Invesco Ltd.
Form 10-Q/A
October 31, 2012
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q/A
(Amendment No. 1)
(Mark One)

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

For the quarterly period ended June 30, 2012
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

Table of Contents

As of June 30, 2012, the most recent practicable date, 445,225,166 of the company's common shares par value $0.20 per share, were outstanding.

Table of Contents

Explanatory Note

This amendment (the “Amendment”) to the Quarterly Report on Form 10-Q for the interim period June 30, 2012, of Invesco Ltd. (the “Original Form 10-Q”) is being filed for the purposes of revising Note 12 - Guarantor Condensed Consolidating Financial Statements (the “Guarantor Footnote”) - in order to conform to the requirements of Rule 3-10 of Regulation S-X, including:

(i) grossing up the intercompany balances among the Guarantors, non-Guarantors, Issuer and Parent entities and presenting them as current and non-current intercompany receivables and payables on the Guarantor Condensed Consolidating Balance Sheets,

(ii) grossing up the intercompany revenue and expense sharing transactions on the Guarantor Condensed Consolidating Statements of Income, and

(iii) correcting the classification of certain intercompany loan, capital, and dividend activity as financing cash flows on the Guarantor Condensed Consolidating Statements of Cash Flows.

These corrections within in the Guarantor Footnote concern presentation and categorization of intercompany balances and transactions. Consequently, none of the corrections affect Invesco Ltd.'s primary consolidated financial statements, including the Consolidated Balance Sheets, Statements of Income and Statements of Cash Flows.
The primary purpose of the Guarantor Footnote is to provide financial information to the holders of the company's publicly-traded debt instruments. The corrections to the presentation do not affect compliance with the company's liquidity or debt covenants and do not result in a default under any of the terms of our debt instruments.
This Amendment solely modifies Part I, Item 1, and Part II, Item 6 of the Original Form 10-Q. All other Items of the Original Form 10-Q are unaffected by this Amendment and such Items have not been included in this Amendment. Information included in this Amendment is stated as of June 30, 2012, and does not reflect any subsequent events occurring after the filing of the Original Form 10-Q.

Table of Contents

TABLE OF CONTENTS

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

Table of Contents

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report, the documents incorporated by reference herein, other public filings and oral and written statements by us and our management, may include statements that constitute “forward-looking statements” within the meaning of the United States securities laws. These statements are based on the beliefs and assumptions of our management and on information available to us at the time such statements are made. 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, legal and regulatory developments, demand for and pricing of our products and other aspects of our business or general economic conditions. In addition, when used in this Report, the documents incorporated by reference herein or such other documents or statements, words such as “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “projects,” “forecasts,” and future or conditional verbs such as “will,” “may,” “could,” “should,” and “would,” and any other statement tha necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of performance or other outcomes. 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.

The following important factors, and other factors described elsewhere in this Report or incorporated by reference into this Report or contained in our other filings with the U.S. Securities and Exchange Commission (SEC), among others, could cause our results to differ materially from any results described in any forward-looking statements:

- variations in demand for our investment products or services, including termination or non-renewal of our investment advisory agreements;
- significant changes in net asset flows into or out of the accounts we manage or declines in market value of the assets in, or redemptions or other withdrawals from, those accounts;
- enactment of adverse state, federal or foreign legislation or changes in government policy or regulation (including accounting standards) affecting our operations, our capital requirements or the way in which our profits are taxed;
- significant fluctuations in the performance of debt and equity markets worldwide;
- exchange rate fluctuations, especially as against the U.S. Dollar;
- the effect of economic conditions and interest rates in the U.S. or globally;
- our ability to compete in the investment management business;
- the effect of consolidation in the investment management business;
- limitations or restrictions on access to distribution channels for our products;
- our ability to attract and retain key personnel, including investment management professionals;
- the investment performance of our investment products;
- our ability to acquire and integrate other companies into our operations successfully and the extent to which we can realize anticipated cost savings and synergies from such acquisitions;
- changes in regulatory capital requirements;
- our debt and the limitations imposed by our credit facility;
- the effect of failures or delays in support systems or customer service functions, and other interruptions of our operations;
- the occurrence of breaches and errors in the conduct of our business, including any failure to properly safeguard confidential and sensitive information;
- the execution risk inherent in our ongoing company-wide transformational initiatives;
- the effect of political or social instability in the countries in which we invest or do business;
-

- the effect of terrorist attacks in the countries in which we invest or do business and the escalation of hostilities that could result therefrom;
- war and other hostilities in or involving countries in which we invest or do business; and
- adverse results in litigation, including private civil litigation related to mutual fund fees and any similar potential regulatory or other proceedings.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized may also cause actual results to differ materially from those projected. For more discussion of the risks affecting us, please refer to Part I, Item 1A, “Risk Factors” in our Form 10-K.

