

Invesco Ltd.
Form DEFA14A
April 08, 2009
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant O

Check the appropriate box:

- O Preliminary proxy statement
- O Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- O Definitive Proxy Statement
- X Definitive Additional Materials
- O Soliciting Material Pursuant to § 240.14a-12

Invesco Ltd.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid: _____

(2) Form, Schedule or Registration Statement No.: _____

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SUMMARIZED CONSOLIDATED

FINANCIAL STATEMENTS

OF

INVESCO LTD.

In accordance with Bermuda law, attached are summarized consolidated financial statements of Invesco Ltd., which include the consolidated balance sheets of Invesco Ltd. at December 31, 2008 and 2007 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008, and the auditor's report thereon. The attached summarized consolidated financial statements do not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of Invesco Ltd. as would be provided by Invesco Ltd.'s complete consolidated financial statements for such periods. In the event you would prefer to receive a copy of these complete consolidated financial statements, of which the information contained herein is a summary, and/or those for subsequent periods, you should submit your request to Invesco Ltd.'s Secretary at *company.secretary@invesco.com* or by writing Invesco Ltd., Attn: Office of the Secretary, 1555 Peachtree Street N.E., Atlanta, Georgia 30309.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Shareholders of Invesco Ltd.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Invesco Ltd. at December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 (not presented separately herein) and in our report dated February 25, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements (presented on pages 2 through 5) is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Invesco Ltd.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2009 (not presented separately herein) expressed an unqualified opinion thereon.

Ernst & Young LLP

Atlanta, GA

February 25, 2009

Condensed Consolidated Balance Sheets

| | As of | |
|---|--------------|--------------|
| | December 31, | December 31, |
| \$ in millions | 2008 | 2007 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$585.2 | \$915.8 |
| Cash and cash equivalents of consolidated investment products | 73.0 | 36.6 |
| Unsettled fund receivables | 303.7 | 605.5 |
| Accounts receivable | 239.3 | 373.0 |
| Investments | 123.6 | 151.4 |
| Prepaid assets | 55.6 | 65.9 |
| Other current assets | 72.2 | 89.9 |
| Deferred tax asset, net | 86.1 | 32.5 |
| Assets held for policyholders | 840.2 | 1,898.0 |
| Total current assets | 2,378.9 | 4,168.6 |
| Non-current assets: | | |
| Investments | 121.3 | 114.1 |
| Investments of consolidated investment products | 843.8 | 1,239.6 |
| Prepaid assets | 36.3 | 55.6 |
| Deferred sales commissions | 24.5 | 31.3 |
| Deferred tax asset, net | 37.2 | 133.8 |
| Property and equipment, net | 205.3 | 180.0 |
| Intangible assets, net | 142.8 | 154.2 |
| Goodwill | 5,966.8 | 6,848.0 |
| Total non-current assets | 7,378.0 | 8,756.6 |
| Total assets | \$9,756.9 | \$12,925.2 |
| LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$297.2 | \$— |
| Unsettled fund payables | 288.3 | 581.2 |
| Income taxes payable | 37.9 | 140.6 |
| Other current liabilities | 639.8 | 1,021.1 |
| Policyholder payables | 840.2 | 1,898.0 |
| Total current liabilities | 2,103.4 | 3,640.9 |
| Non-current liabilities: | | |
| Long-term debt | 862.0 | 1,276.4 |
| Borrowings of consolidated investment products | — | 116.6 |
| Other non-current liabilities | 195.3 | 179.5 |
| Total non-current liabilities | 1,057.3 | 1,572.5 |
| Total liabilities | 3,160.7 | 5,213.4 |
| Minority interests in equity of consolidated entities | 906.7 | 1,121.2 |
| Shareholders' equity: | | |
| Common shares (\$0.20 par value; 1,050.0 million authorized; 426.6 million and 424.7 million shares issued as of December 31, 2008, and 2007, respectively) | 85.3 | 84.9 |
| Additional paid-in-capital | 5,352.6 | 5,306.3 |
| Treasury shares | (1,128.9) | (954.4) |
| Retained earnings | 1,476.3 | 1,201.7 |

