pursuant to these plans, the company granted 3.5 million share awards during the three months ended March 31, 2008 at a weighted average share price or $27.01. All of these awards are time-vested awards and were unvested as of March 31, 2008.

Awards outstanding at March 31, 2008 had a weighted average remaining contractual life of approximately two years.

Share Options

The company has not granted awards of share options since 2005. Outstanding share option awards contain either time or performance vesting conditions. The performance targets provide that an option may be exercised only if earnings per share since the date of the award has grown by a specified percentage in excess of a weighted average of the U.K. Retail Price Index and the U.S. Consumer Price Index (the Composite Index) over the preceding three years. Upon the exercise of share options, the company either issues new shares or can utilize shares held by employee trusts to satisfy the exercise.

The share option plans provided for a grant price equal to the quoted market price of the company's shares on the date of grant. The cliff vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the company before the options vest.

Changes in outstanding share option awards are as follows:

	Three months ended March 31, 2008	
	Options	**Weighted Average Exercise Price**

	(millions of shares)	(pence)
Outstanding at the beginning of period	29.7	1,296.72
Forfeited during the period	(0.5)	1,894.95
Exercised during the period	(2.0)	604.36
Outstanding at the end of the period	27.2	1,336.86
Exercisable at the end of the period	24.2	1,407.98

The options outstanding at March 31, 2008 had a range of exercise prices from 50 pence to 3360 pence, and a weighted average remaining contractual life of 3.90 years (for options exercisable at March 31, 2008, the weighted average remaining contractual life is 3.55 years). The total intrinsic value of options exercised during the three months ended March 31, 2008 was $23.2 million. At March 31, 2008, the aggregate intrinsic value of options outstanding and options exercisable was $120.9 million and $93.4 million, respectively. The market price of the company's common shares at March 31, 2008 was $24.36. Upon exercise, the Sterling exercise price will be converted to U.S. dollars using the foreign exchange rate in effect on the exercise date.

9. 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 three months ended March 31, 2008 and 2007 of $13.5 million and $12.2 million, respectively, represent contributions payable or paid to these plans by the company at rates specified in the rules of the plans. As of March 31, 2008, contributions of $8.4 million (December 31, 2007: $21.2 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 schemes 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:

	For the three months ended March 31,			
	Retirement Plans		Medical Plan	
$ in millions	2008	2007	2008	2007
Service cost	(1.8)	(1.9)	--	--
Interest cost	(4.9)	(4.8)	(0.7)	(0.6)
Expected return on plan assets	5.6	5.7	0.1	0.1
Amortization of prior service cost/(credit)	--	--	0.5	0.5
Amortization of net actuarial (loss)/gain	(0.5)	(0.5)	(1.2)	(1.2)
Settlement	--	(0.1)	--	--
Net periodic benefit cost	(1.6)	(1.6)	(1.3)	(1.2)

The estimated amounts of contributions expected to be paid to the plans during 2008 is $7.9 million for retirement plans, with no expected contribution to the medical plan.

10. OTHER COMMITMENTS AND CONTINGENCIES

Commitments and contingencies may arise in the ordinary 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 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 March 31, 2008, the company's undrawn capital commitments were $68.9 million (December 31, 2007: $63.2 million).

The volatility and valuation dislocations that occurred during 2007 in certain sectors of the fixed income market have generated some pricing issues in many areas of the market. As a result of these valuation dislocations, 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 accredited investors. The fair value of these agreements was estimated to be $4.5 million, which was recorded as a guarantee obligation at the inception of the agreements in accordance with FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others — An Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34.” As of the date of this Quarterly Report on Form 10-Q, the maximum support that could be provided under these agreements is $33.0 million. No payments have been made under either agreement nor has Invesco realized any losses 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 under FIN 46R.

Acquisition Contingencies

Contingent consideration related to acquisitions includes the following:

- Earn-outs relating to the Invesco PowerShares acquisition. A contingent payment up to a maximum of $500.0 million will 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. For a compound annual growth rate (CAGR) in year 5 between 15% and 75%, $5.0 million is earned 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 is earned for each CAGR point above 75%, for a maximum total payment of $500.0 million for a 100% CAGR. Additionally, the company paid $129.6 million related to the Invesco PowerShares acquisition earn-out in the three months ended March 31, 2008.

