Invesco Ltd.
Form 10-Q
August 08, 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 June 30, 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.)*
1555 Peachtree Street, N.E., Suite 1800, 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 July 31, 2008, the most recent practicable date, 386,759,058 of the company's common shares, par value U.S. $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.

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

Invesco Ltd.

Condensed Consolidated Balance Sheets

(Unaudited)

$ in millions	As of June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	**$644.8**	$915.8
Cash and cash equivalents of consolidated investment products	**49.1**	36.6
Unsettled fund receivables	**653.2**	605.5
Accounts receivable	**307.5**	292.1
Investments	**183.6**	151.4
Prepaid assets	**69.1**	65.9
Other current assets	**158.4**	203.3
Assets held for policyholders	**1,719.2**	1,898.0
Total current assets	**3,784.9**	4,168.6
Non-current assets:		
Investments	**113.0**	114.1
Investments of consolidated investment products	**938.6**	1,239.6
Prepaid assets	**45.8**	55.6
Deferred sales commissions	**29.0**	31.3
Deferred tax assets, net	**118.8**	133.8
Property and equipment, net	**207.6**	180.0
Intangible assets, net	**147.9**	154.2
Goodwill	**6,864.1**	6,848.0
	8,464.8	8,756.6
Total assets	**$12,249.7**	$12,925.2
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Unsettled fund payables	**$632.4**	$581.2
Income taxes payable	**69.8**	140.6
Other current liabilities	**660.9**	1,021.1
Policyholder payables	**1,719.2**	1,898.0
Total current liabilities	**3,082.3**	3,640.9
Non-current liabilities:		
Long-term debt	**1,337.0**	1,276.4
Borrowings of consolidated investment products	**--**	116.6
Other non-current liabilities	**177.3**	179.5
	1,514.3	1,572.5
Total liabilities	**4,596.6**	5,213.4
Minority interests in equity of consolidated entities	**970.1**	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 June 30, 2008 and December 31, 2007, respectively)	**85.3**	84.9
Additional paid-in capital	**5,374.1**	5,306.3
Treasury shares	**(1,106.4)**	(954.4)
Retained earnings	**1,389.9**	1,201.7
Accumulated other comprehensive income, net of tax	**940.1**	952.1
Total shareholders' equity	**6,683.0**	6,590.6
Total liabilities, minority interests and shareholders' equity	**$12,249.7**	$12,925.2

See accompanying notes.

Invesco Ltd.

Condensed Consolidated Statements of Income

(Unaudited)

$ in millions	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Operating revenues:				
Investment management fees	**$736.8**	$765.7	**$1,474.4**	$1,472.0
Performance fees	**22.2**	34.4	**33.2**	53.2
Service and distribution fees	**143.3**	148.2	**281.7**	291.6
Other	**33.3**	30.7	**56.7**	62.4
Total operating revenues	**935.6**	979.0	**1,846.0**	1,879.2
Operating expenses:				
Employee compensation	**282.9**	288.9	**555.7**	573.2
Third-party distribution, service and advisory	**244.9**	263.0	**492.0**	495.4
Marketing	**38.2**	35.8	**82.1**	72.8
Property, office and technology	**55.7**	58.2	**105.8**	115.6
General and administrative	**73.9**	71.1	**142.3**	128.1
Total operating expenses	**695.6**	717.0	**1,377.9**	1,385.1
Operating income	**240.0**	262.0	**468.1**	494.1
Other income/(expense):				
Equity in earnings of unconsolidated affiliates	**9.6**	6.4	**27.5**	12.2
Interest income	**10.5**	12.3	**22.0**	22.6
Gains and losses of consolidated investment products, net	**40.3**	69.8	**(4.0)**	99.8
Interest expense	**(19.3)**	(18.6)	**(40.8)**	(37.2)
Other gains and losses, net	**(1.1)**	(0.2)	**(7.6)**	7.3
Income before income taxes and minority interest	**280.0**	331.7	**465.2**	598.8
Income tax provision	**(77.2)**	(91.4)	**(151.0)**	(173.3)
Income before minority interest	**202.8**	240.3	**314.2**	425.5
Minority interest (income)/losses of consolidated entities, net of tax	**(40.0)**	(64.8)	**3.8**	(94.8)
Net income	**$162.8**	$175.5	**$318.0**	$330.7
Earnings per share:				
— basic	**$0.42**	$0.44	**$0.82**	$0.83
— diluted	**$0.41**	$0.43	**$0.80**	$0.81
Dividends declared per share	**$0.10**	--	**$0.32**	$0.21

See accompanying notes.

