

AMVESCAP PLC/LONDON/  
Form 6-K  
June 22, 2006

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 6-K

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### REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16

Under the Securities Exchange Act of 1934

For the month of March 2006

Commission File Number 001-13908

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## AMVESCAP PLC

(Translation of registrant's name into English)

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30 Finsbury Square, London EC2A 1AG, ENGLAND

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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If  Yes  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMVESCAP PLC  
(Registrant)

Date: 21 June, 2006

By /s/ Michael S. Perman  
(Signature)

Michael S. Perman  
Company Secretary

## A World of Opportunity

### AMVESCAP At A Glance

*AMVESCAP is a leading independent global investment manager, dedicated to helping people worldwide build their financial security. Operating under the AIM, INVESCO, AIM Trimark, INVESCO PERPETUAL and Atlantic Trust brands, AMVESCAP strives to deliver outstanding products and services through a comprehensive array of enduring investment solutions for our retail, institutional and private wealth management clients around the world.*

AIM Investments is dedicated to building investment solutions for clients through one of the industry's most robust and comprehensive product lines. AIM Investments offers investment solutions through financial advisors, believing that investors can significantly benefit from the advice and guidance of a professional who can create investment plans based on an individual's preference, circumstance and type of account.

INVESCO has earned the trust of investors around the world. With more than \$170 billion in assets under management, and with fully integrated investment capabilities that span traditional and alternative asset classes, INVESCO is one of the world's leading names in investment management for institutions and individuals worldwide.

AIM Trimark is a premier provider of enduring solutions for investors and their advisors. AIM Trimark offers a diversified suite of relevant business and financial solutions designed to help advisors succeed. By adhering to proven investment disciplines that build and protect investors' wealth, and by putting investors' interests first, AIM Trimark has become one of Canada's largest and most successful investment management firms.

As one of the largest investment managers in the U.K., INVESCO PERPETUAL manages approximately \$32 billion in assets on behalf of consumers, intermediaries and professional investors through a broad product range. Through the use of powerful imagery and consistent messaging, INVESCO PERPETUAL has become one of the most admired and recognized brands in the U.K. investment industry, trusted to achieve superior, long-term results for investors through truly active investment management.

Atlantic Trust Private Wealth Management provides integrated wealth management and investment counseling services for high net worth individuals, families and foundations. Atlantic Trust takes into consideration a client's tax, trust, estate planning and philanthropic needs in developing customized asset allocation and investment management solutions. Atlantic Trust's experienced professionals deliver a broad range of offerings, including proprietary investment solutions and an open architecture platform of traditional and alternative managers.

*All figures as of December 31, 2005*

Front cover: The equity trading floor at INVESCO Institutional North America

**Dear Fellow Shareholder:**

At the time of my first report to shareholders in the 1992 annual report, our company reported \$61 billion in assets under management and revenues of approximately \$200 million. I strongly believed at that time that our success in the investment management industry would come from developing a global business with a broad range of investment expertise and a diversified client base. Today, with revenues 10 times larger and assets at the end of 2005 of \$386 billion, my conviction in this strategy remains just as strong.

This vision allowed us to participate fully in the explosive growth of our industry during the past decade and supported our progress during challenging times of difficult markets and dramatic world events. It remains validated by the trends we see evolving in the global investment management industry today and the competitive strengths that will propel AMVESCAP's success in the coming years.

One of our core strengths is the depth and breadth of investment talent we have around the world. These experienced teams in diverse local settings support one of the industry's most extensive sets of investment products. This diversified set of investment capabilities across asset classes and investment styles provides a full range of enduring solutions for our retail, institutional and -private wealth management clients. Our comprehensive global -footprint and established distribution channels enable us to deliver these solutions for clients wherever they reside.

The demographic trends of an aging global population, evolving -pension and retirement systems, and increasing wealth creation and savings will continue to support the growth of the investment management industry. The opportunities for a global asset manager have never been more evident, and AMVESCAP is extremely well positioned to seize these opportunities for our future and create value for both our clients and shareholders.

During 2005, important work was accomplished across the company to help AMVESCAP reach its tremendous potential as a premier global investment management firm. At the beginning of the year, we completed final steps for a broad restructuring of the company's long-term debt with a new five-year bank credit facility. This action, along with two debt restructuring transactions completed in late 2004 to take advantage of historically low interest rates, successfully improved the liability risk profile of the company without increasing overall debt levels. In reducing liquidity risk by spreading out debt maturities, lowering our interest rates and continuing to preserve the flexibility of our bank credit facilities, we have put in place a solid financial foundation to support future growth.

As a result of a broad strategic review of our businesses, we announced in April the sale of our U.S. defined contribution recordkeeping business, AMVESCAP Retirement, Inc. (ARI). The sale of ARI to a trusted business partner enables us to sharpen our focus and energy on those areas where we excel - investment management, product development and client service. By leveraging our expertise in these areas to serve plan sponsors, we are able to continue our participation in the growth of the important defined contribution market.

The most important decision for AMVESCAP's future was the naming of Martin L. Flanagan as president and chief executive officer (CEO). Marty's broad experience in the investment management industry, extensive international knowledge and proven leadership skills made him the clear choice to guide our company forward. Marty and his team have put in place a comprehensive 2006 operating plan designed to build on our renewed business momentum by taking advantage of the inherent global strengths of our diversified businesses. As you read the question and answer session with Marty that follows in this report, I believe you will agree that your Board has chosen a very dynamic and capable new leader.