- Earn-outs relating to the WL Ross 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. The maximum contingent payments of $220.0 million would require annual fund launches to total $4.0 billion. The first anniversary payment equaled $44.8 million and was paid in October 2007.

Legal Contingencies

Following the industry-wide regulatory investigations, multiple lawsuits based on market timing allegations were filed against various parties affiliated with Invesco. These lawsuits were consolidated in the United States District Court for the District of Maryland, together with market timing lawsuits brought against affiliates of other mutual fund companies, and on September 29, 2004, three amended complaints were filed against company-affiliated parties: (1) a putative shareholder class action complaint brought on behalf of shareholders of AIM funds formerly advised by INVESCO Funds Group, Inc.; (2) a derivative complaint purportedly brought on behalf of certain AIM funds and the shareholders of such funds; and (3) an ERISA complaint purportedly brought on behalf of participants in the company's 401(k) plan. On September 15, 2006, the court dismissed the ERISA lawsuit with prejudice. The plaintiff has appealed that dismissal to the United States Court of Appeals for the Fourth Circuit. Oral argument was held on December 5, 2007. The company and plaintiffs have reached a settlement in principle of the shareholder class action and derivative lawsuits. The proposed settlement, which is subject to court approval, calls for a payment by the company of $9.8 million, recorded in general and administrative costs in the Consolidated Statement of Income during the three months ended December 31, 2007, in exchange for dismissal with prejudice of all pending claims. In addition, under the terms of the proposed settlement the company may incur certain costs in connection with providing notice of the proposed settlement to affected shareholders. Based on information currently available, it is not believed that any such incremental notice costs will have any material effect on the consolidated financial position or results of operations of the company.

The asset 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.

In the normal course of its business, the company is subject to various litigation matters. Although there can be no assurances, at this time management believes, based on information currently available to it, that it is not probable that the ultimate outcome of any of these actions will have a material adverse effect on the consolidated financial condition or results of operations of the company.

11. GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Prior to the December 4, 2007 redomicile and relisting discussed in Note 1, Invesco Holding Company Limited (the "Issuer", formerly INVESCO PLC), a subsidiary of Invesco Ltd. (the "Parent") issued 4.5% $300.0 million senior notes due 2009, 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 Aim Management Group, Inc., Invesco Aim Advisors, Inc., Invesco North American Holdings, Inc., and Invesco Institutional (N.A.), Inc. (the "Guarantors"). The company's remaining consolidated subsidiaries are "Non-Guarantors." The guarantees of each of the guarantor subsidiaries are joint and several. Presented below are condensed consolidating balance sheets as of March 31, 2008 and December 31, 2007, and condensed consolidating income and cash flow statements of the company for the three months ended March 31, 2008 and 2007.

Condensed Consolidating Balance Sheets

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
As of March 31, 2008						
Assets held for policyholders	—	1,763.7	—	—	—	1,763.7
Other current assets	113.0	2,174.0	11.9	73.5	—	2,372.4
Total current assets	113.0	3,937.7	11.9	73.5	—	4,136.1
Goodwill	2,302.8	4,019.6	521.8	—	—	6,844.2
Investments in subsidiaries	689.9	1,777.3	3,686.7	6,595.9	(12,749.8)	—
Other non-current assets	96.0	1,794.1	10.9	—	—	1,901.0
Total assets	3,201.7	11,528.7	4,231.3	6,669.4	(12,749.8)	12,881.3
Policyholder payables	—	1,763.7	—	—	—	1,763.7
Other current liabilities	80.6	1,414.8	17.0	92.0	—	1,604.4
Total current liabilities	80.6	3,178.5	17.0	92.0	—	3,368.1
Intercompany balances	421.6	207.3	(637.5)	8.6	—	—
Non-current liabilities	1.2	324.0	1,537.0	—	—	1,862.2
Total liabilities	503.4	3,709.8	916.5	100.6	—	5,230.3
Minority interests in equity of consolidated entities	—	1,082.2	—	—	—	1,082.2
Total shareholders' equity	2,698.3	6,736.7	3,314.8	6,568.8	(12,749.8)	6,568.8
Total liabilities, minority interests and shareholders' equity	3,201.7	11,528.7	4,231.3	6,669.4	(12,749.8)	12,881.3