Invesco Ltd.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30,	
$ in millions	**2008**	**2007**
Operating activities:		
Net income	**$318.0**	$330.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	**23.7**	32.2
Share-related compensation expense	**58.0**	49.9
Gain on disposal of property, equipment and software, net	**(1.8)**	--
Other gains and losses, net	**7.6**	(7.3)
Loss/(gain) of consolidated investment products, net	**4.0**	(99.8)
Tax benefit from share-based compensation	**40.4**	4.6
Excess tax benefits from share-based compensation	**(19.0)**	(3.3)
Minority interest in (losses)/income of consolidated entities, net of tax	**(3.8)**	94.8
Equity in earnings of unconsolidated affiliates	**(27.5)**	(12.2)
(Purchase)/sale of trading investments	**(0.1)**	5.5
Changes in operating assets and liabilities:		
Change in cash held by consolidated investment products	**(13.3)**	(15.0)
Decrease/(increase) in receivables	**213.0**	(563.1)
(Decrease)/increase in payables	**(531.0)**	463.5
Net cash provided by operating activities	**68.2**	280.5
Investing activities:		
Purchase of property and equipment	**(48.2)**	(16.4)
Disposal of property and equipment	**--**	12.0
Dividends from unconsolidated affiliates	**28.1**	**--**
Purchase of available-for-sale investments	**(88.0)**	(20.2)
Proceeds from sale of available-for-sale investments	**50.3**	40.0
Purchase of investments by consolidated investment products	**(82.2)**	(136.9)
Proceeds from sale of investments by consolidated investment products	**98.3**	89.6
Returns of capital in investments of consolidated investment products	**58.5**	125.7
Purchase of other investments	**(11.9)**	(18.2)
Proceeds from sale of other investments	**27.5**	3.5
Acquisition earn-out payment	**(130.9)**	(6.5)
Net cash (used in)/provided by investing activities	**(98.5)**	72.6
Financing activities:		
Proceeds from exercises of share options	**52.1**	76.8
Purchases of treasury shares	**(213.0)**	(159.3)
Dividends paid	**(129.6)**	(86.4)
Excess tax benefits from share-based compensation	**19.0**	3.3
Capital invested into consolidated investment products	**66.3**	147.1
Capital distributed by consolidated investment products	**(126.4)**	(191.4)

Net borrowings/(repayments) of consolidated investment products	**19.6**	(9.3)
Net borrowings/(repayments) under credit facility	**60.6**	(129.0)
Issuance of senior notes	**--**	300.0
Repayments of senior notes	**--**	(300.0)
Net cash used in financing activities	**(251.4)**	(348.2)
(Decrease)/increase in cash and cash equivalents	**(281.7)**	4.9
Foreign exchange movement on cash and cash equivalents	**10.7**	8.0
Cash and cash equivalents, beginning of period	**915.8**	778.9
Cash and cash equivalents, end of period	**$644.8**	$791.8
Supplemental Cash Flow Information:		
Interest paid	**$(37.5)**	$(40.2)
Interest received	**$22.2**	$22.6
Taxes paid	**$178.2**	$140.6

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's sole business is investment management.

On December 4, 2007, the predecessor to Invesco Ltd., 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 variable interest entities (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 are 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 VIEs or 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.

Dividends to shareholders

Dividends to shareholders are recognized on the declaration date. Beginning in 2008, dividends are declared and paid on a quarterly basis. Prior to 2008, dividends were declared and paid on a semi-annual basis.

Reclassifications

The presentation of certain prior period reported amounts has been reclassified to be consistent with the 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 they 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 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.

During June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (FSP). The FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in FASB Statement No. 128, “Earnings Per Share”. The guidance in the FSP provides that only those unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities that should be included in the calculation of basic EPS under the two-class method. The FASB concluded that the holder of a share-based award receives a noncontingent transfer of value each time the entity declares a dividend, and therefore the share-based award meets the definition of a participating security. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, with all prior period EPS data being adjusted retrospectively. Early adoption is not permitted. This FSP will require the company to include unvested deferred share awards that contain nonforfeitable dividend equivalents as outstanding common shares for purposes of calculated basic EPS. The company is still assessing the impact the FSP will have on its calculation of basic EPS.

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 a 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 and cash equivalents invested in affiliated money market funds totaled $205.1 million at June 30, 2008. 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 (CLOs). 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 an observable interest rate and are classified within level 2 of the valuation hierarchy.

The company provides investment management services to a number of CLO entities. The company has invested in these entities, generally taking a relatively small portion of the unrated, junior subordinated positions. At June 30, 2008, the company held $30.7 million of investments in these CLOs, which represents its maximum risk of loss. 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 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 and are 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 AICPA 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 underlying funds in an active market and are 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 June 30, 2008.

	As of June 30, 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	443.5	205.1	238.4	--
Investments *				
Available-for-sale	126.2	104.4	21.8	--
Trading investments	55.4	55.4	--	--
Assets held for policyholders	1,719.2	1,719.2	--	--
Total current assets	2,344.3	2,084.1	260.2	--
Non-current assets:				
Investments – available-for-sale *	30.7	--	--	30.7
Total assets at fair value	2,375.0	2,084.1	260.2	30.7

* Other current held-to-maturity investments of $1.0 million and cost method investments of $1.0 million are excluded from this table. Other non-current equity and cost method investments of $82.3 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 CLO fair value measurements using significant unobservable inputs:

$ in millions	**Three Months Ended June 30, 2008**	**Six Months Ended June 30, 2008**
Beginning balance	32.3	39.0
Net unrealized gains and losses included in accumulated other comprehensive income*	4.1	0.3
Purchases and issuances	--	0.9
Other than temporary impairment included in other gains and losses, net	(4.0)	(7.5)
Return of capital	(1.7)	(2.0)
Ending balance	30.7	30.7

* Of these net unrealized gains and losses included in accumulated other comprehensive income, $4.1 million for the three months ended June 30, 2008, and $0.3 million for the six months ended June 30, 2008, are attributed to the change in unrealized gains and losses related to assets still held at June 30, 2008.

The company reviewed the cash flow estimates of its CLOs, 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. As of June 30, 2008, estimates of future cash flows (taking into account both timing and amounts) compared to the last revised estimate for certain CLOs, indicated a sustained decline in valuation, resulting in $7.5 million in other than temporary impairment charges during the six months ended June 30, 2008. These securities may recover their value over time.