You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us and our businesses generally. We expressly disclaim any obligation to update any of the information in this or any other public report if any forward-looking statement later turns out to be inaccurate, whether as a result of new information, future events or otherwise. For all forward-looking statements, we claim the “safe harbor” provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

Invesco Ltd.
Condensed Consolidated Balance Sheets
(Unaudited)

	As of	
$ in millions, except share data	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	718.4	727.4
Cash and cash equivalents of consolidated investment products	380.5	382.3
Unsettled fund receivables	487.1	444.4
Accounts receivable	398.4	424.4
Accounts receivable of consolidated investment products	114.7	98.5
Investments	344.5	283.7
Prepaid assets	51.4	51.2
Other current assets	88.4	150.0
Deferred tax asset, net	24.2	28.7
Assets held for policyholders	1,065.4	1,243.5
Total current assets	3,673.0	3,834.1
Non-current assets:		
Investments	218.8	200.8
Investments of consolidated investment products	6,050.9	6,629.0
Security deposit assets and receivables	75.0	81.2
Other non-current assets	18.4	17.9
Deferred sales commissions	43.8	40.5
Property and equipment, net	314.6	312.8
Intangible assets, net	1,302.3	1,322.8
Goodwill	6,916.1	6,907.9
Total non-current assets	14,939.9	15,512.9
Total assets	18,612.9	19,347.0
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of total debt	333.5	215.1
Unsettled fund payables	472.7	439.6
Income taxes payable	50.1	59.6
Other current liabilities	616.0	841.5
Other current liabilities of consolidated investment products	187.0	175.1
Policyholder payables	1,065.4	1,243.5
Total current liabilities	2,724.7	2,974.4
Non-current liabilities:		
Long-term debt	1,008.1	1,069.6
Long-term debt of consolidated investment products	5,069.7	5,512.9
Deferred tax liabilities, net	307.8	274.0
Security deposits payable	75.0	81.2
Other non-current liabilities	308.8	297.3
Total non-current liabilities	6,769.4	7,235.0

Total liabilities	9,494.1	10,209.4
Commitments and contingencies (See Note 10)		
Equity:		
Equity attributable to common shareholders:		
Common shares ($0.20 par value; 1,050.0 million authorized; 490.4 million shares issued as of June 30, 2012 and December 31, 2011)	98.1	98.1
Additional paid-in-capital	6,100.2	6,180.6
Treasury shares	(1,301.5)	(1,280.4)
Retained earnings	2,627.3	2,413.2
Retained earnings appropriated for investors in consolidated investment products	251.8	334.3
Accumulated other comprehensive income, net of tax	389.9	373.3
Total equity attributable to common shareholders	8,165.8	8,119.1
Equity attributable to noncontrolling interests in consolidated entities	953.0	1,018.5
Total equity	9,118.8	9,137.6
Total liabilities and equity	18,612.9	19,347.0

See accompanying notes.

4

Table of Contents

Invesco Ltd.
Condensed Consolidated Statements of Income
(Unaudited)

