

INVESCO PLC/LONDON/
Form 10-Q
November 09, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission File Number: 001-13908

INVESCO PLC

(Exact name of registrant as specified in its charter)

England and Wales

(State or other jurisdiction of
incorporation or organization)

98-0407710

(I.R.S. Employer
Identification No.)

1360 Peachtree Street, NE, Atlanta, GA

(Address of principal executive offices)

30309

(Zip Code)

(404) 892-0896

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 8, 2007, the most recent practicable date, 836,680,133 of the Company's Ordinary Shares of U.S. \$0.10 par value per share (including Ordinary Shares represented by outstanding American Depositary Shares) were outstanding. The primary market for the Ordinary Shares is the London Stock Exchange, and the American Depositary Shares are traded on the New York Stock Exchange. Each of the Company's American Depositary Shares represents the right to receive two (2) Ordinary Shares.

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EX-32.2 CERTIFICATION OF LOREN M. STARR PURSUANT TO SECTION 906

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenues				
Management	\$ 816.2	\$ 641.7	\$ 2,363.3	\$ 1,887.6
Service and distribution	150.6	130.8	442.3	399.4
Other	26.1	18.8	78.6	75.6
Total revenues	992.9	791.3	2,884.2	2,362.6
Third-party distribution, service and advisory fees	(272.6)	(204.2)	(770.7)	(603.3)
Net revenues	720.3	587.1	2,113.5	1,759.3
Operating expenses				
Compensation	273.1	288.3	829.3	793.1
Marketing	41.3	31.6	114.7	103.3
Property and office	36.5	27.1	95.2	81.1
Technology and telecommunications	30.4	30.5	87.9	92.7
General and administrative	70.0	52.8	208.5	154.0
Total operating expenses	451.3	430.3	1,335.6	1,224.2
Operating profit	269.0	156.8	777.9	535.1
Interest income	14.2	6.6	36.9	16.9
Other realized gains	7.9	11.2	22.0	18.8
Other realized losses	(7.4)	(4.4)	(13.6)	(8.1)
Interest expense	(20.4)	(19.7)	(65.7)	(56.3)
Profit before taxation	263.3	150.5	757.5	506.4
Taxation - U.K.	(40.0)	(15.4)	(95.5)	(52.8)
Taxation - Outside of the U.K.	(50.2)	(32.9)	(165.2)	(125.7)
Profit after taxation	173.1	102.2	496.8	327.9
Profit attributable to minority interests	(2.5)	(0.2)	(3.4)	(1.3)
Profit attributable to equity holders of the parent	\$ 170.6	\$ 102.0	\$ 493.4	\$ 326.6
Earnings per share:				
- basic	\$ 0.21	\$ 0.13	\$ 0.62	\$ 0.41
- diluted	\$ 0.21	\$ 0.13	\$ 0.60	\$ 0.40
Final dividend per share			\$ 0.104	\$ 0.098

Final dividend paid			\$ 86.4	\$ 80.3
Average shares outstanding:				
- basic	799.9	790.3	798.9	791.0
- diluted	821.0	809.6	820.4	810.7
Ending headcount	5,390	5,499	5,390	5,499

The accompanying notes are an integral part of these condensed consolidated financial statements.

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INVESCO PLC
Condensed Consolidated Balance Sheet
(Unaudited, in millions)

	September 30, 2007	December 31, 2006
Non-current assets		
Goodwill	\$ 5,189.8	\$ 4,906.6
Intangible assets	267.4	296.7
Property and equipment	149.6	165.8
Deferred sales commissions	52.0	55.9
Deferred tax assets	248.7	212.1
Investments	158.7	158.1
	6,066.2	5,795.2
Current assets		
Trade and other receivables	1,479.6	997.4
Investments	126.5	134.9
Cash and cash equivalents	1,102.4	789.6
Assets held for policyholders	1,892.6	1,574.9
	4,601.1	3,496.8
Total assets	10,667.3	9,292.0
Non-current liabilities		
Long-term debt	(1,143.2)	(972.7)
Provisions	(472.6)	(461.8)
	(1,615.8)	(1,434.5)
Current liabilities		
Current maturities of long-term debt		(300.0)
Trade and other payables	(1,811.1)	(1,384.3)
Taxation	(148.5)	(95.4)
Provisions	(194.3)	(227.8)
Policyholder liabilities	(1,892.6)	(1,574.9)
	(4,046.5)	(3,582.4)
Total liabilities	(5,662.3)	(5,016.9)
Net assets	\$ 5,005.0	\$ 4,275.1
Equity		
Share capital	\$ 84.6	\$ 83.2

Share premium	328.5	205.1
Treasury shares	(105.2)	
Shares held by employee trusts	(684.1)	(601.7)
Exchangeable shares	352.5	377.4
Retained earnings	1,541.9	1,054.9
Other reserves	3,473.4	3,151.2
Equity attributable to equity holders of the parent	4,991.6	4,270.1
Equity attributable to minority interests	13.4	5.0
Total equity	\$ 5,005.0	\$ 4,275.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