3. SHARE REPURCHASE PROGRAM

In March 2008, the company completed the $500.0 million share repurchase program that was authorized by the board of directors in June 2007. On April 23, 2008, the board of directors authorized a new share repurchase program of up to $1.5 billion with no stated expiration date. During the six months ended June 30, 2008, 7.6 million common shares of Invesco Ltd. were purchased from the market at a cost of $193.9 million and were recorded as treasury shares on the Condensed Consolidated Balance Sheets (six months ended June 30, 2007: 0.5 million shares at a cost of $12.8 million). At June 30, 2008, $1,460.6 million remains available under the new share repurchase program.

4. OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income were as follows:

	June 30,	**December 31,**
$ in millions	**2008**	**2007**
Net unrealized (losses)/gains on available-for-sale investments	(3.1)	1.6
Tax on unrealized (losses)/gains on available-for-sale investments	(1.5)	(2.2)
Cumulative foreign currency translation adjustments	979.8	987.9
Tax on cumulative foreign currency translation adjustments	6.2	6.3
Pension liability adjustments	(58.9)	(59.1)
Tax on pension liability adjustments	17.6	17.6
Total accumulated other comprehensive income	940.1	952.1

The details of total other comprehensive income are presented below:

	Three Months Ended		**Six Months Ended**	
	June 30,		**June 30,**	
$ in millions	**2008**	**2007**	**2008**	**2007**
Net income	162.8	175.5	318.0	330.7
Net unrealized holding gains and losses on available-for-sale investments	(1.1)	4.0	(9.1)	5.6
Tax on net unrealized holding gains and losses on available-for-sale investments	(0.5)	(0.8)	0.7	(0.9)
Reclassification adjustments for net gains and losses on available-for-sale investments included in net income	1.0	(5.1)	4.4	(12.8)
Foreign currency translation adjustments	(29.3)	195.2	(8.1)	183.7
Tax on foreign currency translation adjustments	(0.3)	(0.6)	(0.1)	(0.6)
Adjustments to pension liability	0.8	0.8	0.2	2.2
Tax on adjustments to pension liability	(0.2)	(0.3)	--	(0.8)
Total other comprehensive income	133.2	368.7	306.0	507.1

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 June 30, 2008, the total amount of gross unrecognized tax benefits was $71.7 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 periods.

The calculation of earnings per share is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
In millions, except per share amounts	**2008**	**2007***	**2008**	**2007***
Net income	$162.8	$175.5	$318.0	$330.7
Weighted average shares outstanding	387.6	399.9	387.7	399.2
Dilutive effect of share-based awards	11.4	10.7	11.4	10.9
Weighted average diluted shares outstanding	399.0	410.6	399.1	410.1
Basic earnings per share	$0.42	$0.44	$0.82	$0.83
Diluted earnings per share	$0.41	$0.43	$0.80	$0.81

* 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 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 10.5 million and 13.9 million shares at weighted average exercise prices of 2,062p and 1,891p, respectively, were outstanding for the three and six months ended June 30, 2008 (for the three and six months ended June 30, 2007: options to purchase 15.9 million and 16.1 million shares, respectively), 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 shares and therefore their inclusion would have been anti-dilutive.

The company excluded 2.8 million and 3.2 million contingently issuable shares from the diluted earnings per share computation for the three and six months ended June 30, 2008, respectively (three and six months ended June 30, 2007: 11.2 million and 11.2 million contingently issuable shares, respectively) because the necessary performance conditions for the shares to be issuable had not yet 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 simple majority kick-out rights to remove the general partner or substantive participating rights of the other limited partners. Investment products are also consolidated under FASB Statement No. 94, if appropriate. The following table reflects the impact of consolidation of these investment products into the Condensed Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007 and Condensed Consolidated Statements of Income for the three and six month periods ended June 30, 2008 and 2007.

Balance Sheets

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
As of June 30, 2008				
Current assets	3,733.1	10.8	41.0	3,784.9
Non-current assets	7,526.3	162.2	776.3	8,464.8
Total assets	11,259.4	173.0	817.3	12,249.7
Current liabilities	3,080.3	1.5	0.5	3,082.3
Non-current liabilities	1,511.7	--	2.6	1,514.3
Total liabilities	4,592.0	1.5	3.1	4,596.6
Minority interests in equity of consolidated entities	7.0	167.3	795.8	970.1
Total shareholders' equity	6,660.4	4.2	18.4	6,683.0
Total liabilities, minority interests and shareholders' equity	11,259.4	173.0	817.3	12,249.7

$ 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 June 30, 2008				
Total operating revenues	931.8	(0.1)	3.9	935.6
Total operating expenses	692.0	--	3.6	695.6
Operating income	239.8	(0.1)	0.3	240.0
Equity in earnings of unconsolidated affiliates	9.6	--	--	9.6
Interest income	10.5	--	--	10.5
Other investment income/(losses)	(1.1)	49.2	(8.9)	39.2
Interest expense	(19.3)	--	--	(19.3)
Income before income taxes and minority interest	239.5	49.1	(8.6)	280.0
Income tax provision	(77.2)	--	--	(77.2)
Income before minority interest	162.3	49.1	(8.6)	202.8
Minority interest (income)/losses of consolidated entities, net of tax	(0.4)	(47.9)	8.3	(40.0)
Net income	161.9	1.2	(0.3)	162.8