$ in millions, except per share data	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Operating revenues:				
Investment management fees	780.6	819.1	1,572.0	1,611.4
Service and distribution fees	187.1	211.4	376.1	410.1
Performance fees	15.4	7.6	35.9	11.4
Other	25.9	31.9	58.7	64.4
Total operating revenues	1,009.0	1,070.0	2,042.7	2,097.3
Operating expenses:				
Employee compensation	304.6	318.3	623.1	624.2
Third-party distribution, service and advisory	316.6	341.8	633.7	666.3
Marketing	26.6	26.1	53.3	51.8
Property, office and technology	68.5	61.9	135.3	125.9
General and administrative	88.7	77.6	162.0	151.2
Transaction and integration	1.1	11.3	2.6	19.2
Total operating expenses	806.1	837.0	1,610.0	1,638.6
Operating income	202.9	233.0	432.7	458.7
Other income/(expense):				
Equity in earnings of unconsolidated affiliates	6.9	10.8	16.6	17.5
Interest and dividend income	2.2	2.4	4.6	4.5
Interest income of consolidated investment products	68.7	79.8	137.7	154.0
Other gains/(losses) of consolidated investment products, net	77.2	(64.7)	(44.7)	(150.2)
Interest expense	(13.4)	(16.0)	(27.0)	(32.2)
Interest expense of consolidated investment products	(46.9)	(46.5)	(92.5)	(86.5)
Other gains and losses, net	(7.7)	6.0	10.9	13.9
Income before income taxes	289.9	204.8	438.3	379.7
Income tax provision	(62.3)	(75.4)	(135.9)	(151.0)
Net income	227.6	129.4	302.4	228.7
Net (income)/loss attributable to noncontrolling interests in consolidated entities, net	(73.7)	53.6	45.4	131.8
Net income attributable to common shareholders	153.9	183.0	347.8	360.5
Earnings per share:				
— basic	$0.34	$0.39	$0.77	$0.77
— diluted	$0.34	$0.39	$0.76	$0.77
Dividends declared per share	$0.1725	$0.1225	$0.2950	$0.2325

See accompanying notes.

Table of Contents

Invesco Ltd.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

$ in millions	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net income	227.6	129.4	302.4	228.7
Other comprehensive income, before tax:				
Currency translation differences on investments in overseas subsidiaries	(115.9)	31.6	(16.1)	152.3
Change in accumulated other comprehensive income related to employee benefit plans	2.0	0.2	0.9	10.2
Change in accumulated other comprehensive income of equity method investments	1.0	(2.3)	3.0	(1.1)
Change in net unrealized gains on available-for-sale investments	(2.1)	(2.9)	3.4	(2.6)
Other comprehensive income (loss), before tax	(115.0)	26.6	(8.8)	158.8
Income tax related to items of other comprehensive income:				
Tax benefit (expense) on foreign currency translation adjustments	0.8	(0.8)	0.8	(0.8)
Tax benefit (expense) on comprehensive income related to employee benefit plans	(0.5)	(0.1)	(0.2)	(2.5)
Tax benefit (expense) on change in net unrealized gains on available-for-sale investments	0.3	0.1	0.2	0.1
Total income tax benefit (expense) related to items of other comprehensive income	0.6	(0.8)	0.8	(3.2)
Other comprehensive income, net of tax	(114.4)	25.8	(8.0)	155.6
Total comprehensive income	113.2	155.2	294.4	384.3
Comprehensive loss (income) attributable to noncontrolling interests in consolidated entities	(50.5)	56.6	70.0	125.2
Comprehensive income attributable to common shareholders	62.7	211.8	364.4	509.5

See accompanying notes.

