Invesco Ltd.
Form 10-Q
May 04, 2010

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

(Mark One)

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

For the quarterly period ended March 31, 2010

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 Incorporation or Organization)	*(I.R.S. Employer 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 þ No o

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

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of March 31, 2010, the most recent practicable date, 436,280,943 of the company s common shares, par value $0.20 per share, were outstanding.

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

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Item 1. ***Financial Statements***

Invesco Ltd.
Condensed Consolidated Balance Sheets
(Unaudited)

	As of	
$ in millions	**March 31, 2010**	**December 31, 2009**
ASSETS		
Current assets:		
Cash and cash equivalents	597.0	762.0
Cash and cash equivalents of consolidated investment products	331.8	28.0
Unsettled fund receivables	758.1	383.1
Accounts receivable	303.8	289.3
Accounts receivable of consolidated investment products	66.2	
Investments	154.0	182.4
Prepaid assets	68.5	57.6
Other current assets	79.2	77.9
Deferred tax asset, net	65.7	57.7
Assets held for policyholders	1,221.0	1,283.0
Total current assets	3,645.3	3,121.0
Non-current assets:		
Investments	141.8	157.4
Investments of consolidated investment products	6,105.7	685.0
Prepaid assets	11.1	16.2
Other non-current assets	18.5	13.0
Deferred sales commissions	28.3	23.8
Deferred tax asset, net	58.0	65.8
Property and equipment, net	221.1	220.7
Intangible assets, net	135.9	139.1
Goodwill	6,425.8	6,467.6
Total non-current assets	13,146.2	7,788.6
Total assets	16,791.5	10,909.6
LIABILITIES AND EQUITY		
Current liabilities:		
Unsettled fund payables	735.9	367.9
Income taxes payable	84.4	82.8
Other current liabilities	378.2	559.9
Other current liabilities of consolidated investment products	281.6	4.8
Policyholder payables	1,221.0	1,283.0
Total current liabilities	2,701.1	2,298.4
Non-current liabilities:		

Long-term debt	745.7	745.7
Long-term debt of consolidated investment products	5,119.1	
Other non-current liabilities	224.7	244.7
Total non-current liabilities	6,089.5	990.4
Total liabilities	8,790.6	3,288.8
Commitments and contingencies (See Note 12)		
Equity:		
Equity attributable to common shareholders:		
Common shares ($0.20 par value; 1,050.0 million authorized; 459.5 million shares issued as of March 31, 2010, and December 31, 2009)	91.9	91.9
Additional paid-in-capital	5,652.5	5,688.4
Treasury shares	(852.5)	(892.4)
Retained earnings	1,686.8	1,631.4
Retained earnings appropriated for investors in consolidated investment products	383.8	
Accumulated other comprehensive income/(loss), net of tax	340.5	393.6
Total equity attributable to common shareholders	7,303.0	6,912.9
Equity attributable to noncontrolling interests in consolidated entities	697.9	707.9
Total equity	8,000.9	7,620.8
Total liabilities and equity	16,791.5	10,909.6

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Income
(Unaudited)

$ in millions, except per share data	**Three Months Ended March 31, 2010**	**2009**
Operating revenues:		
Investment management fees	593.5	436.5
Service and distribution fees	112.5	89.0
Performance fees	1.4	10.9
Other	11.7	12.2
Total operating revenues	719.1	548.6
Operating expenses:		
Employee compensation	237.6	235.8
Third-party distribution, service and advisory	195.6	148.2
Marketing	28.3	26.9
Property, office and technology	53.5	45.9
General and administrative	50.0	30.0
Transaction and integration	17.2	
Total operating expenses	582.2	486.8
Operating income	136.9	61.8
Other income/(expense):		
Equity in earnings of unconsolidated affiliates	5.8	2.5
Interest income	1.6	4.8
Interest income of consolidated investment products	52.5	
Gains/(losses) of consolidated investment products, net	103.1	(86.5)
Interest expense	(12.4)	(15.9)
Interest expense of consolidated investment products	(20.8)	
Other gains and losses, net	(2.1)	(4.2)
Income/(loss) before income taxes, including gains and losses attributable to noncontrolling interests	264.6	(37.5)
Income tax provision	(50.1)	(20.3)
Net income/(loss), including gains and losses attributable to noncontrolling interests	214.5	(57.8)
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(119.5)	88.5
Net income attributable to common shareholders	95.0	30.7

Earnings per share:		
basic	$ 0.22	$ 0.08
diluted	$ 0.21	$ 0.08
Dividends declared per share	$0.1025	$ 0.10

See accompanying notes.

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

	Three months ended March 31,	
$ in millions	**2010**	**2009**
Operating activities:		
Net income/(loss), including gains attributable to noncontrolling interests of $119.5 million during the three months ended March 31, 2010 (losses of $88.5 million during the three months ended March 31, 2009)	214.5	(57.8)
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization and depreciation	18.3	16.0
Share-based compensation expense	24.2	23.7
Gains on disposal of property, equipment, software, net		0.1
Purchase of trading investments	(7.0)	(7.0)
Proceeds from sale of trading investments	39.7	7.8
Other gains and losses, net	2.1	4.2
(Gains)/losses of consolidated investment products, net	(103.1)	86.5
Tax benefit from share-based compensation	22.3	29.8
Excess tax benefits from share-based compensation	(6.8)	
Equity in earnings of unconsolidated affiliates	(5.8)	(2.5)
Dividends from unconsolidated affiliates	1.2	
Changes in operating assets and liabilities:		
Change in cash held by consolidated investment products	(116.1)	14.0
(Increase)/decrease in receivables	(449.1)	(61.7)
Increase/(decrease) in payables	188.6	(233.1)
Net cash used in operating activities	(177.0)	(180.0)
Investing activities:		
Purchase of property and equipment	(15.5)	(5.3)
Disposal of property and equipment		0.3
Purchase of available-for-sale investments	(20.2)	(5.8)
Proceeds from sale of available-for-sale investments	16.2	12.4
Purchase of investments by consolidated investment products	(325.4)	(26.2)
Proceeds from sale of investments by consolidated investment products	453.1	16.1
Returns of capital in investments of consolidated investment products	23.2	4.7
Purchase of other investments	(11.6)	(1.9)
Proceeds from sale of other investments	14.3	3.1
Net cash provided by/(used in) investing activities	134.1	(2.6)
Financing activities:		
Proceeds from exercises of share options	3.7	1.7
Dividends paid	(44.8)	(38.9)
Excess tax benefits from share-based compensation	6.8	

Capital invested into consolidated investment products	0.8	8.0
Capital distributed by consolidated investment products	(27.5)	(14.6)
Repayments of debt of consolidated investment products	(48.3)	
Net repayments under credit facility		(4.5)
Repayments of senior notes		(3.0)
Acquisition of remaining noncontrolling interest in subsidiary		(10.3)
Net cash used in financing activities	(109.3)	(61.6)
Decrease in cash and cash equivalents	(152.2)	(244.2)
Foreign exchange movement on cash and cash equivalents	(12.8)	(7.9)
Cash and cash equivalents, beginning of period	762.0	585.2
Cash and cash equivalents, end of period	597.0	333.1
Supplemental Cash Flow Information:		
Interest paid	(9.6)	(9.7)
Interest received	1.6	5.2
Taxes paid	(34.8)	(15.5)

See accompanying notes.

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

	Equity Attributable to Common Shareholders							
$ in millions	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Retained Earnings Appropriated for Investors in Consolidated Investment Products	Accumulated Other Comprehensive Income	Non-Controlling Interests in Consolidated Entities	Total Equity
January 1, 2010	91.9	5,688.4	(892.4)	1,631.4		393.6	707.9	7,620.8
Adoption of FASB Statement No. 167				5.2	274.3	(5.2)		274.3
January 1, 2010, as adjusted	91.9	5,688.4	(892.4)	1,636.6	274.3	388.4	707.9	7,895.1
Net income, including gains and losses attributable to noncontrolling interests				95.0	104.4		15.1	214.5
Other comprehensive income:								
Currency translation differences on investments in overseas subsidiaries					5.1	(57.4)		(52.3)
Change in accumulated OCI related to employee benefit plans						5.3		5.3
Change in net unrealized gains on available-for-sale investments						6.0		6.0
Tax impacts of changes in accumulated other comprehensive income balances						(1.8)		(1.8)

Total comprehensive income								171.7
Change in noncontrolling interests in consolidated entities, net							(25.1)	(25.1)
Dividends				(44.8)				(44.8)
Employee share plans:								
Share-based compensation		24.2						24.2
Vested shares		(56.9)	56.9					
Exercise of options		(10.0)	13.9					3.9
Tax impact of share-based payment		6.8						6.8
Purchase of shares			(30.9)					(30.9)
March 31, 2010	91.9	5,652.5	(852.5)	1,686.8	383.8	340.5	697.9	8,000.9

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

	Equity Attributable to Common Shareholders						
$ in millions	**Common Shares**	**Additional Paid-in-Capital**	**Treasury Shares**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Non-Controlling Interests in Consolidated Entities**	**Total Equity**
January 1, 2009	85.3	5,352.6	(1,128.9)	1,476.3	(95.8)	906.7	6,596.2
Net income/(loss), including gains and losses attributable to noncontrolling interests				30.7		(88.5)	(57.8)
Other comprehensive income:							
Currency translation differences on investments in overseas subsidiaries					(72.1)		(72.1)
Change in accumulated OCI related to employee benefit plans					0.4		0.4
					(4.0)		(4.0)

Change in net unrealized gains on available-for-sale investments							
Tax impacts of changes in accumulated other comprehensive income balances					(0.9)		(0.9)
Total comprehensive income							(134.4)
Change in noncontrolling interests in consolidated entities, net						(58.5)	(58.5)
Dividends				(38.9)			(38.9)
Employee share plans:							
Share-based compensation		23.7					23.7
Vested shares		(81.4)	81.4				
Exercise of options		(8.7)	10.4				1.7
Tax impact of share-based payment		(5.0)					(5.0)
Purchase of shares			(11.5)				(11.5)
Acquisition of remaining noncontrolling interest in subsidiary		(8.9)				(1.4)	(10.3)
March 31, 2009	85.3	5,272.3	(1,048.6)	1,468.1	(172.4)	758.3	6,363.0

See accompanying notes.

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Invesco Ltd.
Notes to the Condensed Consolidated Financial Statements

1. ACCOUNTING POLICIES

Corporate Information

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

Basis of Accounting and Consolidation

The accompanying Condensed Consolidated Balance Sheets, Statements of Income, Statements of Cash Flows, and Statement of Changes in Equity (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, 2009. In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented. All significant intercompany transactions, balances, revenues and expenses are eliminated upon consolidation.

The Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and consolidate the financial statements of the Parent, all of its controlled subsidiaries, any variable interest entities (VIEs) required to be consolidated, and any non-VIE general partnership investments where the company is deemed to have control. Control is deemed to be present when the Parent 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. The company provides investment management services to, and has transactions with, various private equity funds, real estate funds, fund-of-funds, collateralized loan obligations (CLOs), and other investment products sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of these products. Certain of these entities are considered to be VIEs.

The company follows the provisions of Accounting Standards Codification (ASC) Topic 810, Consolidation, when accounting for VIEs, including Accounting Standards Update (ASU) No. 2010-10, Amendments for Certain Investment Funds (ASU 2010-10), detailed in Accounting Pronouncements Recently Adopted below. 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 are consolidated. For all investment products with the exception of CLOs, if the company is deemed to have a variable interest in, and to have the majority of rewards/risks of ownership associated with, these entities, then the company is deemed to be their primary beneficiary and is required to consolidate these entities. For CLOs, if the company is deemed to have the power to direct the activities of the CLO that most significantly impact the CLO s economic performance, and the obligation to absorb losses/right to receive benefits from the CLO that could potentially be significant to the CLO, then the company is deemed to be the CLO s primary beneficiary and is required to consolidate the CLO. Investment products that are consolidated are referred to as consolidated investment products in the accompanying Condensed Consolidated Financial Statements.

A significant portion of consolidated investment products are CLOs. CLOs are investment vehicles created for the sole purpose of issuing collateralized loan instruments that offer investors the opportunity for returns that vary with the risk level of their investment. The notes issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. For managing the collateral for the CLO entities, the company earns investment management fees, including in some cases subordinated management fees, as well as contingent incentive fees. The company has invested in certain of the entities, generally taking a relatively small portion of the unrated, junior subordinated position. At March 31, 2010, the company held $19.0 million of investments in these CLOs (before consolidation), which represents its maximum risk of loss. The company s investments in CLOs are generally subordinated to other interests in the entities and entitles the company and other subordinated tranche investors to receive the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the company for any losses sustained in the CLO structure.

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All of the investments held and notes issued by consolidated investment products are presented at fair value in the company s Condensed Consolidated Balance Sheet at March 31, 2010, and interest income and expense of consolidated CLOs is presented as other income/(expense) in the company s Condensed Consolidated Income Statement for the three months ended March 31, 2010. The surplus of consolidated CLO assets over consolidated CLO liabilities is reflected in the company s Condensed Consolidated Balance Sheet as retained earnings appropriated for investors in consolidated investment products. Current period gains/(losses) attributable to investors in consolidated CLOs are included in (gains)/losses attributable to noncontrolling interests in consolidated entities in the Condensed Consolidated Statement of Income and in the retained earnings appropriated for investors in consolidated investment products in the Condensed Consolidated Balance Sheet, as they are considered noncontrolling interests of the company. See Note 9, Consolidated Investment Products, for additional details.

The company also consolidates certain private equity funds that are structured as partnerships in which the company is the general partner receiving a management and/or performance fee. Private equity investments made by the underlying funds consist of direct investments in, or fund investments in other private equity funds that hold direct investments in, equity or debt securities in operating companies that are generally not initially publicly traded. Private equity funds are considered investment companies and are therefore accounted for under the Accounting Standards Codification (ASC) Topic 946, Financial Services Investment Companies. The company has retained the specialized industry accounting principles of these investment products in its Condensed Consolidated Financial Statements. See Note 9, Consolidated Investment Products, for additional details.

Non-VIE general partnership investments are deemed to be controlled by the company and are consolidated under a voting interest entity (VOE) model, unless the limited partners have 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.

If the company determines that it does not control the private equity partnership funds in which it has invested, the equity method of accounting is used to account for the company s investment in these entities. The equity method of accounting is also used to account for investments in joint ventures and noncontrolled 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. If the company determines that it does not control CLOs in which it has invested, the company accounts for its investments as available-for-sale investments.

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 or voluntarily elected. 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. Noncontrolling interests in consolidated entities 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, but of which the company does not own all of the entity s 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 prior period reported amounts has been reclassified to be consistent with the current presentation. Such reclassifications had no impact on net income or equity attributable to common shareholders.

Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements

In December 2007, the FASB issued Statement No. 141 (revised 2007), Business Combinations (FASB Statement No. 141(R)), and Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of

ARB No. 51 (FASB Statement No. 160). Under FASB Statement No. 141(R), which is now encompassed in ASC Topic 805, Business Combinations, the acquirer must recognize, with certain exceptions, 100% of the fair values of assets acquired, liabilities assumed, and noncontrolling interests in acquisitions of less than 100% controlling interest when the acquisition constitutes a change in control of

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the acquired entity. Additionally, when an acquirer obtains partial ownership in an acquiree, an acquirer recognizes and consolidates assets acquired, liabilities assumed and any noncontrolling interests at 100% of their fair values at that date regardless of the percentage ownership in the acquiree. As goodwill is calculated as a residual, all goodwill of the acquired business, not just the acquirer s share, is recognized under this full-goodwill approach. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with a business combination shall be expensed. FASB Statement No. 160, which is now encompassed in ASC Topic 810, Consolidation, establishes new accounting and reporting standards for noncontrolling interests (formerly known as minority interests) in a subsidiary and for the deconsolidation of a subsidiary. FASB Statement No. 141(R) and FASB Statement No. 160 became effective for the company on January 1, 2009. FASB Statement No. 141(R) was applied prospectively, while FASB Statement No. 160 required retroactive adoption of the presentation and disclosure requirements for existing noncontrolling interests but prospective adoption of all of its other requirements. The adoption of FASB Statement No. 141(R) amended the definition of a business, which led to a change in the company s basis, but not the company s conclusion, of determining that it has one reporting unit for goodwill impairment purposes. See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies and Estimates Goodwill for additional information.

In February 2008, the FASB issued Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 (FSP FAS 157-2). FSP FAS 157-2, which is now encompassed in ASC Topic 820, amended FASB Statement No. 157 to delay the effective date for nonfinancial assets and nonfinancial liabilities except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually). For items within its scope, FSP FAS 157-2 delayed the effective date of FASB Statement No. 157 to January 1, 2009. As of January 1, 2008, Invesco applied the fair value measurement and disclosure provisions of FASB Statement No. 157 to its financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements. As of January 1, 2009, Invesco applied the fair value measurement and disclosure provisions of FASB Statement No. 157 to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. Those items include: (1) nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination or other new basis event, but not measured at fair value in subsequent periods; (2) nonfinancial long-lived assets measured at fair value for an impairment assessment under FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets; (now encompassed in ASC Topic 360, Property, Plant and Equipment); (3) nonfinancial liabilities for exit or disposal activities initially measured at fair value under FASB Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities; (now encompassed in ASC Topic 420, Exit or Disposal Cost Obligations) and (4) nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test. The adoption of FSP FAS 157-2 did not have a material impact on the company s financial statements.

In April 2008, the FASB issued Staff Position No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3, which is now encompassed in ASC Topic 350, Intangibles Goodwill and Other (ASC Topic 350), amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life over which to amortize the cost of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets, also now encompassed in ASC Topic 350. FSP FAS 142-3 required an entity to consider its own assumptions about renewal or extension of the term of the arrangement, consistent with its expected use of the asset. FSP FAS 142-3 was intended to improve the consistency between the useful life of an intangible asset determined under FASB Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141(R) (now encompassed in ASC Topic 805) and other U.S. GAAP. The guidance provided by FSP FAS 142-3 for determining the useful life of a recognized intangible asset was to be applied prospectively to intangible assets acquired after the effective date, which is January 1, 2009. FSP FAS 142-3 did not have a material impact on the company s financial statements.

During June 2008, the FASB issued Staff Position No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1, which is now encompassed in ASC Topic 260, Earnings Per Share (ASC Topic 260), addressed 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, also now encompassed in ASC Topic 260. The guidance in the FSP EITF 03-6-1 provided 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. FSP EITF 03-6-1 was effective for financial statements issued for fiscal years beginning after December 15, 2008, with all prior period EPS data being adjusted retrospectively. The adoption of FSP EITF 03-6-1 on January 1, 2009, required the company to include unvested restricted

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stock units (RSUs) that contain nonforfeitable dividend equivalents as outstanding common shares for purposes of calculating basic EPS. The adoption of FSP EITF 03-6-1 did not have a material impact on the company s calculation of diluted EPS for periods prior to January 1, 2009.

In December 2008, the FASB issued FASB Staff Position No. FAS 140-4 and FIN 46(R)-8, Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP FAS 140-4 and FIN 46(R)-8), which became effective for the company on March 31, 2009. FSP FAS 140-4 and FIN 46(R)-8, which is now encompassed in ASC Topic 860, Transfers and Servicing, required additional disclosures by public entities with a) continuing involvement in transfers of financial assets to a special purpose entity or b) a variable interest in a variable interest entity. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not have a material impact on the company s financial statements. See Note 9, Consolidated Investment Products, for additional disclosures.

In January 2009, the FASB issued Staff Position No. EITF 99-20-1, Amendments to the Impairment Guidance of EITF Issue No. 99-20 (FSP EITF 99-20-1), which became effective for the company on March 31, 2009. FSP EITF 99-20-1, which is now encompassed in ASC Topic 325, revised the impairment guidance provided by EITF 99-20 for beneficial interests to make it consistent with the requirements of FASB Statement No. 115 (now encompassed in ASC Topic 320) for determining whether an impairment of other debt and equity securities is other-than-temporary. FSP EITF 99-20-1 eliminated the requirement to rely exclusively on market participant assumptions about future cash flows and permitted the use of reasonable management judgment of the probability that the holder will be unable to collect all amounts due. Instead, FSP 99-20-1 required that an other-than-temporary impairment be recognized when it is probable that there has been an adverse change in the holder s estimated cash flows. FSP EITF 99-20-1 did not have a material impact on the company s financial statements.

On April 9, 2009, the FASB issued three Staff Positions (FSPs) intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities. FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that Are Not Orderly (FSP FAS 157-4), now encompassed in ASC Topic 820, provided guidelines for making fair value measurements more consistent with the principles presented in FASB Statement No. 157. FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1), now encompassed in ASC Topic 825, enhanced consistency in financial reporting by increasing the frequency of fair value disclosures. FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2), now encompassed in ASC Topic 320-10-65, provided additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities.

FSP FAS 157-4 addressed the measurement of fair value of financial assets when there is no active market or where the price inputs being used could be indicative of distressed sales. FSP FAS 157-4 reaffirmed the definition of fair value already reflected in FASB Statement No. 157, which is the price that would be paid to sell an asset in an orderly transaction (as opposed to a distressed or forced transaction) at the measurement date under current market conditions. FSP FAS 157-4 also reaffirmed the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. FSP FAS 157-4 became effective for the company for the period ended June 30, 2009. The application of FSP FAS 157-4 did not have a material impact on the Consolidated Financial Statements. See Note 2, Fair Value of Assets and Liabilities, and Note 9, Consolidated Investment Products, for additional details.

FSP FAS 107-1 was issued to improve the fair value disclosures for any financial instruments that are not currently reflected on the balance sheets of companies at fair value. Prior to issuing FSP FAS 107-1, fair values of these assets and liabilities were only disclosed on an annual basis. FSP FAS 107-1 required these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all financial instruments not measured on the balance sheet at fair value. FSP FAS 107-1 became effective for the company for the period ended June 30, 2009, which required the company to make annual disclosures in its interim financial statements, which are included in Note 2, Fair Value of Assets and Liabilities, Note 3, Investments, and Note 4, Debt.

FSP FAS 115-2 was intended to improve the consistency in the timing of impairment recognition and provide greater clarity to investors about the credit and noncredit components of impaired debt securities that are not expected

to be sold. FSP FAS 115-2 required increased and more timely disclosures sought by investors regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. The company adopted FSP FAS 115-2 on April 1, 2009. Upon adoption, the company recorded a cumulative effect adjustment of $1.5 million to the April 1, 2009, opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FASB Statement No. 165). FASB Statement No. 165, which is now encompassed in ASC Topic 855, Subsequent Events, established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, FASB Statement No. 165 provided clarity around the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosure that an entity should make about events or transactions that occurred after the balance sheet date. FASB Statement No. 165 was effective for interim and annual financial reporting periods ending after June 15, 2009, and was applied prospectively. On February 24, 2010, the FASB issued Accounting Standards Update 2010-09, Amendments to Certain Recognition and Disclosure Requirements (ASU 2010-09). ASU 2010-09 amended the guidance on subsequent events to remove the requirement for Securities and Exchange Commission filers to disclose the date through which an entity has evaluated subsequent events.

In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140, (FASB Statement No. 166), which addresses the effects of eliminating the qualifying special-purpose entity concept from FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FASB Statement No. 140), and will generally subject those entities to the consolidation guidance applied to other VIEs as provided by FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R) (FASB Statement No. 167). FASB Statement No. 166 is now encompassed in ASC Topic 860. FASB Statement No. 167 is now encompassed in ASC Topic 810. Specifically, FASB Statement No. 166 introduces the concept of a participating interest, which will limit the circumstances where the transfer of a portion of a financial asset will qualify as a sale, assuming all other derecogntion criteria are met, and clarifies and amends the derecogntion criteria for determining whether a transfer qualifies for sale accounting. FASB Statement No. 166 will be applied prospectively to new transfers of financial assets occurring on or after January 1, 2010. The adoption of FASB Statement No. 166 did not have a material impact on the company s Consolidated Financial Statements.

In June 2009, the FASB issued Statement No. 167, which amends certain provisions of FIN 46(R). Specifically, FASB Statement No. 167 amends certain provisions for determining whether an entity is a VIE, it requires a qualitative rather than a quantitative analysis to determine whether the company is the primary beneficiary of a VIE, it amends FIN 46(R) s consideration of related party relationships in the determination of the primary beneficiary of a VIE by providing an exception regarding de facto agency relationships in certain circumstances, it requires continuous assessments of whether the company is a VIE s primary beneficiary, and it requires enhanced disclosures about the company s involvement with VIEs, which are generally consistent with those disclosures required by FSP FAS 140-4 and FIN 46(R)-8 discussed above. In February 2010, the FASB issued ASU 2010-10, a deferral of the effective date of FASB Statement No. 167 for a reporting entity s interests in certain investment funds which have attributes of investment companies, for which the reporting entity does not have an obligation to fund losses, and which are not structured as securitization entities. In addition, the deferral applies to a reporting entity s interest in money market fund-type products. The company has determined that all of its managed funds with the exception of certain collateralized loan obligation products (CLOs) qualify for the deferral.

FASB Statement No. 167, which was effective January 1, 2010, had a significant impact on the presentation of the company s financial statements, as its provisions required the company to consolidate certain CLOs that were not previously consolidated. The cumulative effect adjustment upon adoption of FASB Statement No. 167 at January 1, 2010, resulted in an appropriation of retained earnings and a reclassification of other comprehensive income into retained earnings of $274.3 million and $5.2 million, respectively. The company s Consolidated Statement of Income for the three months ended March 31, 2010, reflect the elimination of $8.7 million in management fees earned from these CLOs, and the addition of $52.5 million in interest income, $20.8 million in interest expense, and $85.1 million in net other gains. The $105.8 million net income impact during the three months ended March 31, 2010, of consolidation of these CLOs is largely offset by gains/(losses) attributable to investors in noncontrolling interests of $104.4 million. Prior to the adoption of FASB Statement No. 167, the company accounted for its investments in these CLOs as available-for-sale investments, with changes in the value of the company s interests being recorded through

other comprehensive income. After the adoption of FASB Statement No. 167, the change in value of the company s investments in these CLOs is reflected in the company s net income. For the three months ended March 31, 2010, the net impact to the company of its investments in these CLOs was $1.4 million. The Condensed Consolidated Balance Sheet at March 31, 2010, reflects the consolidation of $5.8 billion in assets held and $5.1 billion in debt issued by these CLOs, despite the fact that the assets cannot be used by the company, nor is the company obligated for the debt. Retained earnings appropriated for investors of consolidated investment products of $383.8 million is presented as part of the company s total equity, reflecting the excess of the consolidated CLOs assets over their liabilities, attributable to noncontrolling third-party investors in their consolidated CLOs at March 31, 2010. In addition, the company s Condensed Consolidated Cash Flow Statement for the three months ended March 31, 2010, reflects the cash flows of these CLOs. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

Upon adoption of FASB Statement No. 167, the assets and liabilities of the consolidated CLOs were measured at fair value, as the determination of the carrying amounts was not practicable. The company has elected the fair value option under ASC Topic 825-10-25 to measure the assets and liabilities of all consolidated CLOs at fair value subsequent to the date of initial adoption of FASB Statement No. 167, as the company has determined that measurement of the notes issued by consolidated CLOs at fair value better correlates with the value of the assets held by consolidated CLOs, which are held to provide the cash flows for the note obligations. The financial information of the consolidated CLOs is included in the company s consolidated financial statements on a one-month lag. See Note 9, Consolidated Investment Products, for a consolidating balance sheet at March 31, 2010.

In July 2009, the FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles A Replacement of FASB Statement No. 162, (FASB Statement No. 168). FASB Statement No. 168 replaced the existing hierarchy of U.S. Generally Accepted Accounting Principles with the FASB ASC as the single source of authoritative U.S. accounting and reporting standards applicable for all nongovernmental entities, with the exception of guidance issued by the U.S. Securities and Exchange Commission and its staff. FASB Statement No. 168 is now encompassed in ASC Topic 105, Generally Accepted Accounting Principles, and was effective July 1, 2009. The company has replaced references to FASB accounting standards with ASC references, where applicable and relevant, in this Report.

In August 2009, the FASB issued Accounting Standards Update 2009-05, Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value (ASU 2009-05). ASU 2009-05 amends Topic 820 by providing additional guidance (including illustrative examples) clarifying the measurement of liabilities at fair value. When a quoted price in an active market for the identical liability is not available, the amendments in ASU 2009-05 require that the fair value of a liability be measured using one or more of the listed valuation techniques that should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. In addition, the amendments in ASU 2009-05 clarify that when estimating the fair value of a liability, an entity is not required to include a separate input or adjustment to the other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments also clarify how the price of a traded debt security (i.e., an asset value) should be considered in estimating the fair value of the issuer s liability. The amendments in ASU 2009-05 became effective for the company on October 1, 2009. The company has made the required disclosures in Note 9, Debt.

In September 2009, the FASB issued Accounting Standards Update 2009-12, Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2009-12). ASU 2009-12 amends ASC Topic 820 to provide further guidance on how to measure the fair value of investments in alternative investments, such as hedge, private equity, real estate, venture capital, offshore and fund of funds. ASU 2009-12 permits, as a practical expedient, the measurement of fair value of an investment on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with ASC Topic 946, Financial Services Investment Companies, including measurement of all or substantially all of the fund s underlying investments at fair value in accordance with ASC Topic 820. ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009. The adoption of ASU 2009-12 did not have a material impact on the Consolidated Financial Statements.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 amends Topic 820 to require a number of additional disclosures regarding fair value measurements. Specifically, ASU 2010-06 requires entities to disclose: (1) the amount of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers; (2) the reasons for any transfers in or out of Level 3; and (3) information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. ASU 2010-06 also clarifies existing fair value disclosures about the appropriate level of disaggregation and about inputs and valuation techniques for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The company has made the required disclosures in Note 9,

Consolidated Investment Products.

2. FAIR VALUE OF ASSETS AND LIABILITIES

The carrying value and fair value of financial instruments is presented in the below summary table. The fair value of financial instruments held by consolidated investment products is presented in Note 9, Consolidated Investment Products.