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
As of December 31, 2007						
Assets held for policyholders	—	1,898.0	—	—	—	1,898.0
Other current assets	109.4	2,133.5	16.1	11.6	—	2,270.6
Total current assets	109.4	4,031.5	16.1	11.6	—	4,168.6
Goodwill	2,302.8	4,040.2	505.0	—	—	6,848.0
Investments in subsidiaries	662.5	1,759.6	3,624.4	6,605.2	(12,651.7)	—

Other non-current assets	101.4	1,796.4	10.8	—	—	1,908.6
Total assets	3,176.1	11,627.7	4,156.3	6,616.8	(12,651.7)	12,925.2
Policyholder payables	—	1,898.0	—	—	—	1,898.0
Other current liabilities	427.8	1,305.4	4.3	5.4	—	1,742.9
Total current liabilities	427.8	3,203.4	4.3	5.4	—	3,640.9
Intercompany balances	121.2	218.3	(360.3)	20.8	—	—
Non-current liabilities	24.8	271.3	1,276.4	—	—	1,572.5
Total liabilities	573.8	3,693.0	920.4	26.2	—	5,213.4
Minority interests in equity of consolidated entities	—	1,121.2	—	—	—	1,121.2
Total shareholders' equity	2,602.3	6,813.5	3,235.9	6,590.6	(12,651.7)	6,590.6
Total liabilities, minority interests and shareholders' equity	3,176.1	11,627.7	4,156.3	6,616.8	(12,651.7)	12,925.2

Condensed Consolidating Statements of Income

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
For the three months ended March 31, 2008						
Total operating revenues	180.0	730.4	—	—	—	910.4
Total operating expenses	(128.6)	(546.6)	(0.5)	(6.6)	—	(682.3)
Operating income/(loss)	51.4	183.8	(0.5)	(6.6)	—	228.1
Equity in earnings of unconsolidated affiliates	17.7	50.0	130.2	161.8	(341.8)	17.9
Other income/(expense)	(1.5)	(51.8)	(7.5)	—	—	(60.8)
Income/(loss) before income taxes and minority interest	67.6	182.0	122.2	155.2	(341.8)	185.2
Income tax provision	(17.5)	(48.3)	(8.0)	—	—	(73.8)
Income before minority interest	50.1	133.7	114.2	155.2	(341.8)	111.4
Minority interest (income)/loss of consolidated entities, net of tax	—	43.8	—	—	—	43.8
Net income	50.1	177.5	114.2	155.2	(341.8)	155.2

$ in millions	Guarantors	Non-Guarantors	Parent and Issuer*	Eliminations	Consolidated
For the three months ended March 31, 2007					
Total operating revenues	187.0	713.2	—	—	900.2
Total operating expenses	(133.3)	(533.4)	(1.4)	—	(668.1)
Operating income/(loss)	53.7	179.8	(1.4)	—	232.1
Equity in earnings of unconsolidated affiliates	15.6	38.4	159.0	(207.2)	5.8
Other income/(expense)	(1.5)	32.8	(2.1)	—	29.2
Income/(loss) before income taxes and minority interest	67.8	251.0	155.5	(207.2)	267.1
Income tax provision	(19.2)	(62.4)	(0.3)	—	(81.9)
Income before minority interest	48.6	188.6	155.2	(207.2)	185.2
Minority interest (income)/loss of consolidated entities, net of tax	—	(30.0)	—	—	(30.0)
Net income	48.6	158.6	155.2	(207.2)	155.2

Condensed Consolidating Statements of Cash Flows

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
For the three months ended March 31, 2008						
Net cash provided by/(used in) operating activities	139.9	11.4	(268.8)	207.9	(224.8)	(134.4)
Net cash (used in)/provided by investing activities	(137.2)	1.6	30.6	—	(30.6)	(135.6)