Table of Contents

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

$ in millions	Six months ended June 30, 2012	2011
Operating activities:		
Net income	302.4	228.7
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Amortization and depreciation	50.9	60.0
Share-based compensation expense	67.0	56.8
Gains on disposal of property, equipment, and software, net	(0.5)	—
Purchase of trading investments	(5,210.0)	(5,556.8)
Proceeds from sale of trading investments	5,200.8	5,516.5
Other gains and losses, net	(10.9)	(13.9)
(Gains)/losses of consolidated investment products, net	44.7	150.2
Tax benefit from share-based compensation	42.3	72.2
Excess tax benefits from share-based compensation	(12.0)	(15.1)
Equity in earnings of unconsolidated affiliates	(16.6)	(17.5)
Dividends from unconsolidated affiliates	13.1	3.0
Changes in operating assets and liabilities:		
(Increase)/decrease in cash held by consolidated investment products	(45.9)	31.5
(Increase)/decrease in receivables	263.1	(260.4)
Increase/(decrease) in payables	(441.2)	(109.2)
Net cash (used in)/provided by operating activities	247.2	146.0
Investing activities:		
Purchase of property and equipment	(37.2)	(40.7)
Disposal of property and equipment	0.6	—
Purchase of available-for-sale investments	(67.5)	(28.0)
Proceeds from sale of available-for-sale investments	23.8	36.6
Purchase of investments by consolidated investment products	(1,584.6)	(2,075.3)
Proceeds from sale of investments by consolidated investment products	1,492.1	2,376.4
Purchase of other investments	(63.4)	(61.4)
Proceeds from sale of other investments	46.2	23.7
Returns of capital and distributions from unconsolidated partnership investments	8.7	18.9
Acquisition of businesses	—	(14.9)
Acquisition earn-out payments	(5.6)	(5.4)
Net cash (used in)/provided by investing activities	(186.9)	229.9
Financing activities:		
Proceeds from exercises of share options	12.1	9.9
Purchases of treasury shares	(150.0)	(333.0)
Dividends paid	(133.7)	(108.5)
Excess tax benefits from share-based compensation	12.0	15.1
Capital invested into consolidated investment products	19.4	32.5
Capital distributed by consolidated investment products	(35.5)	(134.9)
Net borrowings/(repayments) of debt of consolidated investment products	145.7	(246.3)
Net borrowings/(repayments) under credit facility	272.0	268.0
Repayments of senior notes	(215.1)	—
Acquisition of interest in consolidated investment products	—	(12.3)

Net cash (used in)/provided by financing activities	(73.1)	(509.5)
(Decrease)/increase in cash and cash equivalents	(12.8)	(133.6)
Foreign exchange movement on cash and cash equivalents	3.8	14.6
Cash and cash equivalents, beginning of period	727.4	740.5
Cash and cash equivalents, end of period	718.4	621.5
Supplemental Cash Flow Information:		
Interest paid	(26.4)	(27.2)
Interest received	2.5	4.5
Taxes paid	(96.2)	(109.9)

See accompanying notes.

7

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	Total Equity Attributable to Common Shareholders	Noncontrolling Interests in Consolidated Entities	Total Equity
January 1, 2012	98.1	6,180.6	(1,280.4)	2,413.2	334.3	373.3	8,119.1	1,018.5	9,137.6
Net income	—	—	—	347.8	—	—	347.8	(45.4)	302.4
Other comprehensive income	—	—	—	—	—	16.6	16.6	(24.6)	(8.0)
Total comprehensive income							364.4	(70.0)	294.4
Net income (loss) reclassified to appropriated retained earnings	—	—	—	—	(26.4)	—	(26.4)	26.4	—
Currency translation differences on investments in overseas subsidiaries reclassified to appropriated retained earnings	—	—	—	—	(8.5)	—	(8.5)	8.5	—
Deconsolidation of consolidated investment products	—	—	—	—	(47.6)	—	(47.6)	—	(47.6)
Change in noncontrolling interests in consolidated entities, net	—	—	—	—	—	—	—	(30.4)	(30.4)
Dividends	—	—	—	(133.7)	—	—	(133.7)	—	(133.7)
Employee share plans:									
Share-based compensation	—	67.0	—	—	—	—	67.0	—	67.0
Vested shares	—	(147.7)	147.7	—	—	—	—	—	—
Exercise of options	—	(11.7)	23.8	—	—	—	12.1	—	12.1
Tax impact of share-based payment	—	12.0	—	—	—	—	12.0	—	12.0
Purchase of shares	—	—	(192.6)	—	—	—	(192.6)	—	(192.6)

June 30, 2012	98.1	6,100.2	(1,301.5)	2,627.3	251.8	389.9	8,165.8	953.0	9,118.8

See accompanying notes.