$ in millions	Footnote Reference	March 31, 2010 Carrying Value	March 31, 2010 Fair Value	December 31, 2009 Carrying Value	December 31, 2009 Fair Value
Cash and cash equivalents	2	597.0	597.0	762.0	762.0
Available for sale investments	2, 3	102.1	102.1	115.2	115.2
Assets held for policyholders		1,221.0	1,221.0	1,283.0	1,283.0
Trading investments	2, 3	51.8	51.8	84.6	84.6
Support agreements	9, 12	(2.5)	(2.5)	(2.5)	(2.5)
Policyholder payables		(1,221.0)	(1,221.0)	(1,283.0)	(1,283.0)
Long-term debt	4	(745.7)	(778.0)	(745.7)	(765.5)
		2.7	(29.6)	213.6	193.8

A three-level valuation hierarchy exists for disclosure of fair value measurements 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.

There are 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 $318.0 million at March 31, 2010 (December 31, 2009: $465.1 million). 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 of $102.0 million at March 31, 2010 (December 31, 2009: $90.5 million) 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, and investments in foreign time deposits and in affiliated unconsolidated collateralized loan obligations (CLOs). Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified

within level 1 of the valuation hierarchy. Seed money investments are investments held in Invesco managed funds with the purpose of providing capital to the funds during their development periods. These investments are recorded at fair value using quoted market prices in active markets; there is no modeling or additional information needed to arrive at the fair values of these investments. Foreign time deposits are valued at cost plus accrued

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interest, which approximates fair value, and are classified within level 2 of the valuation hierarchy. 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. These investments are primarily invested in affiliated funds that are held to economically hedge current and non-current deferred compensation liabilities. Trading securities are valued under the market approach through the use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy.

Assets held for policyholders

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

The following table presents, for each of the hierarchy levels described above, the carrying value of the company s assets, including major security type for equity and debt securities, which are measured at fair value on the face of the statement of financial position as of March 31, 2010.

	As of March 31, 2010			
$ 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:				
Money market funds	318.0	318.0		
Time deposits	102.0		102.0	
Investments:*				
Available-for-sale:				
Seed money	77.9	77.9		
Foreign time deposits	23.8		23.8	
Trading investments:				
Investments related to deferred compensation plans	51.8	51.8		
Other				
Assets held for policyholders	1,221.0	1,221.0		
Total current assets	1,794.5	1,668.7	125.8	
Non-current assets:				
Investments available-for-sale*:				
CLOs**	0.4			0.4

Total assets at fair value	1,794.9	1,668.7	125.8	0.4

* Other current investments of $0.5 million are excluded from this table. Other non-current equity and cost method investments of $136.9 million and $4.5 million are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

** The company adopted FASB Statement No. 167, now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, resulting in the consolidation of CLOs for which the company has an underlying investment of $18.6 million at March 31, 2010 (before consolidation). In accordance with the standard, prior periods have not been restated to reflect the

consolidation of
these CLOs.

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The following table presents, for each of the hierarchy levels described above, the carrying value of the company s assets that are measured at fair value as of December 31, 2009:

	As of December 31, 2009			
$ 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:				
Money market funds	498.6	498.6		
Time deposits	90.5		90.5	
Investments:*				
Available-for-sale:				
Seed money	74.8	74.8		
Foreign time deposits	22.5		22.5	
Trading investments:				
Investments related to deferred compensation plans	84.6	84.6		
Assets held for policyholders	1,283.0	1,283.0		
Total current assets	2,054.0	1,941.0	113.0	
Non-current assets:				
Investments available-for-sale:				
CLOs	17.9			17.9
Total assets at fair value	2,071.9	1,941.0	113.0	17.9

* Other current investments of $0.5 million are excluded from this table. Other non-current equity method and other investments of $134.7 million and $4.8 million are also excluded from this table. These investments are not measured at

fair value, in accordance with applicable accounting standards.

The following table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets during the three month periods ending March 31, 2010 and 2009, which are comprised solely of CLOs, and are valued using significant unobservable inputs:

$ in millions	**Three Months Ended March 31, 2010**	**Three Months Ended March 31, 2009**
Beginning balance	17.9	17.5
Adoption of FASB Statement No. 167*	(17.4)	
Beginning balance, as adjusted	0.5	17.5
Net unrealized gains and losses included in accumulated other comprehensive income/(loss)**	(0.1)	(0.1)
Purchases and issuances		
Other-than-temporary impairment included in other gains and losses, net		(3.6)
Return of capital		(0.5)
Ending balance	0.4	13.5

* The company adopted FASB Statement No. 167, now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, resulting in the consolidation of CLOs for which the company has an underlying investment of $18.6 million at March 31, 2010 (before consolidation). The adjustment of $17.4 million in the table above reflects

the elimination of the company s equity interest upon adoption. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

** Of these net unrealized gains and losses included in accumulated other comprehensive income/(loss), $0.1million for the three months ended March 31, 2010, (three months ended March 31, 2009: $0.1 million) are attributed to the change in unrealized gains and losses related to assets still held at March 31, 2010.

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3. INVESTMENTS

The disclosures below include details of the company s investments. Investments held by consolidated investment products are detailed in Note 9, Consolidated Investment Products.

Current Investments

$ in millions	March 31, 2010	As of December 31, 2009
Available-for-sale investments:		
Seed money	77.9	74.8
Foreign time deposits	23.8	22.5
Trading investments:		
Investments related to deferred compensation plans	51.8	84.6
Other	0.5	0.5
Total current investments	154.0	182.4

Non-current Investments

$ in millions	March 31, 2010	As of December 31, 2009
Available-for-sale investments:		
CLOs	0.4	17.9
Equity method investments	136.9	134.7
Other	4.5	4.8
Total non-current investments	141.8	157.4

The portion of trading gains and losses for the three months ended March 31, 2010, that relates to trading securities still held at March 31, 2010, was $2.7 million net loss (three months ended March 31, 2009: $1.1 million net loss).

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

	For the Three Months Ended March 31, 2010		
$ in millions	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
Current available-for-sale investments	16.0	0.4	(0.5)
Non-current available-for-sale investments	0.2		

Upon the sale of available-for-sale securities, net realized losses of $0.1 million were transferred from accumulated other comprehensive income into the Condensed Consolidated Statements of Income during the three months ended March 31, 2010. The specific identification method is used to determine the realized gain or loss on securities sold or otherwise disposed.

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

	March 31, 2010				December 31, 2009			
$ in millions	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:								
Seed money	73.3	7.7	(3.1)	77.9	74.7	5.9	(5.8)	74.8
Foreign time deposits	23.8			23.8	22.5			22.5
Current available-for-sale investments	97.1	7.7	(3.1)	101.7	97.2	5.9	(5.8)	97.3
Non-current:								
CLOs*	0.4			0.4	12.6	5.3		17.9
Non-current available-for-sale investments:	0.4			0.4	12.6	5.3		17.9
	97.5	7.7	(3.1)	102.1	109.8	11.2	(5.8)	115.2

* The company adopted FASB Statement No. 167, now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, resulting in the consolidation of CLOs for which the company has an underlying investment of $18.6 million at March 31, 2010 (before consolidation). In accordance with the standard, prior

periods have not been restated to reflect the consolidation of these CLOs.

Available-for-sale debt securities as of March 31, 2010, by maturity, are set out below:

$ in millions	Available-for-Sale (Fair Value)
Less than one year	23.8
One to five years	
Five to ten years	0.4
Greater than ten years	
Total available-for-sale	24.2

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

	Less Than 12 Months		12 Months or Greater		Total	
$ in millions	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Seed money (39 funds)	9.3	(0.4)	13.9	(2.7)	23.2	(3.1)

The following table provides the breakdown of available-for-sale investments with unrealized losses at December 31, 2009:

	Less Than 12 Months		12 Months or Greater		Total	
$ in millions	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Seed money (44 funds)	5.7	(0.3)	25.1	(5.5)	30.8	(5.8)

The company has reviewed investment securities for other-than-temporary impairment in accordance with its accounting policy and has recognized other-than-temporary impairment charges of $2.1million on seed money investments during the three months ended March 31, 2010, as discussed in Note 2.

The gross unrealized losses from seed money investments during 2009 and the three months ended March 31, 2010, were primarily caused by declines in the market value of the underlying funds and foreign exchange movements. After conducting a review of the financial condition and near-term prospects of the underlying securities in the seeded funds as well as the severity and duration of the impairment, the company does not consider any material portion of its gross unrealized losses on these securities to be other-than-temporarily impaired. The securities are expected to recover their value over time and the company has the intent and ability to hold the securities until this recovery occurs.

As discussed in Note 1, Accounting Policies, the company adopted FSP FAS 115-2, now encompassed in ASC Topic 320, on April 1, 2009. Upon adoption, the company recorded a cumulative effect adjustment of $1.5 million to the April 1, 2009, opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income, representing the non-credit component of previously-recognized other-than-temporary impairment (OTTI). During the three months ended March 31, 2010, there were no charges to other comprehensive income from other-than-temporary impairment related to non-credit related factors. A rollforward of the cumulative credit-related other-than-temporary impairment charges recognized in earnings for which some portion of the impairment was recorded in other comprehensive income is as follows**:**

In millions	**Three months ended March 31, 2010**
Beginning balance	18.8
Adoption of FASB Statement No. 167*	(18.0)
Beginning balance, as adjusted	0.8
Additional credit losses recognized during the period related to securities for which:	
No OTTI has been previously recognized	
OTTI has been previously recognized	
Ending balance	0.8

* The company adopted FASB Statement No. 167, now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, resulting in the consolidation of CLOs for which the company has an underlying investment of $18.6 million at March 31, 2010 (before consolidation). Of the $18.8 million cumulative credit-related OTTI balance at January 1, 2010,

$18.0 million relates to CLOs that were consolidated into the company s Condensed Consolidated Balance Sheet, resulting in the elimination of our equity interest.

4. DEBT

The disclosures below include details of the company s investments. Debt of consolidated investment products is detailed in Note 9, Consolidated Investment Products.

	March 31, 2010		December 31, 2009	
$ in millions	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Unsecured Senior Notes*:				
5.625% due April 17, 2012	215.1	228.7	215.1	227.0
5.375% due February 27, 2013	333.5	351.7	333.5	343.4
5.375% due December 15, 2014	197.1	197.6	197.1	195.1
Floating rate credit facility expiring June 9, 2012				
Total debt	745.7	778.0	745.7	765.5
Less: current maturities of total debt				
Long-term debt	745.7	778.0	745.7	765.5

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

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

Analysis of Borrowings by Maturity:

$ in millions	**March 31, 2010**
2010	
2011	
2012	215.1
2013	333.5
Thereafter	197.1
Total debt	745.7

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Amounts borrowed under the credit facility are repayable at maturity on June 9, 2012, provided that such maturity date will automatically be accelerated to March 16, 2012, if 90% or more of the $300.0 million face amount of the company s 5.625% senior notes due 2012, are not repaid, repurchased or defeased prior to March 16, 2012. Subject to certain conditions, the company has the right to increase the aggregate borrowings under the credit facility up to $750.0 million.

At March 31, 2010, there was no outstanding balance on the credit facility expiring June 9, 2012. Borrowings under the credit facility will bear interest at (i) LIBOR for specified interest periods or (ii) a floating base rate (based upon the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus 0.50% and (c) LIBOR for an interest period of one month plus 1.00%), plus, in either case, an applicable margin determined with reference to the company s credit ratings and specified credit default spreads. Based on credit ratings as of March 31, 2010, of the company and such credit default spreads, the applicable margin for LIBOR-based loans was 1.50% and for base rate loans was 0.50%. In addition, the company is required to pay the lenders a facility fee on the aggregate commitments of the lenders (whether or not used) at a rate per annum which is based on the company s credit ratings. Based on credit ratings as of March 31, 2010, the annual facility fee was equal to 0.50%. The weighted average interest rate on the prior credit facility expiring March 31, 2010, was 0.81% at March 31, 2009.

The credit agreement governing the credit facility contains customary restrictive covenants on the company and its subsidiaries. Restrictive covenants in the credit agreement include, but are not limited to: prohibitions on creating, incurring or assuming any liens; making or holding external loans; entering into certain restrictive merger arrangements; selling, leasing, transferring or otherwise disposing of assets; making certain investments; making a material change in the nature of the business; making material amendments to organic documents; making a significant accounting policy change in certain situations; making or entering into restrictive agreements; becoming a general partner to certain investments; entering into transactions with affiliates; incurring certain indebtedness through the non-guarantor subsidiaries; and making certain restricted payments (with respect to equity and debt holders). Many of these restrictions are subject to certain minimum thresholds and exceptions. Financial covenants under the credit agreement include: (i) the quarterly maintenance of a debt/EBITDA ratio, as defined in the credit agreement, of not greater than 3.25:1.00 through December 31, 2010, and not greater than 3.00:1.00 thereafter, (ii) a coverage ratio (EBITDA, as defined in the credit agreement/interest payable for the four consecutive fiscal quarters ended before the date of determination) of not less than 4.00:1.00, and (iii) maintenance on a monthly basis of consolidated long-term assets under management (as defined in the credit agreement) of not less than $194.8 billion, which amount is subject to a one-time reset by the company under certain conditions.

The credit agreement governing the credit facility also contains customary provisions regarding events of default which could result in an acceleration or increase in amounts due, including (subject to certain materiality thresholds and grace periods) payment default, failure to comply with covenants, material inaccuracy of representation or warranty, bankruptcy or insolvency proceedings, change of control, certain judgments, ERISA matters, cross-default to other debt agreements, governmental action prohibiting or restricting the company or its subsidiaries in a manner that has a material adverse effect and failure of certain guaranty obligations.

The lenders (and their respective affiliates) may have provided, and may in the future provide, investment banking, cash management, underwriting, lending, commercial banking, leasing, foreign exchange, trust or other advisory services to the company and its subsidiaries and affiliates. These parties may have received, and may in the future receive, customary compensation for these services.

5. COMMON SHARES AND SHARES OUTSTANDING

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

In millions	**Three Months Ended March 31, 2010**	**Three Months Ended March 31, 2009**
Shares Issued Beginning Balance	459.5	426.6
Issue of new shares		

Shares Issued Ending Balance	459.5	426.6
Less: Treasury shares for which dividend and voting rights do not apply	(23.2)	(33.3)
Shares outstanding	436.3	393.3

Total treasury shares at March 31, 2010, were 35.8 million (March 31, 2009: 46.3 million), including 12.6 million unvested restricted stock awards (March 31, 2009: 13.0 million) for which dividend and voting rights apply.

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Separately, an aggregate of 1.3 million shares were withheld on vesting events during the three months ended March 31, 2010, to meet employees withholding tax obligations (three months ended March 31, 2009: 1.0 shares). The value of these shares withheld was $30.9 million (three months ended March 31, 2009: $11.5 million). Approximately $1.4 billion remained authorized under the company s share repurchase plan at March 31, 2010.

6. OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income, which includes our proportionate share of equity method investees accumulated other comprehensive income, were as follows:

$ in millions	**March 31, 2010**	**December 31, 2009**
Net unrealized gains/(losses) on available-for-sale investments	6.2	5.4
Tax on unrealized (losses)/gains on available-for-sale investments	(1.9)	(1.6)
Cumulative foreign currency translation adjustments	384.6	442.0
Tax on cumulative foreign currency translation adjustments	2.0	2.0
Employee benefit plan liability adjustments	(69.2)	(74.5)
Tax on employee benefit plan liability adjustments	18.8	20.3
Total accumulated other comprehensive income	340.5	393.6

Total other comprehensive income details are presented below:

$ in millions	**Three Months Ended March 31, 2010**	**2009**
Net income/(loss), including gains and losses attributable to noncontrolling interests	214.5	(57.8)
Unrealized holding gains and losses on available-for-sale investments*	3.8	(8.9)
Tax on net unrealized holding gains and losses on available-for-sale investments	(0.2)	(1.0)
Reclassification adjustments for net gains and losses on available-for-sale investments included in net income	2.2	4.9
Tax on reclassification adjustments for net gains and losses on available-for-sale investments included in net income	(0.1)	0.4
Foreign currency translation adjustments	(52.3)	(72.1)
Tax on foreign currency translation adjustments		(0.1)
Adjustments to employee benefit plan liability	5.3	0.4
Tax on adjustments to pension liability	(1.5)	(0.2)
Total other comprehensive income/(loss)	171.7	(134.4)
Less: other comprehensive income attributable to consolidated investment products	(5.1)	
Total other comprehensive income/(loss) attributable to Invesco Ltd.	166.6	(134.4)

* The company adopted FASB Statement No. 167, now

encompassed in ASC Topic 810, Consolidation, on January 1, 2010, resulting in the consolidation of certain CLOs. Upon adoption, accumulated other comprehensive income was reduced by $5.2 million, as accumulated net unrealized gains at January 1, 2010, relating to the company s equity interests in certain CLOs were reclassified into retained earnings upon their consolidation.

7. TAXATION

At March 31, 2010, the total amount of gross unrecognized tax benefits was $39.6 million as compared to the December 31, 2009, total amount of $39.0 million.

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

8. EARNINGS PER SHARE

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

The calculation of earnings per share is as follows:

In millions, except per share data	Net Income Attributable to Common Shareholders	Weighted Average Number of Shares	Per Share Amount
For the three months ended March 31, 2010			
Basic earnings per share	$ 95.0	439.0	$ 0.22
Dilutive effect of share-based awards		3.4	
Diluted earnings per share	$ 95.0	442.4	$ 0.21
For the three months ended March 31, 2009			
Basic earnings per share	$ 30.7	394.1	$ 0.08
Dilutive effect of share-based awards		5.8	
Diluted earnings per share	$ 30.7	399.9	$ 0.08

See Note 10, Share-based Compensation, for a summary of share awards outstanding under the company s share-based payment programs. These programs could result in the issuance of common shares that would affect the measurement of basic and diluted earnings per share.

Options to purchase 9.3 million shares at a weighted average exercise price of 2,053 pence were outstanding for the three months ended March 31, 2010 (three months ended March 31, 2009: 13.5 million share options at a weighted average exercise price of 1,836 pence), 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 0.0 million contingently issuable shares from the diluted earnings per share computation for the three months ended March 31, 2010 (three months ended March 31, 2009: 1.6 million contingently issuable shares), because the necessary performance conditions for the shares to be issuable had not yet been satisfied at the end of the respective period. There were no contingently issuable shares that were excluded from the computation of diluted earnings per share during the three months ended March 31, 2010 and 2009, due to their inclusion being anti-dilutive.

9. CONSOLIDATED INVESTMENT PRODUCTS

The company provides investment management services to, and has transactions with, various private equity funds, real estate funds, fund-of-funds, CLOs and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products and generally has a small investment in certain of these products to demonstrate skin in the game to other potential unaffiliated investors in these products. Certain of these investments are considered to be variable interest entities (VIEs). If the company is the primary beneficiary of the

VIEs, then the investment products are consolidated into the company s financial statements. Other partnership entities are consolidated under a voting interest entity (VOE) model where 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, simple majority liquidation rights to dissolve the partnership, or any substantive participating rights of the other limited partners.

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

CLOs

For CLO entities, as discussed in Note 1, Accounting Policies, and Note 2, Fair Value of Assets and Liabilities, the company generally invests in only a relatively small portion of the unrated, junior subordinated positions. The company s investments in CLOs are generally subordinated to other interests in the entities and entitle the company and other subordinated tranche investors to receive the residual cash flows, if any, from the entities. The company s underlying equity interests in the CLOs of $19.0 million (before consolidation) at March 31, 2010 (December 31, 2009: $17.9 million) represent its maximum risk of loss.

Prior to the adoption of FASB Statement No. 167, now encompassed in ASC Topic 810, Consolidation, and the issuance of ASU 2010-10, Amendments for Certain Investment Funds (discussed in Note 1, Accounting Policies), the company s ownership interests, which were classified as available-for-sale investments on the company s Consolidated Balance Sheets, combined with its other interests (management and incentive fees), were quantitatively assessed to determine if the company is the primary beneficiary of these entities. The company determined, for periods prior to the adoption of FASB Statement No. 167, that it did not absorb the majority of the expected gains or losses from the CLOs and therefore was not their primary beneficiary.

Effective January 1, 2010, upon the adoption of FASB Statement No. 167, the company determined that it was the primary beneficiary of certain CLOs, as it has the power to direct the activities of the CLOs that most significantly impact the CLOs economic performance, and the obligation to absorb losses/right to receive benefits from the CLOs that could potentially be significant to the CLOs. The primary beneficiary assessment includes an analysis of the rights of the company in its capacity as investment manager. In certain CLOs, the company s role as investment manager provides that the company contractually has the power, as defined in FASB Statement No. 167, to direct the activities of the CLOs that most significantly impact the CLOs economic performance, such as managing the collateral portfolio and its credit risk. In other CLOs, the company determined that it does not have this power in its role as investment manager due to certain restrictions that limit its ability to manage the collateral portfolio and its credit risk. Additionally, the primary beneficiary assessment includes an analysis of the company s rights to receive benefits and obligation to absorb losses associated with its first loss position and management/incentive fees. As part of this analysis, the company uses a quantitative model to corroborate its qualitative assessments. The quantitative model includes an analysis of the expected performance of the CLOs and a comparison of the company s absorption of this performance relative to the other investors in the CLOs. The company has determined that it could receive significant benefits and/or absorb significant losses from certain CLOs in which it holds a first loss position and has the right to significant fees. It was determined that the company s benefits and losses from certain other CLOs could not be significant, particularly in situations where the company does not hold a first loss position and where the fee interests are based upon a fixed percentage of collateral asset value.

The company generally invests in only a relatively small portion of the unrated, junior subordinated positions. This subordinated interest can take the form of (1) subordinated notes, (2) income notes or (3) preference/preferred shares. The company has determined that, although the junior tranches have certain characteristics of equity, they should be accounted for and disclosed as debt on the company s Condensed Consolidated Balance Sheet, as the subordinated and income notes have a stated maturity indicating a date for which they are mandatorily redeemable. The preference shares are also classified as debt, as redemption is required only upon liquidation or termination of the CLO and not of the company.

The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company s minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Additionally, the investors in the CLOs have no recourse to the general credit of the company for the notes issued by the CLOs. The company therefore does not consider this debt to be a company liability.

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

For investment products that are structured as partnerships and are determined to be VIEs, including private equity funds, real estate funds and fund-of-funds products, the company evaluates the structure of the partnership to

determine if it is the primary beneficiary of the investment product. This evaluation includes assessing the rights of the limited partners to transfer their economic interests in the investment product. If the limited partners lack objective rights to transfer their economic interests, they are considered to be de facto agents of the company, resulting in the company determining that it is the primary beneficiary of the investment product. The company generally takes less than a 1% investment in these entities as the general partner. Interests in unconsolidated private equity funds, real estate funds and fund-of-funds products are classified as equity method investments in the company s Consolidated Balance Sheets.

On July 8, 2009, the U.S. Treasury announced the launch of the Public-Private Investment Program (PPIP), which was designed to support market functioning and facilitate price discovery in the asset-based securities markets, to allow banks and other financial institutions to re-deploy capital, and to extend new credit to households and businesses. Under this program, the U.S. Treasury will invest up to $30.0 billion of equity and debt into funds established with private sector investment managers and private investors for the purpose of purchasing legacy securities. The U.S. Treasury has partnered with eight investment management firms, including Invesco, in the PPIP. The company determined that certain feeder funds within the Invesco-sponsored PPIP partnership structure are VIEs; however, the company is not their primary beneficiary, as it does not absorb the majority of the expected gains or losses from these funds. Additionally, the company does not have any capital invested or committed into these funds. Other funds within the PPIP structure are VOEs; however, the company as general partner is not deemed to control these entities due to the presence of substantive kick-out or liquidation rights.

Other investment products

As discussed in Note 12, Commitments and Contingencies, the company has entered into contingent support agreements for two of its investment trusts to enable them to sustain a stable pricing structure, creating variable interests in these VIEs. The company earns management fees from the trusts and has a small investment in one of these trusts. The company was not deemed to be the primary beneficiary of these trusts after considering any explicit and implicit variable interests in relation to the total expected gains and losses of the trusts. The maximum committed amount under the support agreements, which represents the company s maximum risk of loss, is equivalent to the amount of support that the trusts required as of March 31, 2010, to maintain the net asset value of the trusts at $1.00 per share. The recorded fair value of the guarantees related to these agreements at March 31, 2010, was estimated to be $2.5 million (December 31, 2009: $2.5 million), which was recorded as a guarantee obligation in other current liabilities in the Consolidated Balance Sheet. The fair value of these agreements is lower than the maximum support amount reflecting management s estimation that the likelihood of funding under the support agreement is low, as significant investor redemptions out of the trusts before the scheduled maturity of the underlying securities or significant credit default issues of the securities held within the trusts portfolios would be required to trigger funding by the company.

In June 2009, the company invested in the initial public offering of Invesco Mortgage Capital Inc. (NYSE: IVR), a real estate investment trust which is managed by the company. The company purchased 75,000 common shares of IVR at $20.00 per share and 1,425,000 limited partner units at $20.00 per unit through private placements for a total of $30.0 million. The company determined that IVR is a VIE and that its investment represents a variable interest. The company s ownership interests, which are classified as equity method investments on the company s Consolidated Balance Sheets, combined with its other interests (management fees), were quantitatively assessed to determine if the company is the primary beneficiary of IVR. The company determined that it did not absorb the majority of the expected gains or losses from IVR and therefore is not its primary beneficiary.

At March 31, 2010, the company s maximum risk of loss in significant VIEs in which the company is not the primary beneficiary is presented in the table below.

$ in millions	**Footnote Reference**	**Carrying Value**	**Company s Maximum Risk of Loss**
CLO investments	2	0.4	0.4
Partnership and trust investments		16.8	16.8
Investments in Invesco Mortgage Capital Inc.		31.3	31.3
Support agreements*	12	(2.5)	36.0
Total			84.5

* As of March 31, 2010, the committed support under these agreements was $36 million with an internal approval mechanism to increase the maximum possible support to $66 million at the option of the company.

FASB Statement No. 167, which was effective January 1, 2010, had a significant impact on the presentation of the company s financial statements, as its provisions required the company to consolidate certain CLOs that were not previously consolidated. The cumulative effect adjustment upon adoption of FASB Statement No. 167 at January 1, 2010, resulted in an appropriation of retained earnings and a reclassification of other comprehensive income into retained earnings of $274.3 million and $5.2 million, respectively. The company s Consolidated Statement of Income for the three months ended March 31, 2010, reflect the elimination of $8.7 million in management fees earned from these CLOs, and the addition of $52.5 million in interest income, $20.8 million in interest expense, and $85.1 million in net other gains. The $105.8 million net income impact during the three months ended March 31, 2010, of consolidation of these CLOs is largely offset by gains/(losses) attributable to investors in noncontrolling interests of $104.4 million. Prior to the adoption of FASB Statement No. 167, the company accounted for its investments in these CLOs as available-for-sale investments, with changes in the value of the company s interests being recorded through other comprehensive income. After the adoption of FASB

Statement No. 167, the change in value of the company s investments in these CLOs is reflected in the company s net income. For the three months ended March 31, 2010, the net impact to the company of its investments in these CLOs was $1.4 million. The Condensed Consolidated Balance Sheet at March 31, 2010, reflects the consolidation of $5.8 billion in assets held and $5.1 billion in debt issued by these CLOs, despite the fact that the assets cannot be used by the company, nor is the company obligated for the debt. Retained earnings appropriated for investors of consolidated investment products of $383.8 million is presented as part of the company s total equity, reflecting the excess of the consolidated CLOs assets over their liabilities, attributable to noncontrolling third-party investors in their consolidated CLOs at March 31, 2010. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

During the three months ended March 31, 2010, entities with the following balance sheets were consolidated:

Balance Sheet

$ in millions	**VIEs consolidated**
During the three months ended March 31, 2010*	
Current assets	238.5
Non-current assets	5,425.8
Total assets	5,664.3
Current liabilities	137.9
Non-current liabilities	5,252.1
Total liabilities	5,390.0
Total equity	274.3
Total liabilities and equity	5,664.3

* The amounts consolidated in this table reflect the initial consolidation of CLOs at the adoption of FASB Statement No. 167 on January 1, 2010.

During the three months ended March 31, 2009, the company deconsolidated $53.3 million of investments held by consolidated investment products and related noncontrolling interests in consolidated entities as a result of determining that the company is no longer the primary beneficiary. The amounts deconsolidated from the Condensed Consolidated Balance Sheet are illustrated in the table below. There was no net impact to the Condensed Consolidated Statement of Income for the three months ended March 31, 2009, from the deconsolidation of these investment products.

Balance Sheet

$ in millions	Amounts deconsolidated under FIN 46(R)
During three months ended March 31, 2009	
Current assets	
Non-current assets	53.3
Total assets	53.3
Current liabilities	
Non-current liabilities	
Total liabilities	
Equity attributable to common shareholders	
Equity attributable to noncontrolling interests in consolidated entities	53.3
Total liabilities and equity	53.3

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The following tables reflect the impact of consolidation of investment products into the Condensed Consolidated Balance Sheets as of March 31, 2010, and December 31, 2009, and the Condensed Consolidated Statements of Income for the three months ended March 31, 2010, and 2009.