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
Three Months ended June 30, 2007				
Total operating revenues	977.2	(0.2)	2.0	979.0
Total operating expenses	714.5	0.8	1.7	717.0
Operating income	262.7	(1.0)	0.3	262.0
Equity in earnings of unconsolidated affiliates	6.4	--	--	6.4
Interest income	12.3	--	--	12.3
Other investment income/(losses)	(0.2)	49.2	20.6	69.6
Interest expense	(18.6)	--	--	(18.6)
Income before income taxes and minority interest	262.6	48.2	20.9	331.7
Income tax provision	(91.4)	--	--	(91.4)
Income before minority interest	171.2	48.2	20.9	240.3
Minority interest (income)/losses of consolidated entities, net of tax	(0.1)	(47.8)	(16.9)	(64.8)
Net income	171.1	0.4	4.0	175.5

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
Six Months ended June 30, 2008				
Total operating revenues	1,842.4	(0.3)	3.9	1,846.0
Total operating expenses	1,374.0	0.3	3.6	1,377.9
Operating income	468.4	(0.6)	0.3	468.1
Equity in earnings of unconsolidated affiliates	27.5	--	--	27.5
Interest income	22.0	--	--	22.0
Other investment income/(losses)	(7.6)	14.8	(18.8)	(11.6)
Interest expense	(40.8)	--	--	(40.8)
Income before income taxes and minority interest	469.5	14.2	(18.5)	465.2
Income tax provision	(151.0)	--	--	(151.0)
Income before minority interest	318.5	14.2	(18.5)	314.2
Minority interest (income)/losses of consolidated entities, net of tax	(0.8)	(13.2)	17.8	3.8
Net income	317.7	1.0	(0.7)	318.0

$ in millions	Before Impact of Consolidated Investment Products	Variable Interest Entities	Other Consolidated Investment Products	Consolidated Total
Six Months ended June 30, 2007				
Total operating revenues	1,873.1	3.3	2.8	1,879.2
Total operating expenses	1,380.2	2.4	2.5	1,385.1
Operating income	492.9	0.9	0.3	494.1
Equity in earnings of unconsolidated affiliates	12.2	--	--	12.2
Interest income	22.6	--	--	22.6
Other investment income/(losses)	7.3	68.8	31.0	107.1
Interest expense	(37.2)	--	--	(37.2)
Income before income taxes and minority interest	497.8	69.7	31.3	598.8
Income tax provision	(173.3)	--	--	(173.3)
Income before minority interest	324.5	69.7	31.3	425.5
Minority interest (income)/losses of consolidated entities, net of tax	(0.8)	(67.8)	(26.2)	(94.8)
Net income	323.7	1.9	5.1	330.7

At June 30, 2008, the company’s maximum risk of loss in 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 loan obligations	30.7
Private equity investments	16.2
Support agreements (See Note 10)	33.0
Total	79.9

The following table presents the fair value hierarchy levels of investments held by consolidated investment products, which are measured at fair value as of June 30, 2008.

	As of June 30, 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	938.6	97.1	--	841.5

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.

As a result of amendments made to limited partnership agreements of certain real estate partnerships, the company determined that it no longer controlled certain real estate partnerships under EITF 04-5. Accordingly, investments of consolidated investment products of $398.0 million, borrowings of consolidated investment products of $136.2 million, and the related minority interest balance of $256.1 million, were deconsolidated effective April 1, 2008. Amendments were made to certain other limited partnership agreements, triggering reconsideration events that required the general partnership’s ownership to be reassessed. As a result, certain limited partnerships are now presented as Other Consolidated Investment Products and are accounted for under EITF 04-5 and others were deconsolidated.

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.

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Changes in unvested awards are as follows:

	Six Months Ended June 30, 2008		
Millions of shares, except fair values	Time-Vested	Performance-Vested	Weighted Average Grant Date Fair Value (pence)
Unvested at January 1, 2008	15.2	6.2	915.69
Forfeited during the period	(0.5)	(0.1)	900.96
Vested and distributed during the period	(0.9)	--	888.68
Unvested at June 30, 2008	13.8	6.1	918.78

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 in February 2008 at a weighted average share price of $27.01. Of these shares awarded, 0.1 million shares have been forfeited at June 30, 2008.

Awards outstanding at June 30, 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:

	Six months ended June 30, 2008	
	Options (millions of shares)	Weighted Average Exercise Price (pence)
Outstanding at January 1, 2008	29.7	1,296.72
Forfeited during the period	(0.7)	1,875.55
Exercised during the period	(3.4)	742.32
Outstanding at June 30, 2008	25.6	1,354.85
Exercisable at June 30, 2008	22.6	1,432.84

The share option exercise prices are denominated in Sterling. Upon exercise, the Sterling exercise price will be converted to U.S. dollars using the foreign exchange rate in effect on the exercise date. The share options outstanding at June 30, 2008 had a range of exercise prices from 50 pence to 3360 pence, and a weighted average remaining contractual life of 3.72 years (for share options exercisable at June 30, 2008, the weighted average remaining contractual life is 3.36 years). The total intrinsic value of share options exercised during the six months ended June 30, 2008 was $34.4 million. At June 30, 2008, the aggregate intrinsic value of share options outstanding and options exercisable was $108.1million and $81.8 million, respectively. The market price of the company's shares at June 30, 2008 was $23.98.