Table of Contents

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

$ in millions	Equity Attributable to Common Shareholders Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Retained Earnings Appropriated for Investors in Consolidated Investment Products	Accumulated Other Comprehensive Income	Total Equity Attributable to Common Shareholders	Non-Controlling Interests in Consolidated Entities	Total Equity
January 1, 2011	98.1	6,262.6	(991.5)	1,904.4	495.5	495.5	8,264.6	1,096.3	9,360.9
Net income	—	—	—	360.5	—	—	360.5	(131.8)	228.7
Other comprehensive income	—	—	—	—	—	149.0	149.0	6.6	155.6
Total comprehensive income							509.5	(125.2)	384.3
Net income (loss) reclassified to appropriated retained earnings	—	—	—	—	(170.2)	—	(170.2)	170.2	—
Currency translation differences on investments in overseas subsidiaries reclassified to appropriated retained earnings	—	—	—	—	14.9	—	14.9	(14.9)	—
Change in noncontrolling interests in consolidated entities, net	—	—	—	—	—	—	—	(116.9)	(116.9)
Dividends	—	—	—	(108.5)	—	—	(108.5)	—	(108.5)
Employee share plans:									
Share-based compensation	—	56.8	—	—	—	—	56.8	—	56.8
Vested shares	—	(175.6)	175.6	—	—	—	—	—	—
Exercise of options	—	(6.3)	16.2	—	—	—	9.9	—	9.9
Tax impact of share-based payment	—	15.1	—	—	—	—	15.1	—	15.1
Purchase of shares	—	—	(403.8)	—	—	—	(403.8)	—	(403.8)

June 30, 2011	98.1	6,152.6	(1,203.5)	2,156.4	340.2	644.5	8,188.3	1,009.5	9,197.8

See accompanying notes.

Table of Contents

Invesco Ltd.
Notes to the Condensed Consolidated Financial Statements
1. ACCOUNTING POLICIES
Corporate Information
Invesco Ltd. (Parent) and all of its consolidated entities (collectively, the company or Invesco) provide retail, institutional and high-net-worth clients with an array of global investment management capabilities. The company's sole business is investment management.
Basis of Accounting and Consolidation
In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented. All significant intercompany transactions, balances, revenues and expenses are eliminated upon consolidation.
The Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and consolidate the financial statements of the Parent, all of its controlled subsidiaries, any variable interest entities (VIEs) required to be consolidated, and any non-VIE general partnership investments where the company is deemed to have control. Control is deemed to be present when the Parent, directly or indirectly, holds a majority voting interest or otherwise has the power to govern the financial and operating policies of the subsidiary so as to obtain the benefits from its activities.
Certain disclosures included in the company's annual report are not required to be included on an interim basis in the company's quarterly reports on Forms 10-Q. The company has condensed or omitted these disclosures. Therefore, this Form 10-Q (Report) should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2011, which was filed with the U.S. Securities and Exchange Commission on February 24, 2012.
Use of Estimates
In preparing the financial statements, company management is required to make estimates and assumptions that affect reported revenues, expenses, assets, liabilities and disclosure of contingent liabilities. The primary estimates relate to investment valuation, goodwill and intangible 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.
Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements
In May 2011, the FASB issued Accounting Standards Update 2011-04, "Fair Value Measurements: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements" (ASU 2011-04). ASU 2011-04 amends Topic 820 to clarify existing fair value measurement disclosures to (1) specifically provide quantitative information about the significant unobservable inputs used for all level 3 measurements and (2) disclose any transfers between levels 1 and 2 of the fair value hierarchy, not just significant transfers. ASU 2011-04 also requires a number of additional disclosures regarding fair value measurements. Specifically, ASU 2011-04 requires entities to disclose: (1) a qualitative discussion about the sensitivity of recurring level 3 measurements to changes in the unobservable inputs disclosed, including the interrelationship between inputs; (2) a description of the company's valuation processes surrounding level 3 measurements; (3) information about when the current use of a non-financial asset measured at fair value differs from its highest and best use; and (4) the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. ASU 2011-04 amends Topic 820 to change the fair value measurement of financial instruments and the application of premiums and discounts in a fair value measurement. ASU 2011-04 also clarifies existing fair value measurement regarding the concepts of valuation premise, the application of the highest and best use, and the fair value measurement of an instrument classified in an entity's shareholders' equity. The adoption of ASU 2011-04 did not have an effect on the company's current fair value measurements but led to increased disclosures related to the assets and liabilities of the company's consolidated investment products that are classified as level 3 assets within the fair value hierarchy. The amendments to Topic 820 made by ASU 2011-04 are effective for interim and annual periods beginning on or after December 15, 2011, and are accordingly reflected in the fair value disclosure contained in Notes 2, "Fair Value of Assets and Liabilities," and 11, "Consolidated Investment Products."