Condensed Consolidating Balance Sheets

$ in millions	Before Consolidation*	CLOs - VIEs **	Other VIEs	VOEs	Eliminations	Total
As of March 31, 2010						
Current assets	3,245.9	397.5	3.1	18.5	(19.7)	3,645.3
Non-current assets	7,067.7	5,420.9	65.4	619.4	(27.2)	13,146.2
Total assets	10,313.6	5,818.4	68.5	637.9	(46.9)	16,791.5
Current liabilities	2,419.5	296.9	0.6	3.8	(19.7)	2,701.1
Long-term debt of consolidated investment products		5,136.3			(17.2)	5,119.1
Other non-current liabilities	970.4					970.4
Total liabilities	3,389.9	5,433.2	0.6	3.8	(36.9)	8,790.6
Retained earnings attributable to investors in consolidated investment products		385.2			(1.4)	383.8
Other equity attributable to common shareholders	6,919.2		0.2	8.4	(8.6)	6,919.2
Equity attributable to noncontrolling interests in consolidated entities	4.5		67.7	625.7		697.9
Total liabilities and equity	10,313.6	5,818.4	68.5	637.9	(46.9)	16,791.5

$ in millions	Before Consolidation*	Other VIEs	VOEs	Eliminations	Total
As of December 31, 2009					
Current assets	3,089.8	4.2	27.0		3,121.0
Non-current assets	7,111.8	67.9	617.1	(8.2)	7,788.6
Total assets	10,201.6	72.1	644.1	(8.2)	10,909.6
Current liabilities	2,293.6	0.7	4.1		2,298.4
Non-current liabilities	990.4				990.4
Total liabilities	3,284.0	0.7	4.1		3,288.8

Total equity attributable to common shareholders	6,912.9	0.2	8.0	(8.2)	6,912.9
Equity attributable to noncontrolling interests in consolidated entities	4.7	71.2	632.0		707.9
Total liabilities and equity	10,201.6	72.1	644.1	(8.2)	10,909.6

* The Before Consolidation column includes Invesco s equity interest in the investment products subsequently consolidated, accounted for as equity method and available-for-sale investments.

** The company adopted FASB Statement No. 167 on January 1, 2010, resulting in the consolidation of certain CLOs. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs. Prior to January 1, 2010, the company was not deemed to be the primary beneficiary of these CLOs.

Condensed Consolidating Statements of Income

$ in millions	Before Consolidation*	CLOs - VIEs **	Other VIEs	VOEs	Eliminations	Total
Three Months ended March 31, 2010						
Total operating revenues	729.5			0.2	(10.6)	719.1
Total operating expenses	(579.0)	(11.0)	(0.4)	(2.4)	10.6	(582.2)
Operating income	150.5	(11.0)	(0.4)	(2.2)		136.9
Equity in earnings of unconsolidated affiliates	6.0				(0.2)	5.8
Interest income	1.6	53.1			(0.6)	54.1
Other investment income/(losses)	(2.1)	85.1	3.2	14.8		101.0
Interest expense	(12.4)	(21.4)			0.6	(33.2)
Income before income taxes, including gains and losses attributable to noncontrolling interests	143.6	105.8	2.8	12.6	(0.2)	264.6
Income tax provision	(50.1)					(50.1)
Net income, including gains and losses attributable to noncontrolling interests	93.5	105.8	2.8	12.6	(0.2)	214.5
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.1)	(104.4)	(2.8)	(12.2)		(119.5)
Net income attributable to common shareholders	93.4	1.4		0.4	(0.2)	95.0

$ in millions	Before Consolidation*	VIEs	VOEs	Eliminations	Total
Three Months ended March 31, 2009					
Total operating revenues	550.2	0.2	1.2	(3.0)	548.6
Total operating expenses	(485.1)	(0.5)	(4.2)	3.0	(486.8)
Operating income	65.1	(0.3)	(3.0)		61.8
Equity in earnings of unconsolidated affiliates	1.3			1.2	2.5
Interest income	4.8				4.8
Other investment income/(losses)	(4.2)	(14.7)	(71.8)		(90.7)
Interest expense	(15.9)				(15.9)
Income before income taxes, including gains and losses attributable to noncontrolling interests	51.1	(15.0)	(74.8)	1.2	(37.5)

Income tax provision	(20.3)				(20.3)
Net income, including gains and losses attributable to noncontrolling interests	30.8	(15.0)	(74.8)	1.2	(57.8)
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.1)	15.0	73.6		88.5
Net income attributable to common shareholders	30.7		(1.2)	1.2	30.7

* The Before Consolidation column includes Invesco s equity interest in the investment products, accounted for as equity method and available-for-sale investments.

** The company adopted FASB Statement No. 167 on January 1, 2010, resulting in the consolidation of certain CLOs In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs. Prior to January 1, 2010, the company was not deemed to be the primary beneficiary of these CLOs.

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The carrying value of investments held and notes issued by consolidated investment products is also their fair value. The following table presents the fair value hierarchy levels of investments held and notes issued by consolidated investment products, which are measured at fair value as of March 31, 2010:

	As of March 31, 2010			
$ 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:				
CLO collateral assets:				
Bank loans	5,179.6		5,179.6	
Bonds	217.5	217.5		
Equity securities	23.8	23.8		
Private equity fund assets:				
Equity securities	117.9	8.9		109.0
Investments in other private equity funds	556.5			556.5
Debt securities issued by in U.S. Treasury	10.4	10.4		
Liabilities:				
CLO notes	(5,119.1)			(5,119.1)

The following table presents the fair value hierarchy levels of the carrying value of investments held by consolidated investment products, which are measured at fair value as of December 31, 2009:

	As of December 31, 2009			
$ 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)**
Private equity fund assets:				
Equity securities	117.2	7.0		110.2
Investments in other private equity funds	556.9			556.9
Debt securities issued by U.S. Treasury	10.9	10.9		

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

$ in millions	**Three Months Ended March 31, 2010**	**Three Months Ended March 31, 2009**
Beginning balance	667.1	761.0
Purchases, sales, issuances and settlements, net	(17.2)	2.2
Gains and losses included in the Condensed Consolidated Statement of Income*	15.6	(88.5)

Ending balance	665.5	674.7

* Included in gains and losses of consolidated investment products in the Condensed Consolidated Statement of Income for the three months ended March 31, 2010, are $18.6 million in net unrealized gains attributable to investments held at March 31, 2010, by consolidated investment products.

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

$ in millions	**Three Months Ended March 31, 2010***
Beginning balance	(5,234.9)
Purchases, sales, issuances and settlements/prepayments, net	47.4
Gains and losses included in the Condensed Consolidated Statement of Income	(63.1)
Foreign exchange	131.5
Ending balance	(5,119.1)

* The company adopted FASB Statement No. 167 on January 1, 2010, resulting in the consolidation of certain CLOs. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs. Prior to January 1, 2010, the company was not deemed to be the primary beneficiary of these CLOs.

Fair value of consolidated CLOs

The collateral assets held by consolidated CLOs are primarily invested in senior secured bank loans, bonds, and equity securities. Bank loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans from a variety of industries, including but not limited to the aerospace and defense, broadcasting, technology, utilities, household products, healthcare, oil and gas, and finance industries. Bank loan investments mature at various dates between 2010 and 2027, pay interest at Libor or Euribor plus a spread of between 0.22% and 11%, and typically range in credit rating categories from BBB down to unrated. At March 31, 2010, the unpaid principal balance exceeded the fair value of the senior secured bank loans and bonds by approximately $480 million. Less than 5% of the collateral assets are in default as of March 31, 2010. CLO investments are valued based on price quotations provided by an independent third-party pricing source. For bank loan investments, in the event that the third-party pricing source is unable to price an investment, other relevant factors, data and information

are considered, including: i) information relating to the market for the investment, including price quotations for and trading in the investment and interest in similar investments and the market environment and investor attitudes towards the investment and interests in similar investments; ii) the characteristics of and fundamental analytical data relating to the investment, including, for senior secured corporate loans, the cost, size, current interest rate, period until next interest rate reset, maturity and base lending rate, the terms and conditions of the senior secured corporate loan and any related agreements, and the position of the senior secured corporate loan in the borrower s debt structure; iii) the nature, adequacy and value of the senior secured corporate loan s collateral, including the CLO s rights, remedies and interests with respect to the collateral; iv) for senior secured corporate loans, the creditworthiness of the borrower, based on an evaluation of its financial condition, financial statements and information about the business, cash flows, capital structure and future prospects; v) the reputation and financial condition of the agent and any intermediate participants in the senior secured corporate loan; and vi) general economic and market conditions affecting the fair value of the senior secured corporate loan.

In a typical CLO structure, notes are issued in tranches and are categorized into varying degrees of subordination. Each tranche has a different level of credit protection or risk exposure than another. There is generally a senior (A) class of securities and one or more junior subordinated (B, C, etc.) classes that function as protective layers for the A class. The senior classes have first claim on the cash that the CLO receives, and the more junior classes receive repayment only after the more senior classes have repaid. Because of the cascading effect between classes, this arrangement is often referred to as a cash flow waterfall. In the event that the underlying collateral asset pool becomes insufficient to make payments on the notes, the loss is absorbed first by the subordinated tranches, and the upper-level tranches remain unaffected until the losses exceed the entire amount of the subordinated tranches. The senior securities are typically AAA-rated, signifying a lower risk, while the lower-credit quality subordinated classes receive a lower credit rating, signifying a higher risk. The most junior class (often called the equity class) is the most exposed to payment risk. In some cases the equity class receives no coupon (either fixed or floating), but only the residual cash flow (if any) after all the other classes have been paid.

Notes issued by consolidated CLOs mature at various dates between 2014 and 2023 and have a weighted average maturity of 9.7 years. The notes are issued in various tranches with different risk profiles. The interest rates are generally variable rates based on Libor or Euribor plus a pre-defined spread, which varies from 0.21% for the more senior tranches to 7.50% for the more subordinated tranches. At March 31, 2010, the outstanding balance on the notes issued by consolidated CLOs exceeds their fair value by approximately $900 million. The investors in this debt are not affiliated with the company and have no recourse to the general credit of the company for this debt**.** Notes issued by CLOs are recorded at fair value using an income approach, driven by cash flows

expected to be received from the portfolio collateral assets. Fair value is determined using current information, notably market yields and projected cash flows of collateral assets based on forecasted default and recovery rates that a market participant would use in determining the current fair value of the notes, taking into account the overall credit quality of the issuers and the company s past experience in managing similar securities. Market yields, default rates and recovery rates used in the company s estimate of fair value vary based on the nature of the investments in the underlying collateral pools. In periods of rising market yields, default rates and lower debt recovery rates, the fair value, and therefore the carrying value, of the notes may be adversely affected. The current liquidity constraints within the market for CLO products require the use of certain unobservable inputs for CLO valuation. Once the undiscounted cash flows of the collateral assets have been determined, the company applies appropriate discount rates that a market participant would use, to determine the discounted cash flow valuation of the notes.

The significant inputs for the valuation model of the notes issued by consolidated CLOs include a cumulative average default rate of 9%, an average long-term recovery rate of 72.8%, and an average reinvestment rate of Libor plus 439 basis points. The discount rate applied to the undiscounted cash flows of the collateral assets were derived by utilizing the applicable forward rate curves and appropriate spreads.

Fair value of consolidated private equity funds

Consolidated private equity funds are generally structured as partnerships. Generally, the investment strategy of underlying holdings in these partnerships is to seek capital appreciation through direct investments in public or private companies with compelling business models or ideas or through investments in partnership investments that also invest in similar private or public companies. Various strategies may be used. Companies targeted could be distressed organizations, targets of leveraged buyouts or fledgling companies in need of venture capital. Investees of these consolidated investment products may not redeem their investment until the partnership liquidates. Generally, the partnerships have a life that range from seven to twelve years unless dissolved earlier. The general partner may extend the partnership term up to a specified period of time as stated in the Partnership Agreement. Some partnerships allow the limited partners to cause an earlier termination upon the occurrence of certain events as specified in the Partnership Agreement.

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

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

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

returns within the funds as well as any specific conditions and events affecting the funds.

Unforeseen events might occur that would subsequently change the fair values of these investments, but such changes would be inconsequential to the company due to its minimal investments in these products (and the large offsetting noncontrolling interests resulting from their consolidation). Any gains or losses resulting from valuation changes in these investments are substantially offset by resulting changes in gains and losses attributable to noncontrolling interests in consolidated entities and therefore do not have a

material effect on the financial condition, operating results (including earnings per share), liquidity or capital resources of the company s common shareholders.

10. SHARE-BASED COMPENSATION

The company recognized total expenses of $24.2 million in the three months ended March 31, 2010 (March 31, 2009: $23.7 million) related to equity-settled share-based payment transactions. The total income tax benefit recognized in the Consolidated Statements of Income for share-based compensation arrangements was $8.3 million for the three months ended March 31, 2010 (March 31, 2009: $9.4 million).

Cash received from the exercise of share options granted under share-based compensation arrangements was $3.7 million in the three months ended March 31, 2010 (March 31, 2009: $1.7 million). The total tax benefit realized from share based payment awards was $22.3 million in the three months ended March 31, 2010 (March 31, 2009: $29.8 million).

Share Awards

Share awards are broadly classified into two categories: time-vested and performance-vested share awards. Share awards are measured at fair value at the date of grant and are expensed, based on the company s estimate of shares that will eventually vest, on a straight-line or accelerated basis over the vesting period.

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 or vest ratably over a defined vesting period of continued employee service upon the company s attainment of certain performance criteria, generally the attainment of cumulative earnings per share growth targets at the end of the vesting period reflecting a compound annual growth rate of between 10.0% and 15.0% per annum during a three-year period. Time-vested and performance-vested share awards are granted in the form of restricted share awards (RSAs) or restricted share units (RSUs). Dividends accrue directly to the employee holder of RSAs, and cash payments in lieu of dividends are made to employee holders of certain RSUs. There is therefore no discount to the fair value of these share awards at their grant date. Movements on share awards priced in Pounds Sterling prior to the company s primary share listing moving to the New York Stock Exchange from the London Stock Exchange, which occurred on December 4, 2007, in connection with the redomicile of the company from the U.K. to Bermuda, are detailed below:

	Three months ended March 31, 2010			Three months ended March 31, 2009		
Millions of shares, except fair values	**Time-Vested**	**Performance-Vested**	**Weighted Average Grant Date Fair Value (pence)**	**Time-Vested**	**Performance-Vested**	**Weighted Average Grant Date Fair Value (pence)**
Unvested at the beginning of period	5.4	2.0	11.24	10.2	6.0	9.62
Forfeited during the period		(1.4)	12.02	(0.2)		9.21
Vested and distributed during the period	(1.0)	(0.5)	8.89	(1.4)	(2.2)	8.30
Unvested at the end of the period	4.4	0.1	11.83	8.6	3.8	10.02

Subsequent to the company s primary share listing moving to the New York Stock Exchange, shares are now priced in U.S. dollars. Movements on share awards priced in U.S. dollars are detailed below:

Three months ended March 31, 2010		Three months ended March 31, 2009	
Time-	Weighted Average Grant Date	Time-	Weighted Average Grant Date

Millions of shares, except fair values	Vested	Fair Value ($)	Vested	Fair Value ($)
Unvested at the beginning of period	11.6	15.24	3.5	26.67
Granted during the period	6.7	19.61	8.8	11.43
Forfeited during the period		17.76		27.01
Vested and distributed during the period	(2.7)	14.37	(0.6)	26.93
Unvested at the end of the period	15.6	17.26	11.7	15.28

Share awards outstanding at March 31, 2010, had a weighted average remaining contractual life of 1.78 years.