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INVESCO PLC
Condensed Consolidated Statement of Changes in Equity
(Unaudited, in millions)

	Share Capital	Share Premium	Treasury Shares	Shares Held by Employee Trusts	Exchangeable Shares	Retained Earnings	Other Reserves	Minority Interests	Total
January 1, 2007	\$83.2	\$205.1		\$(601.7)	\$377.4	\$1,054.9	\$3,151.2	\$5.0	\$4,275.1
Profit attributable to equity holders of the parent						493.4			493.4
Currency translation differences on investments in overseas subsidiaries						42.8	299.1	0.3	342.2
Net movement on available-for-sale reserve							(8.7)		(8.7)
Total recognized income and expense attributable to equity holders of the parent						536.2	290.4	0.3	826.9
Total equity before transactions with owners	83.2	205.1		(601.7)	377.4	1,591.1	3,441.6	5.3	5,102.0
Employee share plans:									
Share-based compensation credit						69.0			69.0
Vested stock				31.8		(31.8)			
Exercise of options	1.2	97.9							99.1
Increase in shares held by employee trusts				(114.2)					(114.2)
Increase in treasury shares			(105.2)						(105.2)
							26.5		26.5

Tax taken to/recycled from equity									
Dividends						(86.4)			(86.4)
Issuance of new shares for acquisition									
earn-out	0.1	0.7					5.3		6.1
Conversion of exchangeable shares into ordinary shares	0.1	24.8			(24.9)				
Total amounts attributable to minority interests								8.1	8.1
September 30, 2007	\$84.6	\$328.5	\$(105.2)	\$(684.1)	\$352.5	\$1,541.9	\$3,473.4	\$13.4	\$5,005.0
January 1, 2006	\$81.8	\$85.0		\$(413.5)	\$431.8	\$638.7	\$2,789.2	\$3.3	\$3,616.3
Profit attributable to equity holders of the parent						326.6			326.6
Currency translation differences on investments in overseas subsidiaries						(53.0)	284.8	0.2	232.0
Net movement on available-for-sale reserve							(22.6)		(22.6)
Total recognized income and expense attributable to equity holders of the parent						273.6	262.2	0.2	536.0
Total equity before transactions with owners	81.8	85.0		(413.5)	431.8	912.3	3,051.4	3.5	4,152.3
Employee share plans:									
Share-based compensation credit						101.9			101.9

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Exercise of options	0.9	48.6		(0.8)				48.7
Increase in shares held by employee trusts			(155.9)					(155.9)
Tax taken to/recycled from equity						20.1		20.1
Dividends					(80.3)			(80.3)
Issuance of new shares for acquisition								
earn-out		0.8						0.8
Conversion of exchangeable shares into ordinary shares	0.1	26.9		(27.0)				
Total amounts attributable to minority interests							1.3	1.3
September 30, 2006	\$82.8	\$161.3	\$ (569.4)	\$ 404.0	\$ 933.9	\$3,071.5	\$ 4.8	\$4,088.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

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INVESCO PLC
Condensed Consolidated Cash Flow Statement
(Unaudited, in millions)

	Nine Months Ended	
	September 30,	
	2007	2006
Operating activities:		
Profit for the period attributable to equity holders of the parent	\$ 493.4	\$ 326.6
Adjustments to reconcile profit to net cash provided by operating activities:		
Amortization and depreciation	68.5	49.9
Amortization of share-related compensation	73.4	107.7
Increase in receivables	(493.5)	(324.6)
Increase in payables	525.7	117.0
Net loss/(gain) on disposal of assets	2.0	(0.1)
Decrease/(increase) in current investments	17.3	(44.9)
Net cash inflow from operating activities	686.8	231.6
Investing activities:		
Purchases of property and equipment	(25.4)	(26.3)
Disposals of property and equipment		1.3
Purchases of long-term investments	(41.2)	(85.3)
Disposals of long-term investments	36.6	48.8
Acquisitions of businesses (net of cash acquired of \$2.1 million in 2006)	(10.8)	(100.5)
Net cash outflow from investing activities	(40.8)	(162.0)
Financing activities:		
Issuance of new ordinary share capital	99.1	48.4
Purchases of treasury shares	(90.5)	
Purchases of shares held by employee trusts	(146.4)	(155.9)
Dividends paid	(86.4)	(80.3)
Net (payment)/draw on credit facility	(129.0)	44.0
Issuance of senior notes	300.0	
Repayment of senior notes	(300.0)	
Net cash outflow from financing activities	(353.2)	(143.8)
Increase/(decrease) in cash and cash equivalents	292.8	(74.2)
Foreign exchange movement on cash and cash equivalents	20.0	22.7
Cash and cash equivalents, beginning of period	789.6	715.7
Cash and cash equivalents, end of period	\$ 1,102.4	\$ 664.2
Supplemental cash flow information:		
Interest paid	\$ (49.8)	\$ (59.7)
Interest received	\$ 36.3	\$ 17.9
Taxes paid	\$ (213.0)	\$ (164.2)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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INVESCO PLC
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Overview and Basis of Presentation

INVESCO PLC (Parent), formerly AMVESCAP PLC, and all of its consolidated subsidiaries (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 asset management.