Net cash (used in) provided by financing activities	—	(211.5)	234.7	(141.6)	255.4	137.0
Increase/(decrease) in cash and cash equivalents	2.7	(198.5)	(3.5)	66.3	—	(133.0)

$ in millions	**Guarantors**	**Non-Guarantors**	**Parent and Issuer***	**Eliminations**	**Consolidated**
For the three months ended March 31, 2007					
Net cash provided by/(used in) operating activities	7.0	(11.3)	7.5	—	3.2
Net cash (used in)/provided by investing activities	(5.5)	229.3	(97.0)	(17.2)	109.6
Net cash (used in) provided by financing activities	—	(210.8)	64.4	17.2	(129.2)
Increase/(decrease) in cash and cash equivalents	1.5	7.2	(25.1)	—	(16.4)

* Prior to December 4, 2007, the Parent entity Invesco Holding Company Limited (formerly INVESCO PLC), was also the issuer of the debt.

12. SUBSEQUENT EVENTS

On April 23, 2008, the company's board of directors authorized a new share repurchase program up to $1.5 billion with no stated expiration date, and a first quarter 2008 dividend of $0.10 per share, payable on June 9, 2008, to shareholders of record at the close of business on May 21, 2008.

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 Quarterly Report on Form 10-Q 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, earnings, liquidity, cash flow and capital expenditures, industry or market conditions, assets under management, acquisition activities and the effect of completed acquisitions, debt levels and the ability to obtain additional financing or make payment 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 Quarterly Report on Form 10-Q, words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects," and future or conditi verbs such as "will," "may," "could," "should," and "would" and any other statement that 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.

References

In this Quarterly Report on Form 10-Q, 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 of the Three Months Ended March 31, 2008 Compared with the Three Months Ended March 31, 2007

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 (collectively, the "company" or "Invesco") and the notes thereto contained elsewhere in this Quarterly Report on Form 10-Q.

During the three months ended March 31, 2008, we had net income of $155.2 million, compared to $155.2 million during the comparable period in 2007. Net income was driven by the following factors:

- An increase in operating revenues of $10.2 million (1.1%) to $910.4 million from $900.2 million during the comparable period in 2007, driven mainly by growth in average assets under management ("AUM") to $476.6 billion (2.1%) from $466.9 billion during the comparable period in 2007, while at the same time limiting the increase in operating expenses to $14.2 million (2.1%) to $682.3 million from $668.1 million during the comparable period in 2007.

- Growth in equity in earnings of unconsolidated affiliates of $12.1 million, from $5.8 million during the three months ended March 31, 2007 to $17.9 million during the comparable period in 2008.

- A decrease in income tax expense of $8.1 million (9.9%), primarily due to the decrease in Canadian and U.K. statutory tax rates.

The factors above that contributed to net income during the three months ended March 31, 2008 were offset, in part, by the following:

- An increase in third-party distribution, service and advisory expenses of $14.7 million (6.3%) primarily due to increases in related investment management and pass through distribution fees.
- An increase in general and administrative expenses of $11.4 million (20.0%). The increase included growth in costs related to the launch of new Invesco PowerShares products in the U.S. and Europe.
- An increase in marketing costs of $6.9 million (18.6%) predominantly due to increased advertising, public relations and direct mailing costs as compared to the three months ended March 31, 2007.

As of March 31, 2008, AUM were $470.3 billion, a 6.0% decrease from December 31, 2007 resulting primarily from the downturn in global equity markets during the first quarter of 2008. Operating revenues were $910.4 million for the three months ended March 31, 2008, a 1.1% increase over the comparable prior year period. Operating expenses increased 2.1% to $682.3 million for the three months ended March 31, 2008 from $668.1 million for the three months ended March 31, 2007. Operating income was $228.1 million for the three months ended March 31, 2008, a decrease of 1.7% over operating income of $232.1 million for the comparable prior year period. Operating margin decreased to 25.1% in the three months ended March 31, 2008, from 25.8% in the three months ended March 31, 2007. However, net operating margin increased from 35.2% in the three months ended March 31, 2007 to 35.9% in the three months ended March 31, 2008 reflecting the impact of the $13.8 million (194.4%) increase in our proportional share of net revenues and the $11.8 million (218.5%) increase in operating income from joint venture investments in the three months ended March 31, 2008 from the three months ended March 31, 2007. Diluted earnings per share improved 2.6%, from $0.38 in the three months ended March 31, 2007 to $0.39 in the three months ended March 31, 2008. See “Schedule of Non-GAAP Information” for a reconciliation of operating income to net operating income (and by calculation, a reconciliation of operating margin to net operating margin) and important additional disclosures.