Share Options

The company has not granted awards of share options since 2005. The company maintains two historical option plans with outstanding share options: the 2000 Share Option Plan and the No. 3 Executive Share Option Scheme.

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. 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. The share option programs were valued using a stochastic model (a lattice model) at grant date.

Changes in outstanding share option awards are as follows:

	Three months ended March 31, 2010		Three months ended March 31, 2009	
	Options (millions of shares)	Weighted Average Exercise Price (£ Sterling)	Options (millions of shares)	Weighted Average Exercise Price (£ Sterling)
Outstanding at the beginning of the period	16.4	14.99	23.1	14.06
Forfeited during the period	(0.3)	20.24	(0.6)	17.83
Exercised during the period	(0.5)	5.16	(0.1)	6.68
Outstanding at the end of the period	15.6	15.26	22.4	14.00
Exercisable at the end of the period	15.6	15.26	22.4	14.05

The share option exercise prices are denominated in Pounds Sterling. Upon exercise, the Pound Sterling exercise price will be converted to U.S. dollars using the foreign exchange rate in effect on the exercise date. The options outstanding at March 31, 2010, had a range of exercise prices from 50 pence to 3,360 pence, and a weighted average remaining contractual life of 2.55 years (for options exercisable at March 31, 2010, the weighted average remaining contractual life is 2.55 years). The total intrinsic value of options exercised during the three months ended March 31, 2010 and 2009, was $5.7 million and $0.9 million, respectively. At March 31, 2010, the aggregate intrinsic value of options outstanding and options exercisable was $66.7 million and $66.7 million, respectively. The market price of the company s common stock at March 31, 2010, was $21.91.

11. 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, 2010 and 2009, of $12.4 million and $11.9 million, respectively, represent contributions paid or payable to these plans by the company at rates specified in the rules of the plans. As of March 31, 2010, accrued contributions of $5.1 million (December 31, 2009: $17.1 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. Further, during the year ended December 31, 2009, the company terminated one of its U.S. defined benefit retirement plans. The company also maintains a postretirement 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 March 31,			
	Retirement Plans		Medical Plan	
$ in millions	2010	2009	2010	2009
Service cost	(1.0)	(3.3)	(0.1)	(0.1)
Interest cost	(3.9)	(4.9)	(0.7)	(0.6)
Expected return on plan assets	3.4	5.3	0.1	0.1
Amortization of prior service cost			0.5	0.5
Amortization of net actuarial (loss)/gain	(0.7)	(0.3)	(0.9)	(1.1)
Net periodic benefit cost	(2.2)	(3.2)	(1.1)	(1.2)

The estimated amounts of contributions expected to be paid to the plans during 2010 is $7.9 million for retirement plans, with no expected contribution to the medical plan.

12. 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, 2010, the company s undrawn capital commitments were $84.5 million (December 31, 2009: $77.6 million).

The volatility and valuation dislocations that occurred from 2007 to the date of this Report in certain sectors of the fixed income market have generated 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. In December 2009, the agreements were amended to extend the term through June 30, 2010. As of March 31, 2010, the committed support under these agreements was $36.0 million with an internal approval mechanism to increase the maximum possible support to $66.0 million at the option of the company. The recorded fair value of the guarantees related to these agreements at March 31, 2010, was estimated to be $2.5 million (December 31, 2009: $2.5 million), which was recorded in other current liabilities on the Condensed Consolidated Balance Sheet. 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.

A subsidiary of the company has received assessments from the Canada Revenue Agency (CRA) for goods and services tax (GST) related to various taxation periods from April 1999 to December 2006 in the amount of $21.2 million related to GST on sales charges collected from investors upon the redemption of certain mutual funds. The company has objected to the assessments and sought remedial action in the Ontario Superior Court of Justice. In November 2009, the company was successful in such remedial action and, as a result, anticipates successfully contesting the assessments. As a result of such actions, the CRA is currently considering its next steps and has not responded to the company in this regard. Management believes that the CRA s claims are unfounded and that this assessment is unlikely to stand, and accordingly no provision has been recorded in the Consolidated Financial Statements.

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 could be due in October 2011, five years after the date of acquisition, based on compound annual growth in management fees (as defined and adjusted pursuant to the acquisition agreement) from an assumed base of

$17.5 million at closing. The Year 5 management fees will be reduced by $50.0 million, for purposes of the calculation, since the second contingent payment was earned. For a compound annual growth rate (CAGR) in Year 5 below 15%, no additional payment will be made. For a CAGR in Year 5 between 15% and 75%, $5.0 million for each CAGR point above 15%, for a maximum payment of $300.0 million for a 75% CAGR. For a CAGR in Year 5 between 75% and 100%, $300.0 million, plus an additional $8.0 million for each CAGR point above 75%, for a maximum total payment of $500.0 million for a 100% CAGR.

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 in which W.L. Ross & Co. is integrally involved. The maximum remaining contingent payments of $110.0 million would require annual fund launches to total $4.0 billion.

On October 19, 2009, the company announced that it had entered into a definitive agreement to acquire Morgan Stanley s retail asset management business, including Van Kampen Investments. The transaction was valued at $1.5 billion (subject to adjustment), consisting of payments by Invesco of $500.0 million in cash and an aggregate of approximately 44.1 million Invesco common shares and non-voting common equivalent preferred shares, which will result in Morgan Stanley obtaining an approximately 9.2% equity interest in the company. The transaction has been approved by the boards of directors of both companies and is expected to close on June 1, 2010, subject to customary regulatory, client and fund shareholder approvals.

Legal Contingencies

Following the industry-wide regulatory investigations in 2003 and 2004, 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 settlements in principle of these lawsuits. The proposed settlements, which are subject to court approval, call for a payment by the company of $9.8 million, recorded in general and administrative expenses in the Consolidated Statement of Income in 2007, in exchange for dismissal with prejudice of all pending claims. In addition, under the terms of the proposed settlements, the company may incur certain costs in connection with providing notice of the proposed settlements 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.

13. GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Prior to the December 4, 2007, redomicile of the company from the United Kingdom to Bermuda and the relisting of the company from the London Stock Exchange to the New York Stock Exchange, 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 Advisers, Inc., Invesco North American Holdings, Inc., and Invesco Institutional (N.A.), Inc. (the Guarantors). On June 9, 2009, IVZ, Inc. also became a guarantor of the senior notes. On December 31, 2009, Invesco Aim Advisors, Inc. merged with Invesco Institutional (N.A.), Inc., which was renamed Invesco Advisors, Inc. 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 March 31, 2010, and December 31, 2009, Condensed Consolidating Statements of Income for the three months ended March 31, 2010 and 2009, and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2010 and 2009.

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Condensed Consolidating Balance Sheets

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
As of March 31, 2010						
Assets held for policyholders		1,221.0				1,221.0
Other current assets	195.9	2,178.6	3.0	46.8		2,424.3
Total current assets	195.9	3,399.6	3.0	46.8		3,645.3
Goodwill	2,302.8	3,687.0	436.0			6,425.8
Investments in subsidiaries	309.2	5.7	4,847.1	6,936.7	(12,098.7)	
Other non-current assets	260.0	6,452.2	4.9	3.3		6,720.4
Total assets	3,067.9	13,544.5	5,291.0	6,986.8	(12,098.7)	16,791.5
Policyholder payables		1,221.0				1,221.0
Other current liabilities	26.6	1,448.1	4.7	0.7		1,480.1
Total current liabilities	26.6	2,669.1	4.7	0.7		2,701.1
Intercompany balances	834.4	(1,638.6)	732.1	72.1		
Non-current liabilities	29.8	5,314.0	745.7			6,089.5
Total liabilities	890.8	6,344.5	1,482.5	72.8		8,790.6
Total equity attributable to common shareholders	2,177.1	6,502.1	3,808.5	6,914.0	(12,098.7)	7,303.0
Equity attributable to noncontrolling interests in consolidated entities		697.9				697.9
Total equity	2,177.1	7,200.0	3,808.5	6,914.0	(12,098.7)	8,000.9
Total liabilities and equity	3,067.9	13,544.5	5,291.0	6,986.8	(12,098.7)	16,791.5

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
As of December 31, 2009						
Assets held for policyholders		1,283.0				1,283.0
Other current assets	211.5	1,591.7	3.1	31.7		1,838.0
Total current assets	211.5	2,874.7	3.1	31.7		3,121.0

Goodwill	2,302.8	3,709.4	455.4			6,467.6
Investments in subsidiaries	714.9	5.7	4,697.7	6,859.3	(12,277.6)	
Other non-current assets	147.5	1,165.2	4.9	3.4		1,321.0
Total assets	3,376.7	7,755.0	5,161.1	6,894.4	(12,277.6)	10,909.6
Policyholder payables		1,283.0				1,283.0
Other current liabilities	35.7	972.2	7.1	0.4		1,015.4
Total current liabilities	35.7	2,255.2	7.1	0.4		2,298.4
Intercompany balances	956.8	(1,660.0)	722.1	(18.9)		
Non-current liabilities	31.5	213.1	745.8			990.4
Total liabilities	1,024.0	808.3	1,475.0	(18.5)		3,288.8
Total equity attributable to common shareholders	2,352.7	6,238.8	3,686.1	6,912.9	(12,277.6)	6,912.9
Equity attributable to noncontrolling interests in consolidated entities		707.9				707.9
Total equity	2,352.7	6,946.7	3,686.1	6,912.9	(12,277.6)	7,620.8
Total liabilities and equity	3,376.7	7,755.0	5,161.1	6,894.4	(12,277.6)	10,909.6

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Condensed Consolidating Statements of Income

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
For the three months ended March 31, 2010						
Total operating revenues	181.2	537.9				719.1
Total operating expenses	140.4	438.7	0.6	2.5		582.2
Operating income/(loss)	40.8	99.2	(0.6)	(2.5)		136.9
Equity in earnings of unconsolidated affiliates	(0.4)	6.0	49.4	99.9	(149.1)	5.8
Other income/(expense)	(18.0)	156.9	(14.6)	(2.4)		121.9
Income/(loss) before income taxes, including gains and losses attributable to noncontrolling interests	22.4	262.1	34.2	95.0	(149.1)	264.6
Income tax provision	(17.4)	(36.8)	4.1			(50.1)
Net income, including gains and losses attributable to noncontrolling interests	5.0	225.3	38.3	95.0	(149.1)	214.5
Losses attributable to noncontrolling interests in consolidated entities, net		(119.5)				(119.5)
Net income attributable to common shareholders	5.0	105.8	38.3	95.0	(149.1)	95.0

$ in millions	Guarantors	Non-Guarantors	Issuer	Parent	Eliminations	Consolidated
For the three months ended March 31, 2009						
Total operating revenues	117.5	431.1				548.6
Total operating expenses	91.8	390.1	0.9	4.0		486.8
Operating income/(losses)	25.7	41.0	(0.9)	(4.0)		61.8
Equity in earnings of unconsolidated affiliates	2.2	18.4	19.8	37.0	(74.9)	2.5
Other income/(expense)	(0.7)	(85.4)	(13.4)	(2.3)		(101.8)
Income/(losses) before income taxes and noncontrolling interest	27.2	(26.0)	5.5	30.7	(74.9)	(37.5)
Income tax provision	(8.7)	4.3	(15.9)			(20.3)
	18.5	(21.7)	(10.4)	30.7	(74.9)	(57.8)

Net (loss)/ income, including losses attributable to noncontrolling interests						
Losses attributable to the noncontrolling interests in consolidated entities, net of tax		88.5				88.5
Net income attributable to common shareholders	18.5	66.8	(10.4)	30.7	(74.9)	30.7

Condensed Consolidating Statements of Cash Flows

$ in millions	**Guarantors**	**Non-Guarantors**	**Issuer**	**Parent**	**Eliminations**	**Consolidated**
For the three months ended March 31, 2010						
Net cash (used in)/provided by operating activities	(7.3)	(291.4)	59.4	78.6	(16.3)	(177.0)
Net cash (used in)/provided by investing activities	(26.9)	283.0	(59.3)	(62.7)		134.1
Net cash (used in)/provided by financing activities		(124.3)		(1.3)	16.3	(109.3)
(Decrease)/increase in cash and cash equivalents	(34.2)	(132.7)	0.1	14.6		(152.2)

$ in millions	**Guarantors**	**Non-Guarantors**	**Issuer**	**Parent**	**Eliminations**	**Consolidated**
For the three months ended March 31, 2009						
Net cash (used in)/provided by operating activities	(17.1)	50.6	6.1	(15.7)	(203.9)	(180.0)
Net cash (used in)/provided by investing activities	(1.0)	(1.6)				(2.6)
Net cash (used in)/provided by financing activities		(273.7)	(7.5)	15.7	203.9	(61.6)
(Decrease)/increase in cash and cash equivalents	(18.1)	(224.7)	(1.4)			(244.2)

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14. SUBSEQUENT EVENTS

On April 27, 2010, the company declared a first quarter 2010 dividend of 11 cents per share, payable on June 9, 2010, to shareholders of record at the close of business on May 24, 2010.

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Forward-Looking Statements

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

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

References

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

Executive Overview

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

Invesco is a leading independent global investment manager with offices in 20 countries. As of March 31, 2010, we managed $419.6 billion in assets for retail, institutional and high-net-worth investors around the world. By delivering the combined power of our distinctive worldwide investment management capabilities, Invesco provides a comprehensive array of enduring solutions for our clients. We have a significant presence in the institutional and retail segments of the investment management industry in North America, Europe and Asia-Pacific, with clients in more than 100 countries.

Most global equity markets experienced solid gains in the three months ended March 31, 2010, with the exception being the MSCI Europe and the China Shanghai Composite indices. The table below summarizes the first quarter returns of several market indices:

Index	Three months ended March 31, 2010	Three months ended March 31, 2009
S&P 500	4.9%	(11.7)%
FTSE 100	4.9%	(11.5)%
Nikkei 225	5.2%	(8.5)%
MSCI Emerging Market Index	2.1%	0.5%

U.S. equity indices extended their rally during the first quarter of 2010 despite a sell off in February triggered by continued global economic and political uncertainty. The trends that bolstered share prices in 2009 remained prevalent in the first quarter as corporate earnings again came in stronger than expectations and leading economic indicators suggested the troubled U.S. economy was recovering. Share prices in Europe were pressured by sluggish economic data and the heightened risk of sovereign default, notably in Greece. As a result, the MSCI Europe index declined 1.7% in the quarter. Chinese equities also declined with the Shanghai Composite Index declining 5.1% as the government began to unwind the fiscal and monetary stimulus that was introduced in 2009 to counter the global financial crisis.

Despite the fear of rising interest rates and uncertainty over the credit worthiness of some European governments, credit markets performed well in the first quarter of 2010. The combination of record low interest rates, which pushed investors to seek higher yields, credit spreads tightening to two year lows, resulted in a large demand for corporate bonds. High yield bonds were especially in favor as total issuance for the quarter was a record.