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| | | |
|--|-----------|------------|
| Accumulated other comprehensive (loss)/income, net of tax | (95.8) | 952.1 |
| Total shareholders' equity | 5,689.5 | 6,590.6 |
| Total liabilities, minority interests and shareholders' equity | \$9,756.9 | \$12,925.2 |

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Condensed Consolidated Statements of Income

| \$ in millions, except per share data | Years Ended December 31, | | |
|---|--------------------------|-----------|-----------|
| | 2008 | 2007 | 2006 |
| Operating revenues: | | | |
| Investment management fees | \$2,617.8 | \$3,080.1 | \$2,508.2 |
| Performance fees | 75.1 | 70.3 | 82.1 |
| Service and distribution fees | 512.5 | 593.1 | 534.9 |
| Other | 102.2 | 135.4 | 121.5 |
| Total operating revenues | 3,307.6 | 3,878.9 | 3,246.7 |
| Operating expenses: | | | |
| Employee compensation | 1,055.8 | 1,137.6 | 1,070.5 |
| Third-party distribution, service and advisory | 875.5 | 1,051.1 | 826.8 |
| Marketing | 148.2 | 157.6 | 138.8 |
| Property, office and technology | 214.3 | 242.5 | 230.7 |
| General and administrative | 266.0 | 295.8 | 207.6 |
| Restructuring charge | — | — | 13.1 |
| Total operating expenses | 2,559.8 | 2,884.6 | 2,487.5 |
| Operating income | 747.8 | 994.3 | 759.2 |
| Other income/(expense): | | | |
| Equity in earnings of unconsolidated affiliates | 46.8 | 48.1 | 4.3 |
| Interest income | 37.2 | 48.5 | 26.9 |
| Gains and losses of consolidated investment products, net | (58.0) | 214.3 | 294.3 |
| Interest expense | (76.9) | (71.3) | (77.2) |
| Other gains and losses, net | (39.9) | 9.9 | 26.8 |
| Income before income taxes and minority interest | 657.0 | 1,243.8 | 1,034.3 |
| Income tax provision | (236.0) | (357.3) | (254.6) |
| Income before minority interest | 421.0 | 886.5 | 779.7 |
| Minority interest in (income)/losses of consolidated entities, net of tax | 60.7 | (212.9) | (297.0) |
| Net income | \$481.7 | \$673.6 | \$482.7 |
| Earnings per share: | | | |
| — basic | \$1.25 | \$1.69 | \$1.22 |
| — diluted | \$1.21 | \$1.64 | \$1.19 |
| Dividends declared per share | \$0.520 | \$0.372 | \$0.357 |