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 six months ended June 30, 2008 and 2007 of $25.8 million and $23.7 million, respectively, represent contributions payable or paid to these plans by the company at rates specified in the rules of the plans. As of June 30, 2008, accrued contributions of $13.5 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:

	Three Months Ended June 30,				**Six Months Ended June 30,**			
	Retirement Plans		**Medical Plan**		**Retirement Plans**		**Medical Plan**	
$ in millions	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Service cost	1.9	1.9	--	--	3.7	3.8	--	--
Interest cost	4.8	4.9	0.6	0.7	9.7	9.7	1.3	1.3
Expected return on plan assets	(5.7)	(5.7)	(0.2)	(0.2)	(11.3)	(11.4)	(0.3)	(0.3)
Amortization of prior service cost	--	--	(0.5)	(0.5)	--	--	(1.0)	(1.0)
Amortization of net actuarial (loss)/gain	0.5	0.5	0.7	1.1	1.0	1.0	1.9	2.3
Settlement	--	--	--	--	--	0.1	--	--
Net periodic benefit cost	1.5	1.6	0.6	1.1	3.1	3.2	1.9	2.3

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. 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 June 30, 2008, the company’s undrawn capital commitments were $61.6 million (December 31, 2007: $60.2 million).

The volatility and valuation dislocations that occurred during 2007 and 2008 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 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 committed support under these agreements is $33.0 million. In June 2008, the agreements were amended to extend the term through December 31, 2008, and to provide an internal approval mechanism to extend the maximum possible support to $49.5 million at the option of the company. 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 of up to $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 $130.9 million related to the Invesco PowerShares acquisition earn-out in the six months ended June 30, 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. In May 2008, the purchase agreement was amended, resulting in semi-annual earn-out measurement dates (April 3 and October 3). Payments will be made every October, with the earn-out amount being recorded as a note payable if earned by April 3. The April 3, 2008 earn-out calculation resulted in an addition to goodwill and a non-interest bearing note payable to the sellers (including Wilbur Ross, an employee of the company) of $40.1 million, payable at the next measurement date, October 3, 2008.

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. 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 six 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. On September 15, 2006, the court dismissed the ERISA lawsuit with prejudice. The plaintiff appealed that dismissal to the United States Court of Appeals for the Fourth Circuit. On June 16, 2008, the appellate court reversed the dismissal and remanded the lawsuit to the district court for further proceedings. The company intends to defend this lawsuit vigorously.

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 PLC (now known as Invesco Holding Company Limited), the Issuer, 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 Invesco Ltd. (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 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, 2008 and December 31, 2007, Condensed Consolidating Statements of Income for the three and six months ended June 30, 2008 and 2007, and Condensed Consolidating Statements of Cash Flows of the company for the six months ended June 30, 2008 and 2007.

Condensed Consolidating Balance Sheets

$ in millions	**Guarantors**	**Non-Guarantors**	**Issuer**	**Parent**	**Eliminations**	**Consolidated**
As of June 30, 2008						
Assets held for policyholders	--	1,719.2	--	--	--	1,719.2
Other current assets	117.6	1,894.0	11.5	42.6	--	2,065.7
Total current assets	117.6	3,613.2	11.5	42.6	--	3,784.9
Goodwill	2,302.8	4,044.4	516.9	--	--	6,864.1
Investments in subsidiaries	682.5	1,820.0	3,749.7	6,585.5	(12,837.7)	--
Other non-current assets	113.4	1,475.5	11.8	--	--	1,600.7
Total assets	3,216.3	10,953.1	4,289.9	6,628.1	(12,837.7)	12,249.7
Policyholder payables	--	1,719.2	--	--	--	1,719.2
Other current liabilities	67.2	1,285.6	9.6	0.7	--	1,363.1
Total current liabilities	67.2	3,004.8	9.6	0.7	--	3,082.3
Intercompany balances	411.7	29.2	(385.3)	(55.6)	--	--
Non-current liabilities	27.4	149.9	1,337.0	--	--	1,514.3
Total liabilities	506.3	3,183.9	961.3	(54.9)	--	4,596.6
Minority interests in equity of consolidated entities	--	970.1	--	--	--	970.1
Total shareholders’ equity	2,710.0	6,799.1	3,328.6	6,683.0	(12,838.7)	6,683.0
Total liabilities, minority interests and shareholders’ equity	3,216.3	10,953.1	4,289.9	6,628.1	(12,837.7)	12,249.7

$ 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 June 30, 2008						
Total operating revenues	193.2	742.4	--	--	--	935.6
Total operating expenses	133.8	552.8	1.5	7.5	--	695.6
Operating income/(losses)	59.4	189.6	(1.5)	(7.5)	--	240.0
Equity in earnings of unconsolidated affiliates	12.9	22.2	50.1	170.8	(246.4)	9.6
Other income/(expense)	(0.9)	40.6	(8.8)	(0.5)	--	30.4
Income/(losses) before income taxes and minority interest	71.4	252.4	39.8	162.8	(246.4)	280.0
Income tax provision	(45.0)	(33.6)	1.3	--	0.1	(77.2)
Income before minority interest	26.4	218.8	41.1	162.8	(246.3)	202.8
Minority interest income of consolidated entities, net of tax	--	(40.0)	--	--	--	(40.0)
Net income	26.4	178.8	41.1	162.8	(246.3)	162.8

$ in millions	Guarantors	Non-Guarantors	Parent and Issuer*	Eliminations	Consolidated
For the three months ended June 30, 2007					
Total operating revenues	192.6	786.4	--	--	979.0
Total operating expenses	123.3	591.8	1.8	0.1	717.0
Operating income/(losses)	69.3	194.6	(1.8)	(0.1)	262.0
Equity in earnings of unconsolidated affiliates	16.1	50.6	182.1	(242.4)	6.4
Other income/(expense)	2.3	66.9	(5.8)	(0.1)	63.3
Income/(losses) before income taxes and minority interest	87.7	312.1	174.5	(242.6)	331.7
Income tax provision	(27.1)	(65.4)	1.1	--	(91.4)
Income before minority interest	60.6	246.7	175.6	(242.6)	240.3
Minority interest income of consolidated entities, net of tax	--	(64.8)	--	--	(64.8)
Net income	60.6	181.9	175.6	(242.6)	175.5