A significant portion of our business and assets under management (AUM) is based outside of the U.S. The strengthening or weakening of the U.S. dollar against other currencies, primarily the Pound Sterling and the Canadian dollar, will impact our reported revenues and expenses from period to period. Additionally, our revenues are directly influenced by the level and composition of our AUM. Therefore, movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period. The returns from most global capital markets increased in the three months ended March 31, 2010, which resulted in market gains for our AUM of $7.8 billion during the period; however the change in foreign exchange rates reduced AUM by $4.4 billion. AUM at March 31, 2010, was $419.6 billion.

Summary operating information is presented in the table below:

	Three months ended March 31,	
U.S. GAAP Financial Measures Summary	2010	2009
Operating revenues	$719.1m	$548.6m
Operating margin	19.0%	11.3%
Net income attributable to common shareholders	$ 95.0m	$ 30.7m
Diluted EPS	$ 0.21	$ 0.08
Average assets under management (in billions)	$417.6	$351.0

	Three months ended March 31,	
Non-GAAP Financial Measures Summary	2010	2009
Net revenues[1]	$544.4m	$411.6m
Adjusted cash operating margin[2]	33.6%	19.2%
Adjusted cash net income[3]	$120.0m	$ 42.4m
Adjusted cash EPS[3]	$ 0.27	$ 0.11
Average assets under management (in billions)	$417.6	$351.0

(1) Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share

of the net revenues of our joint venture investments, plus management fees earned from, less other revenue recorded by, consolidated investment products. See Schedule of Non-GAAP Information for the reconciliation of operating revenues to net revenues.

(2) Adjusted cash operating margin is adjusted cash operating income divided by net revenues. Adjusted cash operating income includes operating income plus our proportional share of the operating income of our joint venture investments, transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, and the operating income impact of the consolidation of investment products. See Schedule of Non-GAAP Information for the reconciliation of operating income to adjusted cash

operating income.

(3) Adjusted cash net income is net income attributable to common shareholders adjusted to add back transaction and integration charges, amortization of acquisition-related prepaid compensation and other intangibles, and the tax cash flow benefits resulting from tax amortization of goodwill and indefinite-lived intangible assets. Adjusted cash net income excludes the net income of consolidated investment products, and the net income impact of deferred compensation plans. By calculation, adjusted cash EPS is adjusted cash net income divided by the weighted average number of shares outstanding (for diluted EPS). See Schedule of Non-GAAP Information for the reconciliation of net income to adjusted net income.

On October 19, 2009, the company announced that it entered into a definitive agreement to acquire Morgan Stanley s retail asset management business, including Van Kampen Investments. The transaction was valued at $1.5 billion (subject to adjustment), consisting of payments by Invesco of $500.0 million in cash and an aggregate of approximately 44.1 million Invesco common shares and non-voting common equivalent preferred shares, which will result in Morgan Stanley obtaining an approximately 9.2% equity interest in our company. The transaction has been approved by the boards of directors of both companies and is expected to close on June 1, 2010, subject to customary regulatory, client and fund shareholder approvals.

Investment Capabilities Performance Overview

Invesco s first strategic priority is to achieve strong investment performance over the long-term for our clients. Performance in our equities capabilities, as measured by the percentage of AUM ahead of benchmark and ahead of peer median, has generally been strong with some pockets of outstanding performance and some areas where we have been challenged. Within our equity asset class, U.S. Core, Continental European, and Global ex-U.S. and Emerging Markets have generally had strong relative performance versus competitors and versus benchmark over three- and five-year periods. Investment performance in our U.S. Growth and Canadian equities has lagged, while U.S. Value Equity has had strong performance against the benchmark on a one- and three- year basis. On a one-year basis, U.K. equity performance has lagged against both competitors and benchmarks; however long-term performance remains strong. Within our fixed income asset class, the global fixed income products have had at least 68% of AUM ahead of benchmark and peers over one-, three-, and five-year periods. Our money market capability had at least 95% of AUM ahead of peers on a one-, three-, and five-year basis.

		Benchmark Comparison % of AUM Ahead of Benchmark			Peer Group Comparison % of AUM In Top Half of Peer Group		
		1yr	3yr	5yr	1yr	3yr	5yr
Equities	U.S. Core	15%	90%	96%	13%	60%	87%
	U.S. Growth	9%	21%	57%	9%	21%	33%
	U.S. Value	93%	93%	24%	83%	9%	9%
	Sector	78%	75%	75%	43%	61%	43%
	U.K.	1%	91%	92%	3%	90%	94%
	Canadian	38%	3%	3%	38%	2%	23%
	Asian	62%	62%	66%	58%	57%	60%
	Continental European	54%	72%	94%	56%	85%	87%
	Global	52%	44%	80%	45%	40%	37%
	Global Ex U.S. and Emerging Markets	52%	95%	97%	56%	98%	98%
Balanced	Balanced	75%	47%	53%	57%	41%	53%
Fixed Income	Money Market	73%	74%	71%	95%	95%	95%
	U.S. Fixed Income	77%	60%	68%	42%	78%	78%
	Global Fixed Income	86%	68%	86%	91%	78%	75%

Note: AUM measured in the one-, three-, and five-year peer group rankings represents 67%, 66%, and 64% of total Invesco AUM, respectively, and AUM measured versus benchmark on a one-, three-, and five-year basis represents 82%, 79%, and 73% of total Invesco AUM, respectively, as of 3/31/10. Peer group rankings are sourced from a widely-used third party ranking agency in each fund s market (Lipper, Morningstar, Russell, Mercer, eVestment Alliance, SITCA) and asset-weighted in USD. Rankings are as of prior quarter-end for most institutional products and prior month-end for Australian retail funds due to their late release by third parties. Rankings for the most representative fund in each GIPS composite are applied to all products within each GIPS composite. Excludes Invesco PowerShares, W.L. Ross & Co., Invesco Private Capital, non-discretionary direct real estate products and CLOs. Certain funds and products were excluded from the

analysis because of limited benchmark or peer group data. Had these been available, results may have been different. These results are preliminary and subject to revision. Performance assumes the reinvestment of dividends. Past performance is not indicative of future results and may not reflect an investor s experience.

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Results of Operations for the three months ended March 31, 2010, Compared with the three months ended March 31, 2009

Assets Under Management

AUM at March 31, 2010, were $419.6 billion (December 31, 2009: $423.1 billion; March 31, 2009: $348.2 billion). The decline in AUM during the three months ended March 31, 2010, was due to the impact of less favorable foreign exchange rates and net outflows in institutional money market funds, partially offset by net inflows in long-term AUM and market gains. Average AUM during the three months ended March 31, 2010, were $417.6 billion, compared to $351.0 billion for the three months ended March 31, 2009. Foreign exchange rate movements led to a $4.4 billion decrease in AUM during the period compared to a $2.0 billion decrease in the comparative 2009 period. Institutional money market net outflows were $10.6 billion during the period compared to net inflows of $8.6 billion in the comparative 2009 period. Long-term net inflows during the period were $3.7 billion compared to long-term net inflows of $0.7 billion in the comparative 2009 period. Market gains led to a $7.8 billion increase in AUM during the period compared to a reduction of $16.3 billion in the comparative 2009 period.

Net revenue yield on AUM increased 5.2 basis points to 52.1 basis points in the three months ended March 31, 2010, from the three months ended March 31, 2009, level of 46.9 basis points, resulting from a 32.3% increase in net revenues and a 19.0% increase in average AUM from the three months ended March 31, 2009. Market driven changes in our asset mix significantly impact our net revenue yield calculation. Our equity AUM generally earn a higher net revenue rate than money market AUM. At March 31, 2010, equity AUM comprised 42.2%, or $177.1 billion, of our total AUM, an increase of 54.8% from $114.4 billion at March 31, 2009. During the three months ended March 31, 2010, our equity AUM increased in line with the increases in equity markets globally from December 31, 2009, whereas our institutional money market AUM decreased from December 31, 2009, principally due to net outflows.

Gross revenue yield on AUM increased 6.4 basis points to 69.5 basis points in the three months ended March 31, 2010, from the three months ended March 31, 2009, level of 63.1 basis points. Gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, is not considered a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management fees earned from consolidated investment products; however the denominator of the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company s true effective fee rate from AUM. The company evaluates net revenue yield instead. See Schedule of Non-GAAP Information for a reconciliation of operating revenues (gross revenues) to net revenues.

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Changes in AUM were as follows:

$ in billions	2010	2009
January 1	423.1	357.2
Long-term inflows	21.1	14.3
Long-term outflows	(17.4)	(13.6)
Long-term net flows	3.7	0.7
Net flows in money market funds	(10.6)	8.6
Market gains and losses/reinvestment	7.8	(16.3)
Foreign currency translation	(4.4)	(2.0)
March 31	419.6	348.2
Average long-term AUM	342.3	264.9
Average institutional money market AUM	75.3	86.1
Average AUM	417.6	351.0
Gross revenue yield on AUM[1]	69.5bps	63.1bps
Gross revenue yield on AUM before performance fees[1]	69.4bps	61.8bps
Net revenue yield on AUM[2]	52.1bps	46.9bps
Net revenue yield on AUM before performance fees[2]	52.0bps	45.7bps

(1) Gross revenue yield on AUM is equal to annualized total operating revenues divided by average AUM, excluding joint venture (JV) AUM. Our share of the average AUM in the first quarter for our JVs in China was $3.8 billion (fourth quarter 2009: $3.9 billion; first quarter 2009: $3.2 billion). It is appropriate to

exclude the average AUM of our JVs for purposes of computing gross revenue yield on AUM, because the revenues resulting from these AUM are not presented in our operating revenues. Under U.S. GAAP, our share of the pre-tax earnings of the JVs is recorded as equity in earnings of unconsolidated affiliates on our Condensed Consolidated Statements of Income. Gross revenue yield, the most comparable U.S. GAAP-based measure to net revenue yield, is not considered a meaningful effective fee rate measure. The numerator of the gross revenue yield measure, operating revenues, excludes the management fees earned from consolidated investment products; however the denominator of

the measure includes the AUM of these investment products. Therefore, the gross revenue yield measure is not considered representative of the company s true effective fee rate from AUM. The company evaluates net revenue yield instead. See Schedule of Non-GAAP Information for a reconciliation of operating revenues (gross revenues) to net revenues.

(2) Net revenue yield on AUM is equal to annualized net revenues divided by average AUM. See the Schedule of Non-GAAP Information for a reconciliation of operating revenues to net revenues.

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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, 2009 AUM	423.1	206.9	201.0	15.2
Long-term inflows	21.1	13.5	6.8	0.8
Long-term outflows	(17.4)	(12.8)	(4.1)	(0.5)
Long-term net flows	3.7	0.7	2.7	0.3
Net flows in money market funds	(10.6)		(10.6)	
Market gains and losses/reinvestment	7.8	6.6	1.0	0.2
Foreign currency translation	(4.4)	(3.6)	(0.8)	
March 31, 2010 AUM	419.6	210.6	193.3	15.7
December 31, 2008 AUM[1]	357.2	149.3	194.6	13.3
Long-term inflows	14.3	9.6	3.2	1.5
Long-term outflows	(13.6)	(8.5)	(3.7)	(1.4)
Long-term net flows	0.7	1.1	(0.5)	0.1
Net flows in money market funds	8.6		8.6	
Market gains and losses/reinvestment	(16.3)	(12.4)	(3.5)	(0.4)
Foreign currency translation	(2.0)	(1.2)	(0.8)	
March 31, 2009 AUM	348.2	136.8	198.4	13.0

AUM by Asset Class

$ in billions	Total	Equity	Fixed Income	Balanced	Money Market	Alternatives[2]
December 31, 2009 AUM	423.1	173.4	75.2	41.5	83.5	49.5
Long-term inflows	21.1	10.7	6.5	1.8	0.3	1.8
Long-term outflows	(17.4)	(9.4)	(4.5)	(1.7)	(0.6)	(1.2)
Long-term net flows	3.7	1.3	2.0	0.1	(0.3)	0.6
Net flows in money market funds	(10.6)				(10.6)	
Market gains and losses/reinvestment	7.8	5.4	1.3	1.0		0.1
Foreign currency translation	(4.4)	(3.0)	(0.7)	(0.4)		(0.3)
March 31, 2010 AUM	419.6	177.1	77.8	42.2	72.6[3]	49.9

December 31, 2008 AUM[1]	357.2	127.3	61.8	32.8	84.1	51.2
Long-term inflows	14.3	6.2	4.1	2.1	1.0	0.9
Long-term outflows	(13.6)	(6.4)	(2.8)	(2.2)	(1.1)	(1.1)
Long-term net flows	0.7	(0.2)	1.3	(0.1)	(0.1)	(0.2)
Net flows in money market funds	8.6				8.6	
Market gains and losses/reinvestment	(16.3)	(11.7)	0.3	(1.4)	0.1	(3.6)
Foreign currency translation	(2.0)	(1.0)	(0.3)	(0.4)	(0.1)	(0.2)
March 31, 2009 AUM	348.2	114.4	63.1	30.9	92.6	47.2

(1) The beginning balances were adjusted to reflect certain asset reclassifications.

(2) The alternatives asset class includes financial structures, absolute return, real estate, private equity, asset allocation, portable alpha and multiple asset strategies.

(3) Ending Money Market AUM includes $69.0 billion in institutional money market AUM and $3.6 billion in retail money market AUM.

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AUM by Client Domicile

$ in billions	Total	U.S.	Canada	U.K.	Continental Europe	Asia
December 31, 2009 AUM[1]	423.1	257.7	29.0	84.9	24.4	27.1
Long-term inflows	21.1	10.4	0.6	4.5	3.4	2.2
Long-term outflows	(17.4)	(7.8)	(1.7)	(3.5)	(2.4)	(2.0)
Long-term net flows	3.7	2.6	(1.1)	1.0	1.0	0.2
Net flows in money market funds	(10.6)	(11.7)		(0.6)	1.8	(0.1)
Market gains and losses/reinvestment	7.8	3.7	0.4	3.1	0.6	
Foreign currency translation	(4.4)		0.9	(4.5)	(0.8)	
March 31, 2010 AUM	419.6	252.3	29.2	83.9	27.0	27.2
December 31, 2008 AUM[1]	357.2	232.5	24.1	56.7	22.3	21.6
Long-term inflows	14.3	7.2	0.7	3.8	1.6	1.0
Long-term outflows	(13.6)	(7.9)	(1.2)	(1.4)	(1.9)	(1.2)
Long-term net flows	0.7	(0.7)	(0.5)	2.4	(0.3)	(0.2)
Net flows in money market funds	8.6	6.4		0.1	2.0	0.1
Market gains and losses/reinvestment	(16.3)	(8.6)	(1.5)	(5.3)	(1.1)	0.2
Foreign currency translation	(2.0)		(0.5)	(0.5)	(0.5)	(0.5)
March 31, 2009 AUM	348.2	229.6	21.6	53.4	22.4	21.2

(1) The beginning balances were adjusted to reflect certain asset reclassifications.

Results of Operations

Results of Operations for the Three Months Ended March 31, 2010, Compared with the Three Months Ended March 31, 2009

Adoption of FASB Statement No. 167

The company provides investment management services to, and has transactions with, various private equity, real estate, fund-of-funds, collateralized loan obligation products (CLOs), and other investment entities sponsored by the company for the investment of client assets in the normal course of business. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of the products. Certain of these entities are consolidated under variable interest or voting interest entity consolidation guidance. See Part I, Item 1, Financial Statements Note 9, Consolidated Investment Products, for additional details.