The Parent is incorporated and domiciled in the United Kingdom and is a public limited company under the U.K. Companies Act. The Parent has its primary listing of shares on the London Stock Exchange and secondary listings on the New York Stock Exchange and the Toronto Stock Exchange. Prior to July 2007, Invesco qualified as a foreign private issuer for purposes of filing and disclosure requirements under the United States federal securities laws. As a foreign private issuer under the Securities Exchange Act, as amended (the Exchange Act), Invesco prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, with an annual reconciliation to accounting principles generally accepted in the United States (U.S. GAAP). Beginning in July of 2007 the company no longer satisfied the definition of a foreign private issuer under the Exchange Act and is now required to present its financial statements in United States Securities and Exchange Commission (SEC) periodic reports in accordance with U.S. GAAP. The financial statements included in this Quarterly Report on Form 10-Q are prepared in accordance with IFRS, consistent with Invesco s past periodic reports, including its Annual Report on Form 20-F for the year ended December 31, 2006, and include a reconciliation to U.S. GAAP. The SEC staff has informed Invesco that it will not object to this presentation for purposes of this Form 10-Q. Invesco will begin presenting its financial statements in accordance with U.S. GAAP in its Annual Report on Form 10-K for the year ended December 31, 2007. In response to the loss of foreign private issuer status, the company also intends to move its primary listing from the London Stock Exchange to the New York Stock Exchange and relocate its domicile from London to Bermuda.

These interim unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto, contained within the company s Annual Report on Form 20-F for the year ended December 31, 2006. In the opinion of management, the condensed consolidated financial statements in this Form 10-Q reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented. All significant inter-company accounts and transactions have been eliminated in consolidation. Operating results for the three- and nine-month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007. The interim financial information has been prepared under the measurement and recognition principles of IFRS as permitted by the Committee of European Securities Regulators and does not purport to be a complete or condensed set of interim financial statements in accordance with IAS 34, Interim Financial Reporting.

The financial information contained in these interim condensed consolidated financial statements is unaudited and does not constitute statutory financial statements. The 2006 Annual Report, filed with the Registrar of Companies on May 26, 2007, includes an unqualified audit report in accordance with Section 235 of the Companies Act 1985. This audit report does not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

As a result of no longer qualifying as a foreign private issuer , a U.S. GAAP Annual Report on Form 10-K is required to be filed with the SEC in addition to an IFRS annual report prepared for U.K. regulations. The accounting policies applied to the information in these interim financial statements are expected to be consistent with those that would be applied in the 2007 IFRS Annual Report if the initiative to change the company s primary listing and domicile described above is not completed by December 31, 2007. If the initiative is completed prior to this date, INVESCO PLC will be replaced as the parent company by Invesco Ltd., and Invesco Ltd. will be required to report consolidated financial statements solely in accordance with U.S. GAAP, and consolidated financial statements under IFRS would no longer be required. A reconciliation of profit attributable to equity holders of the parent and equity attributable to equity holders of the parent under IFRS to net income and total shareholders equity under U.S. GAAP is included in Note 12.

Certain prior year balances have been reclassified to conform to the current year presentation.

Note 2. Summary of Significant Accounting Policies

There have been no material changes during the nine months ended September 30, 2007 with respect to the accounting policies discussion contained within our Annual Report on Form 20-F for the year ended December 31, 2006.

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Recent Accounting Pronouncements

IFRS comprise standards and interpretations approved by the International Accounting Standards Board and its predecessors. As of September 30, 2007, all issued IFRS were also adopted by the European Commission, with the exception of IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, which is effective for periods commencing January 1, 2008, IFRS 8, Operating Segments, which is effective for periods commencing January 1, 2009, but which is not expected to result in changes to the company's single-segment approach, and the amendments to IAS 1, Presentation of Financial Statements (Revised) and IAS 23, Borrowing Costs, which are also effective for periods commencing January 1, 2009. These new standards are not expected to have a material impact on the company's consolidated financial statements. IFRS 7, Financial Instruments: Disclosures, and the related amendment to IAS 1, Presentation of Financial Statements, Capital Disclosures, were effective and were adopted for periods commencing January 1, 2007. The company has adopted IFRIC 11, Group and Treasury Share Transactions, which has provided additional guidance for accounting for share-based payment transactions upon award vesting between the parent and its subsidiaries. The application of IFRIC 11 did not have a material impact on the company's consolidated financial statements.

Note 3. Acquisitions and Dispositions

Acquisition of PowerShares Capital Management LLC

On September 18, 2006, the company acquired 100% of the limited liability company interests of PowerShares Capital Management LLC (PowerShares). Consideration for the transaction was \$399.1 million, which included earn-out provisions of \$291.6 million, payable in the future depending on the achievement of various management fee growth targets, and transaction costs of \$6.3 million.

Acquisition of WL Ross & Co. LLC

On October 3, 2006, the company acquir