Condensed Consolidated Statements of Cash Flows

| \$ in millions | Years Ended December 31, | | |
|---|--------------------------|---------|---------|
| | 2008 | 2007 | 2006 |
| Operating activities: | | | |
| Net income | \$481.7 | \$673.6 | \$482.7 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Amortization and depreciation | 47.6 | 64.1 | 67.5 |
| Share-based compensation expense | 97.7 | 105.2 | 140.6 |
| Loss/(gain) on disposal of property, equipment, software, net | (2.0) | (1.1) | 4.0 |
| Purchase of trading investments | (22.0) | (24.2) | (51.9) |
| Sale of trading investments | 22.3 | 24.6 | 1.5 |
| Other gains and losses, net | 39.9 | (9.9) | (26.8) |
| Loss/(gain) of consolidated investment products, net | 58.0 | (214.3) | (294.3) |
| Tax benefit from share-based compensation | 54.9 | 38.2 | 17.9 |
| Excess tax benefits from share-based compensation | (16.8) | (23.1) | (12.3) |
| Minority interest in earnings of consolidated entities, net of tax | (60.7) | 212.9 | 297.0 |
| Equity in earnings of unconsolidated affiliates | (46.8) | (48.1) | (4.3) |
| Changes in operating assets and liabilities: | | | |
| Change in cash held at consolidated investment products | (37.1) | (4.8) | 1.3 |
| Decrease/(increase)in receivables | 1,138.8 | (59.6) | (160.7) |
| (Decrease)/increase in payables | (1,259.8) | 180.2 | (6.3) |
| Net cash provided by operating activities | 495.7 | 913.7 | 455.9 |
| Investing activities: | | | |
| Purchase of property and equipment | (84.1) | (36.7) | (37.9) |
| Disposal of property and equipment | 0.2 | 12.1 | 2.5 |
| Dividends from unconsolidated affiliates | 29.8 | 1.8 | 0.9 |
| Purchase of available-for-sale investments | (109.4) | (80.3) | (289.4) |
| Proceeds from sale of available-for-sale investments | 84.5 | 111.8 | 254.3 |
| Purchase of investments by consolidated investment products | (112.3) | (331.5) | (372.3) |
| Proceeds from sale of investments by consolidated investment products | 188.7 | 143.6 | 122.6 |
| Returns of capital in investments of consolidated investment products | 99.2 | 196.0 | 257.5 |
| Purchase of other investments | (27.1) | (25.9) | (14.5) |
| Proceeds from sale of other investments | 36.2 | 17.1 | 15.6 |
| Acquisitions of businesses, net of cash acquired of \$8.9 million in 2006 | — | — | (198.8) |
| Acquisition earn-out payments | (174.3) | (56.0) | (1.3) |
| Disposal of businesses | — | 1.6 | 2.1 |
| Net cash used in investing activities | (68.6) | (46.4) | (258.7) |
| Financing activities: | | | |
| Proceeds from exercises of share options | 79.8 | 137.4 | 66.8 |
| Purchases of treasury shares | (313.4) | (716.0) | (155.9) |
| Dividends paid | (207.1) | (155.0) | (143.6) |
| Excess tax benefits from share-based compensation | 16.8 | 23.1 | 12.3 |
| Capital invested into consolidated investment products | 96.1 | 211.0 | 345.3 |
| Capital distributed by consolidated investment products | (241.0) | (318.2) | (301.2) |
| Borrowings of consolidated investment products | 28.9 | 112.6 | 46.3 |
| Repayments of consolidated investment products | (9.3) | (33.1) | (82.1) |
| Net (repayments)/borrowings under credit facility | (114.4) | (2.6) | 59.0 |
| Issuance of senior notes | — | 300.0 | — |
| Repayments of senior notes | (2.8) | (300.0) | (10.0) |
| Net cash used in financing activities | (666.4) | (740.8) | (163.1) |
| (Decrease)/increase in cash and cash equivalents | (239.3) | 126.5 | 34.1 |
| Foreign exchange movement on cash and cash equivalents | (91.3) | 10.4 | 35.3 |
| Cash and cash equivalents, beginning of year | 915.8 | 778.9 | 709.5 |

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| | | | |
|--|-----------|-----------|-----------|
| Cash and cash equivalents, end of year | \$585.2 | \$915.8 | \$778.9 |
| Supplemental Cash Flow Information: | | | |
| Interest paid | \$(71.2) | \$(72.0) | \$(73.4) |
| Interest received | \$36.9 | \$48.2 | \$26.9 |
| Taxes paid | \$(238.4) | \$(328.2) | \$(213.1) |

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Condensed Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income