FASB Statement No. 167, which was effective January 1, 2010, had a significant impact on the presentation of the company s financial statements, as its provisions required the company to consolidate certain CLOs that were not previously consolidated. The cumulative effect adjustment upon adoption of FASB Statement No. 167 at January 1, 2010, resulted in an appropriation of retained earnings and a reclassification of other comprehensive income into retained earnings of $274.3 million and $5.2 million, respectively. The company s Consolidated Statement of Income for the three months ended March 31, 2010, reflect the elimination of $8.7 million in management fees earned from these CLOs, and the addition of $52.5 million in interest income, $20.8 million in interest expense, and $85.1 million in net other gains. The $105.8 million net income impact during the three months ended March 31, 2010, of consolidation of these CLOs is largely offset by gains/(losses) attributable to investors in noncontrolling interests of $104.4 million. Prior to the adoption of FASB Statement No. 167, the company accounted for its investments in these CLOs as available-for-sale investments, with changes in the value of the company s interests being recorded through other comprehensive income. After the adoption of FASB Statement No. 167, the change in value of the company s investments in these CLOs is reflected in the company s net income. For the three months ended March 31, 2010, the net impact to the company of its investments in these CLOs was $1.4 million. The Condensed Consolidated Balance Sheet at March 31, 2010, reflects the consolidation of $5.8 billion in assets held and $5.1 billion in debt issued by these CLOs, despite the fact that the assets cannot be used by the company, nor is the company obligated for the debt. Retained earnings appropriated for investors of consolidated investment products of $383.8 million is presented as part of the company s total equity, reflecting the excess of the consolidated CLOs assets over their liabilities, attributable to noncontrolling third-party investors in their consolidated CLOs at March 31, 2010. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

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The majority of the company s consolidated investment products balances were CLO-related as of March 31, 2010. The collateral assets of the CLOs are held solely to satisfy the obligations of the CLOs. The company has no right to the benefits from, nor does it bear the risks associated with, the collateral assets held by the CLOs, beyond the company s minimal direct investments in, and management fees generated from, the CLOs. If the company were to liquidate, the collateral assets would not be available to the general creditors of the company, and as a result, the company does not consider them to be company assets. Additionally, the investors in the CLOs have no recourse to the general credit of the company for the notes issued by the CLOs. The company therefore does not consider this debt to be a company liability. The discussion that follows will separate consolidated investment product results of operations from the company s investment management operations through the use of non-GAAP financial measures. See the Schedule of Non-GAAP Information for additional details and reconciliations of the most directly comparable U.S. GAAP measures to the non-GAAP measures.

Condensed Consolidating Statements of Income

$ in millions	**Before Consolidation***	**Consolidated Investment Products****	**Eliminations**	**Total**
Three Months ended March 31, 2010				
Total operating revenues	729.5	0.2	(10.6)	719.1
Total operating expenses	(579.0)	(13.8)	10.6	(582.2)
Operating income	150.5	(13.6)		136.9
Equity in earnings of unconsolidated affiliates	6.0		(0.2)	5.8
Interest income	1.6	53.1	(0.6)	54.1
Other investment income/(losses)	(2.1)	103.1		101.0
Interest expense	(12.4)	(21.4)	0.6	(33.2)
Income before income taxes, including gains and losses attributable to noncontrolling interests	143.6	121.2	(0.2)	264.6
Income tax provision	(50.1)			(50.1)
Net income, including gains and losses attributable to noncontrolling interests	93.5	121.2	(0.2)	214.5
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.1)	(119.4)		(119.5)
Net income attributable to common shareholders	93.4	1.8	(0.2)	95.0

$ in millions	**Before Consolidation***	**Consolidated Investment Products**	**Eliminations**	**Total**
Three Months ended March 31, 2009				
Total operating revenues	550.2	1.4	(3.0)	548.6
Total operating expenses	(485.1)	(4.7)	3.0	(486.8)
Operating income	65.1	(3.3)		61.8
Equity in earnings of unconsolidated affiliates	1.3		1.2	2.5
Interest income	4.8			4.8
Other investment income/(losses)	(4.2)	(86.5)		(90.7)

Interest expense	(15.9)			(15.9)
Income before income taxes, including gains and losses attributable to noncontrolling interests	51.1	(89.8)	1.2	(37.5)
Income tax provision	(20.3)			(20.3)
Net income, including gains and losses attributable to noncontrolling interests	30.8	(89.8)	1.2	(57.8)
(Gains)/losses attributable to noncontrolling interests in consolidated entities, net	(0.1)	88.6		88.5
Net income attributable to common shareholders	30.7	(1.2)	1.2	30.7

* The Before Consolidation column includes Invesco s equity interest in the investment products, accounted for as equity method and available-for-sale investments and does not include any other adjustments related to non-GAAP financial measure presentation.

** The company adopted FASB Statement No. 167 on January 1, 2010, resulting in the consolidation of certain CLOs. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs. Prior to January 1, 2010, the

company was not deemed to be the primary beneficiary of these CLOs.

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Operating Revenues and Net Revenues

Operating revenues increased by $170.5 million (31.1%) in the three months ended March 31, 2010, to $719.1 million (March 31, 2009: $548.6 million). Net revenues increased by $132.8 million (32.3%) in the three months ended March 31, 2010, to $544.4 million (March 31, 2009: $411.6 million). Net revenues are operating revenues less third-party distribution, service and advisory expenses, plus our proportional share of net revenues from joint venture arrangements, plus management fees earned from, less other revenue recorded by, consolidated investment products. See Schedule of Non-GAAP Information for additional important disclosures regarding the use of net revenues. A significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. Over the three month period, the average U.S. dollar foreign exchange rate was weaker when compared to other currencies, primarily the Pound Sterling, Canadian dollar and Euro, which impacted our reported revenues for the three months ended March 31, 2010, as compared to the three months ended March 31, 2009. The impact of foreign exchange rate movements resulted in $36.3 million (21.3%) of the increase in operating revenues during the three months ended March 31, 2010. Additionally, our revenues are directly influenced by the level and composition of our AUM as more fully discussed below. Movements in global capital market levels, net new business inflows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our revenues from period to period.

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

	Three months ended March 31,			
$ in millions	**2010**	**2009**	**$ Change**	**% Change**
Investment management fees	593.5	436.5	157.0	36.0%
Service and distribution fees	112.5	89.0	23.5	26.4%
Performance fees	1.4	10.9	(9.5)	(87.2)%
Other	11.7	12.2	(0.5)	(4.1)%
Total operating revenues	719.1	548.6	170.5	31.1%
Third-party distribution, service and advisory expenses	(195.6)	(148.2)	47.4	32.0%
Proportional share of revenues, net of third-party distribution expenses, from joint venture investments	10.5	9.6	0.9	9.4%
Management fees earned from consolidated investment products	10.6	3.0	7.6	253.3%
Operating revenues of consolidated investment products	(0.2)	(1.4)	1.2	(85.7)%
Net revenues	544.4	411.6	132.8	32.3%

Investment management fees

Investment management fees are derived from providing professional services to manage client accounts and include fees earned from retail mutual funds, unit trusts, investment companies with variable capital (ICVCs), exchange-traded funds, investment trusts and institutional and private wealth management advisory contracts. Investment management fees for products offered in the retail distribution channel are generally calculated as a percentage of the daily average asset balances and therefore vary as the levels of AUM change resulting from inflows, outflows and market movements. Investment management fees for products offered in the institutional and private wealth management distribution channels are calculated in accordance with the underlying investment management contracts and also vary in relation to the level of client assets managed.

Investment management fees increased by $157.0 million (36%) in the three months ended March 31, 2010, to $593.5 million (March 31, 2009: $436.5 million) due to increases in average AUM, changes in the mix of AUM between asset classes and foreign exchange rate movement. Average AUM for the three months ended March 31, 2010, were $417.6 billion (March 31, 2009: $351.0 billion). Average long-term AUM, which generally earn higher fee rates than money market AUM, for the three months ended March 31, 2010, were $342.3 billion (March 31, 2009: $264.9 billion), while average institutional money market AUM decreased 12.5% to $75.3 billion at March 31, 2010, from $86.1 billion for the three months ended March 31, 2009.

Additionally, the change in investment management fee revenues reflects the adoption of FASB Statement No. 167, now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, which resulted in the consolidation of certain CLOs with total assets of $5.7 billion at January 1, 2010. As part of the consolidation, management fees of $8.7 million were eliminated from the company s operating revenues for the three months ended March 31, 2010. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs. The company uses a non-GAAP financial measure, net revenues, to add back these eliminated management fees as part of net revenues, as the company has earned them for providing investment management

services to the consolidated CLOs. See Schedule of Non-GAAP Information for the reconciliation of operating revenues to net revenues.

Service and distribution fees

Service fees are generated through fees charged to cover several types of expenses, including fund accounting fees and other maintenance costs for mutual funds, unit trusts and ICVCs, and administrative fees earned from closed-ended funds. Service fees also include transfer agent fees, which are fees charged to cover the expense of processing client share purchases and redemptions, call center support and client reporting. U.S. distribution fees can include 12b-1 fees earned from certain mutual funds to cover allowable sales and marketing expenses for those funds and also include asset-based sales charges paid by certain mutual funds for a period of time after the sale of those funds. Distribution fees typically vary in relation to the amount of client assets managed. Generally, retail products offered outside of the U.S. do not generate a separate distribution fee, as the quoted management fee rate is inclusive of these services.

In the three months ended March 31, 2010, service and distribution fees increased by $23.5 million (26.4%) to $112.5 million (March 31, 2009: $89.0 million) due to increases in average AUM during the period.

Performance fees

Performance fee revenues are generated on certain management contracts when performance hurdles are achieved. Such fee revenues are recorded in operating revenues as of the performance measurement date, when the contractual performance criteria have been met and when the outcome of the transaction can be measured reliably in accordance with Method 1 of ASC Topic 605-20-S99, Revenue Recognition Services SEC Materials. Cash receipt of earned performance fees occurs after the measurement date. The performance measurement date is defined in each contract in which incentive and performance fee revenue agreements are in effect, and therefore we have performance fee arrangements that include monthly, quarterly and annual measurement dates. Given the uniqueness of each transaction, performance fee contracts are evaluated on an individual basis to determine if revenues can and should be recognized. Performance fees are not recorded if there are any future performance contingencies. If performance arrangements require repayment of the performance fee for failure to perform during the contractual period, then performance fee revenues are recognized no earlier than the expiration date of these terms. Performance fees will fluctuate from period to period and may not correlate with general market changes, since most of the fees are driven by relative performance to the respective benchmark rather than by absolute performance. Additionally, of our $419.6 billion in AUM at March 31, 2010, only approximately $26.5 billion, or 6.3%, could potentially earn performance fees.

In the three months ended March 31, 2010, performance fees decreased by $9.5 million (87.2%) to $1.4 million (March 31, 2009: $10.9 million). The performance fees generated in the three months ended March 31, 2009, arose primarily due to products managed in the UK and Asia.

Other revenues

Other revenues include fees derived primarily from transaction commissions earned upon the sale of new investments into certain of our funds and fees earned upon the completion of transactions in our direct real estate and private equity asset groups. Real estate transaction fees are derived from commissions earned through the buying and selling of properties. Private equity transaction fees include commissions associated with the restructuring of, and fees from providing advice to, portfolio companies held by the funds. These transaction fees are recorded in our financial statements on the date when the transactions are legally closed.

In the three months ended March 31, 2010, other revenues decreased by $0.5 million (4.1%) to $11.7 million (March 31, 2009: $12.2 million) driven by decreases in revenues of consolidated investment products, offset partially by increases in transaction fees within our real estate operations.

Third-party distribution, service and advisory expenses

Third-party distribution, service and advisory expenses include periodic renewal commissions paid to brokers and independent financial advisors for their continuing oversight of their clients assets, over the time they are invested, and are payments for the servicing of client accounts. Renewal commissions are calculated based upon a percentage of the AUM value. Third-party distribution expenses also include the amortization of upfront commissions paid to broker-dealers for sales of fund shares with a contingent deferred sales charge (a charge levied to the investor for

client redemption of AUM within a certain contracted period of time). The

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distribution commissions are amortized over the redemption period. Also included in third-party distribution, service and advisory expenses are sub-transfer agency fees that are paid to third parties for processing client share purchases and redemptions, call center support and client reporting. Third-party distribution, service and advisory expenses may increase or decrease at a rate different from the rate of change in service and distribution fee revenues due to the inclusion of distribution, service and advisory expenses for the U.K. and Canada, where the related revenues are recorded as investment management fee revenues, as noted above.

Third-party distribution, service and advisory expenses increased by $47.4 million (32.0%) in the three months ended March 31, 2010, to $195.6 million (March 31, 2009: $148.2 million), consistent with the increases in investment management and service and distribution fee revenues.

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

Management believes that the addition of our proportional share of revenues, net of third-party distribution expenses, from joint venture arrangements should be added to operating revenues to arrive at net revenues, as it is important to evaluate the contribution to the business that our joint venture arrangements are making. See Schedule of Non-GAAP Information for additional disclosures regarding the use of net revenues. The company s most significant joint venture arrangement is our 49.0% investment in Invesco Great Wall Fund Management Company Limited (the Invesco Great Wall joint venture).

Our proportional share of revenues, net of third-party distribution expenses increased by $0.9 million (9.4%) to $10.5 million in the three months ended March 31, 2010 (March 31, 2009: $9.6 million), driven by increases in average AUM during the period in the Invesco Great Wall joint venture. Our share of the Invesco Great Wall joint venture s average AUM in the three months ended March 31, 2010, was $3.8 billion (March 31, 2009: $3.2 billion).

Management fees earned from consolidated investment products

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

Management fees earned from consolidated investment products increased by $7.6 million (253.3%) to $10.6 million in the three months ended March 31, 2010 (March 31, 2009: $3.0 million). The increase reflects the adoption of FASB Statement No. 167, now encompassed in ASC Topic 810, Consolidation, on January 1, 2010, which resulted in the consolidation of certain CLOs with total assets of $5.7 billion at January 1, 2010. As part of the CLO consolidation, management fees of $8.7 million were eliminated from the company s operating revenues. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

Operating revenues of consolidated investment products

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

Operating Expenses

During the three months ended March 31, 2010, operating expenses increased by $95.4 million (19.6%) to $582.2 million (March 31, 2009: $486.8 million). As discussed above, a significant portion of our business and managed AUM are based outside of the U.S. The income statements of foreign currency subsidiaries are translated into U.S. dollars, the reporting currency of the company, using average foreign exchange rates. Over the three months, the average U.S. dollar foreign exchange rate was weaker when compared to other currencies, primarily the Pound

Sterling, Canadian dollar and Euro, which impacted our reported expenses for the three months

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ended March 31, 2010, as compared to the three months ended March 31, 2009. The impact of foreign exchange rate movements resulted in $27.0 million (28.3%) of the increase in operating expenses during the three months ended March 31, 2010.

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

	Three months ended March 31,
$ in millions	**2010**