In June 2011, the FASB issued Accounting Standards Update 2011-05, “Comprehensive Income: Presentation of Comprehensive Income” (ASU 2011-05). ASU 2011-05 amends Topic 220 to require the components of net income and other comprehensive income to be presented in one continuous statement, which would be referred to as the statement of comprehensive income, or in two separate but consecutive statements. Prior to ASU 2011-05, there was no requirement to

Table of Contents

present the statement of net income and statement of comprehensive income consecutively. ASU 2011-05 also requires an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income alongside their respective components of net income and other comprehensive income. This requirement in ASU 2011-05 was amended and deferred in December 2011, when the FASB issued Accounting Standards Update No. 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive income in Accounting Standards Update No. 2011-05” (ASU 2011-12). As a result of ASU 2011-12, an entity will continue to report items that are reclassified from accumulated other comprehensive income consistent with the requirements in Topic 220 in effect before the adoption of ASU 2011-05. The amendments to Topic 220 made by ASU 2011-05, and the amendments to ASU 2011-05 made by ASU 2011-12, are effective for interim and annual periods beginning on or after December 15, 2011 for public companies, and are accordingly reflected in the new financial statement, “Condensed Consolidated Statements of Comprehensive Income."

In September 2011, the FASB issued Accounting Standards Update 2011-08, “Intangibles-Goodwill and Other: Testing Goodwill for Impairment” (ASU 2011-08). ASU 2011-08 amends Topic 350 on testing for goodwill impairment. Specifically, ASU 2011-08 permits an entity the option to first qualitatively assess whether it is more likely than not (a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If an entity concludes that this is the case, it would be required to calculate the fair value of the reporting unit under step one of the goodwill impairment test; otherwise, no further testing is required. An entity may bypass the qualitative assessment in any period and proceed directly to step one of the goodwill impairment test, and may resume performing the qualitative assessment in any subsequent period. The amendments made by ASU 2011-08 have been adopted by the company and are effective for interim and annual periods beginning on or after December 15, 2011. They will be contemplated as part of the company's 2012 impairment testing process.

2. FAIR VALUE OF ASSETS AND LIABILITIES

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

	June 30, 2012			December 31, 2011	
$ in millions	Footnote Reference	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents		718.4	718.4	727.4	727.4
Available for sale investments	3	118.2	118.2	63.5	63.5
Assets held for policyholders		1,065.4	1,065.4	1,243.5	1,243.5
Trading investments	3	204.6	204.6	187.5	187.5
Foreign time deposits*	3	30.0	30.0	32.2	32.2
Support agreements*	10,11	(1.0)	(1.0)	(1.0)	(1.0)
Policyholder payables		(1,065.4)	(1,065.4)	(1,243.5)	(1,243.5)
Put option contracts		1.3	1.3	—	—
Financial instruments sold, not yet purchased		(1.2)	(1.2)	(1.0)	(1.0)
Note payable		(12.6)	(12.6)	(16.8)	(16.8)
Total debt*	4	(1,341.6)	(1,363.0)	(1,284.7)	(1,307.5)

* These financial instruments are not measured at fair value on a recurring basis. See the indicated footnotes for additional information about the carrying and fair values of these financial instruments. Foreign time deposits are measured at cost plus accrued interest, which approximates fair value, and are accordingly classified as Level 2 securities.

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

Cash equivalents

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

Available-for-sale investments

Table of Contents

Available-for-sale investments include amounts seeded into affiliated investment products, investments in affiliated CLOs, and investments in other debt securities. Seed money investments are investments held in Invesco managed funds with the purpose of providing capital to the funds during their development periods. Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified within level 1 of the valuation hierarchy; there is no modeling or additional information needed to arrive at the fair values of these investments. CLO assets are valued based on price quotations provided by an independent third-party pricing source, in which case they are classified as level 2, or using an income approach through the use of certain observable and unobservable inputs. Due to current liquidity constraints within the market for CLO products that require the use of unobservable inputs, these investments are classified within level 3 of the valuation hierarchy. Other debt securities are valued using a cost valuation technique due to the lack of available cash flow and market data and are accordingly also classified within Level 3 of the valuation hierarchy.