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
For the six months ended June 30, 2008						
Total operating revenues	373.2	1,472.8	--	--	--	1,846.0
Total operating expenses	262.4	1,099.4	2.0	14.1	--	1,377.9
Operating income/(losses)	110.8	373.4	(2.0)	(14.1)	--	468.1
Equity in earnings of unconsolidated affiliates	30.6	72.2	180.3	332.6	(588.2)	27.5
Other income/(expense)	(2.4)	(11.2)	(16.3)	(0.5)	--	(30.4)
Income/(losses) before income taxes and minority interest	139.0	434.4	162.0	318.0	(588.2)	465.2
Income tax provision	(62.5)	(81.9)	(6.7)	--	0.1	(151.0)
Income before minority interest	76.5	352.5	155.3	318.0	(588.1)	314.2
Minority interest losses of consolidated entities, net of tax	--	3.8	--	--	--	3.8
Net income	76.5	356.3	155.3	318.0	(588.1)	318.0

$ in millions	Guarantors	Non-	Parent and	Eliminations	Consolidated

		Guarantors	Issuer*		
For the six months ended June 30, 2007					
Total operating revenues	379.6	1,499.7	--	(0.1)	1,879.2
Total operating expenses	256.7	1,125.2	3.3	0.1	1,385.1
Operating income/(losses)	122.9	374.5	(3.3)	--	494.1
Equity in earnings of unconsolidated affiliates	31.7	89.0	341.1	(449.6)	12.2
Other income/(expense)	0.9	99.5	(7.9)	--	92.5
Income/(losses) before income taxes and minority interest	155.5	563.0	329.9	(449.6)	598.8
Income tax provision	(46.3)	(127.8)	0.8	--	(173.3)
Income before minority interest	109.2	435.2	330.7	(449.6)	425.5
Minority interest income of consolidated entities, net of tax	--	(94.8)	--	--	(94.8)
Net income	109.2	340.4	330.7	(449.6)	330.7

Condensed Consolidating Statements of Cash Flows

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
For the six months ended June 30, 2008						
Net cash provided by/(used in) operating activities	135.3	20.5	(25.8)	329.8	(391.6)	68.2
Net cash (used in)/provided by investing activities	(140.9)	82.6	64.9	(40.2)	(64.9)	(98.5)
Net cash (used in)/provided by financing activities	--	(374.9)	(42.5)	(290.5)	456.5	(251.4)
Increase/(decrease) in cash and cash equivalents	(5.6)	(271.8)	(3.4)	(0.9)	--	(281.7)

$ in millions	Guarantors	Non-Guarantors	Parent and Issuer*	Eliminations	Consolidated
For the six months ended June 30, 2007					
Net cash provided by/(used in) operating activities	(6.7)	381.5	(94.3)	--	280.5
Net cash (used in)/provided by investing activities	3.0	190.3	220.4	(341.1)	72.6
Net cash (used in)/provided by financing activities	--	(539.9)	(149.4)	341.1	(348.2)
Increase/(decrease) in cash and cash equivalents	(3.7)	31.9	(23.3)	--	4.9

* 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 July 23, 2008, the company’s board of directors authorized a second quarter 2008 dividend of $0.10 per share, payable on September 9, 2008 to shareholders of record at the close of business on August 20, 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 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, 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 Report, words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects," and future or conditional verbs such as "will," "may," "could," "should," and "would" 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 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.

During the three months ended June 30, 2008, we had net income of $162.8 million, compared to $175.5 million during the comparable period in 2007. The change in net income was driven by the following factors:

- Operating revenues of $935.6 million, which were lower by $43.4 million (4.4%) from $979.0 million in the 2007 comparable period, less operating expenses of $695.6 million, which were lower by $21.4 million (3.0%) from $717.0 million in the 2007 comparable period. Average assets under management (AUM) were $482.6 billion, down 0.4% from $484.3 billion during the comparable period in 2007. Long term average AUM decreased $24.2 billion (5.7%) to $398.6 billion from $422.8 billion during the comparable 2007 period.

- A decrease in employee compensation expenses of $6.0 million (2.1%) to $282.9 million from $288.9 million in the comparable 2007 period, driven by decreases in staff bonuses and commissions, offset by increases in share-based compensation.

- A decrease in third party distribution, service and advisory costs of $18.1 million (6.9%) to $244.9 million from $263.0 million in the comparable 2007 period, driven by the decrease in average AUM.

- A decrease in income tax expense of $14.2 million (15.5%) to $77.2 million from $91.4 million during the comparable 2007 period, primarily due to the decrease in Canadian and U.K. statutory tax rates.

During the six months ended June 30, 2008, we had net income of $318.0 million, compared to $330.7 million during the comparable period in 2007. The change in net income was driven by the following factors:

- Operating revenues of $1,846.0 million, which were lower by $33.2 million (1.8%) from $1,879.2 million in the 2007 comparable period, less operating expenses of $1,377.9 million, which were lower by $7.2 million (0.5%) from $1,385.1 million in the 2007 comparable period. Average AUM were $479.5 billion, up 0.7% from $476.2 billion during the comparable period in 2007. Long term average AUM decreased $15.1 billion (3.6%) to $399.5 billion from $414.6 billion during the comparable 2007 period. The shifting of AUM between asset classes impacted the change in operating revenues during the period.