Achieving and maintaining strong investment performance is a primary strategic objective for Invesco. Within our retail products, the U.K., Continental Europe and Asia have continued to deliver strong relative performance versus competitors through the first quarter of 2008. The U.S. was ahead of peers over most relevant time periods, while the relative performance in Canada tended to lag peers due to certain portfolios being underweight in the resources sector while being relatively overweight in consumer discretionary businesses. The weakening Canadian dollar was a benefit for Canadian funds with higher-than-average investment in foreign securities. Many of our institutional products were ahead of benchmark over most relevant time periods with our money market products once again delivering consistent outstanding relative performance.

Industry Discussion

Global equity markets generally declined in the first quarter of 2008. Both equity and credit markets suffered sharp corrections at times during the first quarter, mainly due to sub-prime related write-downs from financial institutions and tighter liquidity in short-term money markets. In North America during the first quarter, the Dow Jones Industrial Average, the S&P 500, the Nasdaq Composite Index, and the S&P/TSX Composite (Canada) were down 7.0%, 9.4%, 13.9% and 2.8%, respectively; in Europe the FTSE 100 was down 10.4% and the FTSE World Europe was down 15.5%; and in Asia the China SE Shanghai Composite was down 34.0% while the Nikkei 225 was down 17.5%. The Lehman Brothers U.S. Aggregate Bond Index returned 2.2% for the quarter. The markets generally showed some improvement in April. Our AUM were $480.8 billion as of April 30, 2008 (March 31, 2008: $470.3 billion).

Assets Under Management

Average AUM for the three months ended March 31, 2008 were $476.6 billion, compared to $466.9 billion in the comparable period in 2007. Total net inflows were $1.2 billion for the three months ended March 31, 2008, as compared to total net outflows of $0.1 billion for the three months ended March 31, 2007. The net inflows of $1.2 billion comprised $9.6 billion in net inflows from money market funds (March 31, 2007: net outflows in money market funds of $0.8 billion), offset by long-term net outflows of $8.4 billion (March 31, 2007: net inflows of long-term AUM of $0.7 billion).

Changes in AUM were as follows:

$ in billions	**2008**	**2007**
January 1 AUM	500.1	462.6
Long-term inflows	20.8	30.4
Long-term outflows	(29.2)	(29.7)
Net flows	(8.4)	0.7
Net flows in money market funds and other	9.6	(0.8)
Market gains/reinvestment	(33.5)	8.0
Foreign currency	2.5	0.7
March 31 AUM	470.3	471.2
Average long-term AUM	400.5	405.7
Average institutional money market AUM	76.1	61.2
Average AUM	476.6	466.9
Net revenue yield on AUM (annualized)(1)	57.4bps	57.8bps
Net revenue yield on AUM before performance fees (annualized)(1)	56.5bps	56.2bps

(1) Net revenue yield on AUM is equal to net revenue divided by average AUM. Net revenues are operating revenues less third-party distribution, service and advisory costs, plus our proportional share of net revenues from joint venture investments. See "Schedule of Non-GAAP Information" for a reconciliation of operating revenues to net revenues and important additional disclosures.

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. The returns from global capital markets declined in the first quarter of 2008, which resulted in a decline in AUM of $33.5 billion during the period. Our AUM by channel, by asset class, and by client domicile were as follows:

AUM by Channel

$ in billions	**Total**	**Retail**	**Institutional**	**Private Wealth Management**
December 31, 2007 AUM (a)	500.1	259.5	223.1	17.5
Long-term inflows	20.8	14.5		