Assets held for policyholders

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

Put option contracts

In the three months ended June 30, 2012, the company purchased four put option contracts to hedge economically foreign currency risk on the translation of a portion of its pound sterling-denominated earnings into U.S. dollars. The economic hedge is predominantly triggered upon the impact of a significant decline in the pound sterling/U.S. dollar foreign exchange rate, which could arise from a Greek Euro exit or other major European economic events. Open put option contracts are marked-to-market through earnings, which are recorded in the company's consolidated statement of income in other gains and losses. These derivative contracts are valued using option valuation models and are included in other current assets in the company's consolidated balance sheet. The significant inputs in these models (volatility, forward points and swap curves) are readily available in public markets or can be derived from observable market transactions for substantially the full terms of the contracts and are classified within level 2 of the valuation hierarchy. The cost to the company of these contracts was $2.5 million at their inception date, which represents the company's maximum exposure to loss from the contracts over the 12-month cumulative contract period, and contract maturity ranges from September 25, 2012 to June 25, 2013. These were the only contracts entered into during the period to hedge economically foreign currency risk. The company recognized a loss of $1.2 million in the six months ended June 30, 2012 related to the change in market value of these put option contracts.

Trading investments

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

- Investments related to deferred compensation plans

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

- UIT-related equity and debt securities

At June 30, 2012, UIT-related equity and debt securities consisted of investments in corporate stock, corporate bonds, UITs, U.S. state and political subdivisions. Each is discussed more fully below.

- Corporate stock

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

• Corporate bonds

The company temporarily holds investments in corporate bonds for purposed of creating a UIT. Corporate bonds are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the

12

Table of Contents

underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

- UITs

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

- Municipal securities

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

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

The company uses U.S. Treasury futures, which are types of derivative financial instruments, to hedge economically fixed income UIT inventory and securities in order to mitigate market risk. Open futures contracts are marked-to-market daily through earnings, which are recorded in the company's consolidated statement of income in other revenue, along with the mark-to-market on the underlying trading securities held. Fair values of derivative contracts in an asset position are included in other current assets in the company's consolidated balance sheet. Fair values of derivative contracts in a liability position are included in other liabilities in the company's consolidated balance sheet. These derivative contracts are valued under the market approach through use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy. At June 30, 2012, there were 7 open futures contracts with a notional value of $0.9 million (December 31, 2011: 10 open futures contracts with a notional value of $1.3 million). Additionally, to hedge economically the market risk associated with equity and debt securities and UITs temporarily held as trading investments, the company will hold short corporate stock, exchange-traded fund, or U.S. treasury security positions. These transactions are recorded as financial instruments sold, not yet purchased and are included in other current liabilities in the company's consolidated balance sheet. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

Note payable

The note payable represents a payable associated with Invesco's acquired ownership interest in two consolidated real estate funds. As the underlying investments in the funds are carried at fair value (and are disclosed as level 3 assets in the fair value hierarchy table included in Note 11, "Consolidated Investment Products"), management elected the fair value option for the note payable in order to offset the fair value movements recognized from the funds and has recorded the note payable as a level 3 liability. The fair value of the note payable is measured by reference to the value of the company's ownership interest in the equity of the funds, as this is the contractual amount payable at the reporting date. The value of the funds' equity is driven by the value of the underlying investments of the funds, as these investments make up the majority of the funds' equity. See Note 11, "Consolidated Investment Products," for additional information regarding the valuation of the underlying investments of the funds.

Table of Contents

The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the face of the statement of financial position as of June 30, 2012.

	As of June 30, 2012			
$ 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	210.6	210.6	—	—
Investments:*				
Available-for-sale:				
Seed money	109.4	100.2	9.2	—
Trading investments:				
Investments related to deferred compensation plans	200.2	200.2	—	—
UIT-related equity and debt securities:				
Corporate stock	1.5	1.5	—	—
UITs	1.6	1.6	—	—
Municipal securities	1.3	—	1.3	—
Assets held for policyholders	1,065.4	1,065.4	—	—
Put option contracts	1.3	—	1.3	—
Total current assets	1,591.3	1,579.5	11.8	