- A decrease in employee compensation expenses of $17.5 million (3.1%) to $555.7 million from $573.2 million in the comparable 2007 period, driven by decreases in staff bonuses and commissions, offset by increases in share-based compensation.

- An increase in marketing costs of $9.3 million (12.8%) to $82.1 million from $72.8 million in the comparable 2007 period, predominantly due to increased advertising, public relations, marketing support and direct mailing costs as compared to the six months ended June 30, 2007.

- A decrease in property, office and technology costs of $9.8 million (8.5%) to $105.8 million from $115.6 million in the comparable 2007 period, due in part to a downward adjustment in rent costs for sub-let office property totaling $4.9 million in the first quarter of 2008 and to reduced depreciation charges during the period.

- An increase in general and administrative expenses of $14.2 million (11.1%) to $142.3 million from $128.1 million in the comparable 2007 period. The increase included growth in costs related to the launch of new funds, including Invesco PowerShares products in the U.S. and Europe, and the classification of certain fund costs as general and administrative expenses.

- Growth in equity in earnings of unconsolidated affiliates of $15.3 million (125.4%) to $27.5 million from $12.2 million during the comparable 2007 period, driven by growth in our Chinese joint venture.

- A decrease in income tax expense of $22.3 million (12.9%) to $151.0 million from $173.3 million during the comparable 2007 period, primarily due to the decrease in Canadian and U.K. statutory tax rates.

As of June 30, 2008, AUM were $461.3 billion, a 7.8% decrease from December 31, 2007, resulting primarily from the downturn in global equity markets during the second quarter of 2008. Operating income was $468.1 million for the six months ended June 30, 2008, a decrease of 5.3% over operating income of $494.1 million for the comparable prior year period. Operating margin decreased to 25.4% in the six months ended June 30, 2008, from 26.3% in the six months ended June 30, 2007. Net operating margin decreased from 36.1% in the six months ended June 30, 2007, to 35.5% in the six months ended June 30, 2008. Net operating margin includes the impact of the $20.1 million (130.5%) increase in our proportional share of net revenues and the $14.2 million (123.5%) increase in operating income from joint venture investments in the six months ended June 30, 2008 from the six months ended June 30, 2007. Diluted earnings per share decreased 1.2%, from $0.81 in the six months ended June 30, 2007 to $0.80 in the six months ended June 30, 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.

Industry Discussion

Global equity market returns were mixed in the three months ended June 30, 2008. Both equity and credit markets showed some improvement during the first two months of this period. However, the markets in June gave back much of those gains due to a weakening outlook. In North America during the second quarter, the Dow Jones Industrial Average and the S&P 500 declined 6.9% and 2.7%, respectively, and the Nasdaq Composite Index and the S&P/TSX Composite (Canada) increased 0.8% and 9.1% respectively. In Europe, the FTSE 100 dropped 0.3% and the FTSE World Europe declined 3.2%; and in Asia the China SE Shanghai Composite declined 20.4% while the Nikkei 225 increased 7.7%. The Lehman Brothers U.S. Aggregate Bond Index declined 1.0% for the three months ended June 30, 2008.

Investment Performance

	% of AUM in Top Half of Peer Group								
	One-year			**Three-year**			**Five-year**		
Retail Results	**Jun-08**	**Mar-08**	**Jun-07**	**Jun-08**	**Mar-08**	**Jun-07**	**Jun-08**	**Mar-08**	**Jun-07**
U.S. (Lipper)	46%	39%	62%	61%	60%	67%	67%	67%	70%
U.S. (Morningstar)	41%	44%	66%	66%	56%	72%	64%	60%	80%
Canada	3%	3%	79%	15%	15%	34%	15%	16%	32%
U.K.	82%	76%	93%	76%	83%	89%	86%	94%	96%
Cont. Europe & Asia	67%	70%	56%	74%	68%	78%	66%	67%	77%

	% of AUM Ahead of Benchmark								
	One-year			**Three-year**			**Five-year**		
Institutional Results	**Jun-08**	**Mar-08**	**Jun-07**	**Jun-08**	**Mar-08**	**Jun-07**	**Jun-08**	**Mar-08**	**Jun-07**
Equity	25%	18%	27%	49%	55%	53%	62%	57%	54%
Fixed Income	45%	42%	74%	80%	82%	96%	77%	81%	99%
Money Market (versus peer group)	93%	98%	97%	98%	98%	97%	98%	98%	97%
Alternatives	70%	53%	73%	98%	89%	100%	100%	94%	94%

Note: As of June 30, 2008. 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.

Achieving and maintaining strong investment performance is a primary strategic objective for Invesco. Within our retail distribution channel, our U.K., Continental European and Asian products have continued to deliver strong relative performance versus competitors through the three months ended June 30, 2008. Our U.S. products were in line with or ahead of peers over both three- and five-year periods, while the relative performance of our Canadian products tended to lag peers due to certain portfolios being underweight in the resources sector while being relatively overweight in consumer discretionary businesses. The strengthening Canadian dollar dampened the performance of our Canadian funds due to their higher-than-average investment in foreign securities. The U.K. retail operations have produced particularly strong results across all measured time frames. In our institutional operations, at least 93% of our money market assets were in the top-half of their respective peer groups over one-, three-and five-year periods. At least 77% of alternatives and fixed income AUM were ahead of benchmark over three- and five- year periods. The institutional equity products showed some improvement over a one year period but had mixed results versus benchmark over a three- and five-year period. Although measuring our investment performance against benchmarks is an important criterion, our institutional operations are also evaluated against peer groups and consultant perception.

Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

Assets Under Management

Average AUM for the three months ended June 30, 2008 were $482.6 billion, compared to $484.3 billion in the comparable period in 2007. Total net outflows were $1.5 billion for the three months ended June 30, 2008, as compared to total net inflows of $2.5 billion for the three months ended June 30, 2007. The net outflows of $1.5 billion comprised $4.7 billion in net inflows from money market funds (June 30, 2007: net inflows in money market funds of $1.8 billion), offset by long-term net outflows of $6.2 billion (June 30, 2007: net inflows of long-term AUM of $0.7 billion). Approximately half of the long-term AUM outflows during the three months ended June 30, 2008 were due to the natural maturity of a collateralized loan obligation and to the termination of one low-fee fixed income account in Asia. The blended fee rate for these two products was less than 10 basis points.

Changes in AUM were as follows:

$ in billions	2008	2007
March 31 AUM	470.3	471.2
Long-term inflows	19.4	27.5
Long-term outflows	(25.6)	(26.8)
Long-term net flows	(6.2)	0.7
Net flows in money market funds and other	4.7	1.8
Market gains and losses/reinvestment	(6.0)	12.8
Foreign currency translation	(1.5)	5.1
June 30 AUM	461.3	491.6
Average long-term AUM	398.6	422.8
Average institutional money market AUM	84.0	61.5
Average AUM	482.6	484.3
Net revenue yield on AUM (annualized)(1)	58.5bps	59.8bps
Net revenue yield on AUM before performance fees (annualized)(1)	56.6bps	57.0bps

(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 expenses, 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 most global capital markets declined in the three months ended June 30, 2008, which contributed to a decline in AUM of $9.0 billion during the period. Based on the level and mix of our June 30, 2008 AUM, our annualized net revenue yield on AUM before performance fees could decline by approximately 1.0 to 1.5 basis points, versus the yield achieved in the three months ended June 30, 2008. 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
March 31, 2008 AUM (a)	470.3	228.7	224.8	16.8
Long-term inflows	19.4	13.4	4.8	1.2
Long-term outflows	(25.6)	(16.6)	(7.8)	(1.2)
Long-term net flows	(6.2)	(3.2)	(3.0)	--
Net flows in money market funds and other	4.7	--	4.7	--
Market gains and losses/reinvestment	(6.0)	(4.1)	(1.6)	(0.3)
Foreign currency translation	(1.5)	(0.8)	(0.7)	--
June 30, 2008 AUM	461.3	220.6	224.2	16.5
March 31, 2007 AUM (a)	471.2	238.4	216.1	16.7
Long-term inflows	27.5	20.8	5.3	1.4
Long-term outflows	(26.8)	(16.4)	(9.0)	(1.4)

Long-term net flows	0.7	4.4	(3.7)	--
Net flows in money market funds and other	1.8	(0.1)	1.9	--
Market gains and losses/reinvestment	12.8	8.7	3.5	0.6
Foreign currency translation	5.1	4.7	0.4	--
June 30, 2007 AUM	491.6	256.1	218.2	17.3

(a) Certain beginning balances were adjusted to reflect asset reclassifications.

AUM by Asset Class

$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Stable Value	Alternatives
March 31, 2008 AUM (a)	470.3	215.2	40.2	37.2	87.3	30.2	60.2
Long-term inflows	19.4	10.6	3.6	1.6	1.0	0.9	1.7
Long-term outflows	(25.6)	(13.2)	(4.7)	(2.1)	(1.0)	(1.7)	(2.9)
Long-term net flows	(6.2)	(2.6)	(1.1)	(0.5)	--	(0.8)	(1.2)
Net flows in money market funds and other	4.7	--	--	--	4.7	--	--
Market gains and losses/reinvestment	(6.0)	(4.3)	0.4	(0.4)	(0.2)	(0.4)	(1.1)
Foreign currency translation	(1.5)	(1.0)	(0.4)	--	--	--	(0.1)
June 30, 2008 AUM (a)	461.3	207.3	39.1	36.3	91.8	29.0	57.8
March 31, 2007 AUM (a)	471.2	224.8	42.8	38.2	63.2	47.4	54.8
Long-term inflows	27.5	19.0	2.4	2.7	0.2	0.6	2.6
Long-term outflows	(26.8)	(14.9)	(3.1)	(3.0)	(0.6)	(2.4)	(2.8)
Long-term net flows	0.7	4.1	(0.7)	(0.3)	(0.4)	(1.8)	(0.2)
Net flows in money market funds and other	1.8	(0.1)	0.1	(0.1)	1.9	--	--
Market gains and losses/reinvestment	12.8	11.1	0.2	1.0	--	0.5	--
Foreign currency translation	5.1	3.4	0.4	1.1	0.1	--	0.1
June 30, 2007 AUM	491.6	243.3	42.8	39.9	64.8	46.1	54.7

AUM by Client Domicile

$ in billions	Total	U.S.	Canada	U.K.	Europe	Asia
March 31, 2008 AUM (a)	470.3	281.7	42.1	81.8	32.9	31.8
Long-term inflows	19.4	9.1	0.7	5.1	2.7	1.8
Long-term outflows	(25.6)	(11.1)	(3.0)	(2.6)	(5.0)	(3.9)
Long-term net flows	(6.2)	(2.0)	(2.3)	2.5	(2.3)	(2.1)
Net flows in money market funds and other	4.7	1.5	--			