| | | | | | | | Accumulated | |
|--|--------|----------|--------------|------------|-----------|----------|---------------|---------------|
| | | | | Additional | | | Other | Total |
| | Common | Ordinary | Exchangeable | Paid-in- | Treasury | Retained | Comprehensive | Shareholders' |
| \$ in millions | Shares | Shares | Shares | Capital | Shares | Earnings | (Loss)/Income | Equity |
| January 1, 2006 | \$— | \$81.8 | \$431.8 | \$4,710.0 | \$(407.1) | \$361.6 | \$351.7 | \$5,529.8 |
| Net income | — | — | — | — | — | 482.7 | — | 482.7 |
| Other comprehensive income | | | | | | | | |
| Currency translation differences on investments in overseas subsidiaries | — | — | — | — | — | — | 268.3 | 268.3 |
| Change in minimum pension liability | — | — | — | — | — | — | 25.3 | 25.3 |
| Change in net unrealized gains on available-for-sale investments | — | — | — | — | — | — | (6.6) | (6.6) |
| Tax impacts of changes in accumulated OCI balances | — | — | — | — | — | — | (0.7) | (0.7) |
| Total comprehensive income | | | | | | | | 769.0 |
| Initial impact of adopting FASB 158, net of tax | — | — | — | — | — | — | (23.5) | (23.5) |
| Dividends | — | — | — | — | — | (143.6) | — | (143.6) |
| Employee share plans: | | | | | | | | |
| Share-based compensation | — | — | — | 140.6 | — | — | — | 140.6 |
| Vested shares | — | — | — | (17.4) | 17.4 | — | — | — |
| Exercise of options | — | 1.1 | — | 65.7 | — | — | — | 66.8 |
| Tax impact of share-based payment | — | — | — | 12.3 | — | — | — | 12.3 |
| Purchase of shares | — | — | — | — | (188.2) | — | — | (188.2) |
| Business combinations | — | — | — | 0.8 | — | — | — | 0.8 |
| Conversion of exchangeable shares into ordinary shares | — | 0.3 | (54.4) | 54.1 | — | — | — | — |
| December 31, 2006 | — | 83.2 | 377.4 | 4,966.1 | (577.9) | 700.7 | 614.5 | 6,164.0 |
| Net income | — | — | — | — | — | 673.6 | — | 673.6 |
| Other comprehensive income | | | | | | | | |
| Currency translation differences on investments in overseas subsidiaries | — | — | — | — | — | — | 351.1 | 351.1 |
| Change in accumulated OCI related to employee benefit plans | — | — | — | — | — | — | 7.7 | 7.7 |
| Change in net unrealized gains on available-for-sale investments | — | — | — | — | — | — | (16.8) | (16.8) |
| Tax impacts of changes in accumulated OCI balances | — | — | — | — | — | — | (4.4) | (4.4) |
| Total comprehensive income | — | — | — | — | — | — | — | 1,011.2 |
| Adoption of FIN 48 | — | — | — | — | — | (17.6) | — | (17.6) |
| Dividends | — | — | — | — | — | (155.0) | — | (155.0) |
| Employee share plans: | | | | | | | | |
| Share-based compensation | — | — | — | 105.2 | — | — | — | 105.2 |
| Vested shares | — | — | — | (53.9) | 53.9 | — | — | — |
| Exercise of options | — | 1.6 | — | 135.8 | — | — | — | 137.4 |
| Tax impact of share-based payment | — | — | — | 23.1 | — | — | — | 23.1 |
| Purchase of shares | — | — | — | — | (683.7) | — | — | (683.7) |
| Cancellation of treasury shares | — | (1.9) | — | (251.4) | 253.3 | — | — | — |
| Business combinations | — | — | — | 6.0 | — | — | — | 6.0 |
| Conversion of exchangeable shares into ordinary shares | — | 2.0 | (377.4) | 375.4 | — | — | — | — |

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| | | | | | | | | |
|--|---------------|------------|------------|------------------|--------------------|------------------|-----------------|------------------|
| Cancellation of ordinary shares and issuance of common shares | 84.9 | (84.9) | — | — | — | — | — | — |
| December 31, 2007 | 84.9 | — | — | 5,306.3 | (954.4) | 1,201.7 | 952.1 | 6,590.6 |
| Net income | — | — | — | — | — | 481.7 | — | 481.7 |
| Other comprehensive income | | | | | | | | |
| Currency translation differences on investments in overseas subsidiaries | — | — | — | — | — | — | (1,034.2) | (1,034.2) |
| Change in accumulated OCI related to employee benefit plans | — | — | — | — | — | — | (0.3) | (0.3) |
| Change in net unrealized gains on available-for-sale investments | — | — | — | — | — | — | (9.3) | (9.3) |
| Tax impacts of changes in accumulated OCI balances | — | — | — | — | — | — | (4.1) | (4.1) |
| Total comprehensive income | — | — | — | — | — | — | — | (566.2) |
| Dividends | — | — | — | — | — | (207.1) | — | (207.1) |
| Employee share plans: | | | | | | | | |
| Share-based compensation | — | — | — | 97.7 | — | — | — | 97.7 |
| Vested shares | — | — | — | (55.7) | 55.7 | — | — | — |
| Exercise of options | 0.4 | — | — | (12.5) | 87.8 | — | — | 75.7 |
| Tax impact of share-based payment | — | — | — | 16.8 | — | — | — | 16.8 |
| Purchase of shares | — | — | — | — | (318.0) | — | — | (318.0) |
| December 31, 2008 | \$85.3 | \$— | \$— | \$5,352.6 | \$(1,128.9) | \$1,476.3 | \$(95.8) | \$5,689.5 |