AMVESCAP's Board of Directors has recommended a final dividend of 5.5p, resulting in a total dividend of 9.5p for 2005 - an increase over the 7.5p dividend paid in 2004. In addition to our new CEO, the Board also welcomed as new members during 2005 J. Thomas Presby, a former deputy chairman and chief operating -officer at Deloitte Touche Tohmatsu with extensive international experience in the financial services industry, and AMVESCAP Executive Vice President John Rogers. During the year, we saw the retirement of Board members Stephen West and Michael Benson, who served our company with dedication and distinction.

With AMVESCAP's new management team providing strong leadership that is building a solid foundation for our success, I have decided that the conclusion of the upcoming Annual General Meeting is the appropriate time for me to step down from AMVESCAP's Board. I will be succeeded as Chairman by Rex Adams, who has been a non-executive director of the company since 2001. AMVESCAP is very fortunate to have an individual with Rex Adams' global business -experience and expertise to lead our Board forward.

I am deeply grateful for the opportunity to have served our company, and for the support of the many people with whom I have had the privilege to work. My colleagues through the years on AMVESCAP's Board of Directors have provided sound counsel and exceptional -guidance for our company. AMVESCAP's dedicated employees demonstrate each day their commitment to accomplish our core mission of helping people worldwide build their financial security. This is a noble endeavor that provides real benefits for our clients and is justifiably a source of pride for our people.

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With this strong team serving our company and its shareholders, I am confident we are well-positioned to explore the vast world of opportunity before us and look to AMVESCAP's future success with tremendous optimism.

Charles W. Brady

*Chairman*

## Q & A

### With CEO Marty Flanagan

#### Exploring Our World of Opportunity

Martin L. Flanagan joined AMVESCAP in August 2005 as President and CEO, and serves as a member of the Board of Directors and the Executive Management Committee. He came to AMVESCAP from Franklin Resources, Inc., where he served for 22 years, most recently as president and co-CEO. He began his investment management career at Templeton in 1983.

#### WHAT ATTRACTED YOU TO AMVESCAP?

I firmly believe in the role and opportunity of global investment management organizations. I was very excited to join AMVESCAP, and made my decision with great confidence in the future of the industry and the organization. I was attracted by AMVESCAP's many strengths—its global reach and purpose, its talented people—and by the challenges of running a global investment management firm. I was also excited to be part of carrying forward the vision of a global investment management firm that Charlie Brady, Bob Graham and others have built in a company that can trace its heritage to the 1890s as one of England's first investment management organizations.

#### WHAT WAS YOUR FIRST PRIORITY IN YOUR NEW ROLE?

My first priority was to create positive momentum and help the organization believe in its ability again. To do this I had to start by learning about the company's strengths, weaknesses and opportunities. During my first weeks at AMVESCAP I visited with shareholders, employees and clients to get their views about our company. I spent much of my time initially working to get a better understanding of the company in a very comprehensive way as a starting point for driving the business forward.

#### HOW WOULD YOU CHARACTERIZE A WINNING CORPORATE CULTURE?

To begin with, a winning corporate culture puts clients first. In support of this, we need to continue building a meritocracy where our best and brightest are matched against our greatest opportunities and superior performance is rewarded. We are also working to strengthen transparency, execution and accountability across the organization. These attributes are fundamental to creating a company that consistently exceeds client expectations.

#### HOW DO YOU FEEL ABOUT THE OUTLOOK FOR THE INVESTMENT MANAGEMENT INDUSTRY?

I believe the outlook for our industry is extremely promising. Demo-graphic and economic trends worldwide provide a phenomenal catalyst for financial services firms. Population growth worldwide has expanded threefold over the past 50 years. Wealth is being created globally. There is a growing need for investment expertise to help people meet their savings and retirement goals, and retirement markets around the world are evolving toward a greater reliance on private and individual self-funding. These trends play to AMVESCAP's strengths as investors increasingly seek trusted advice and compelling investment solutions.

As I have said in recent town hall meetings with employees, there is literally a world of opportunity before us. Our challenge is to be thoughtful in selecting the right opportunities and executing well against those that can make the greatest contribution to our clients' success and that of our company and our shareholders.

#### HOW IS AMVESCAP POSITIONED TO SUCCEED IN THIS INCREASINGLY COMPETITIVE INDUSTRY?

Few organizations can match AMVESCAP's global reach, broad diversification and full range of investment capabilities. With this unique foundation, we are very well-positioned to take advantage of the growing demand for investment management services across the globe.

With offices in 19 countries, we have a significant presence in established markets and a growing presence in developing markets around the world. This is one of our core strengths and one that really sets us apart from many of our competitors.

Another great advantage we have is tremendous diversification across asset classes, global client representation and delivery channels. Nearly half of our total assets under management are outside traditional equities. We are fortunate to serve clients across the globe, with almost a third of our clients located outside the United States. Our distribution channels are nearly equally split between retail and institutional clients, and we have a strong and growing position in the U.S. private wealth management business. We also offer a comprehensive range of investment capabilities.

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Our extensive global presence, high level of diversification and full range of investment capabilities enable us to quickly and effectively meet the diverse needs of our clients, wherever they reside around the world.

### WHAT STEPS HAVE YOU TAKEN TO PREPARE AMVESCAP FOR THE CHALLENGES AHEAD?

Late last year we engaged a broad cross-section of leadership to determine our future path to success, beginning in 2006. We brought together business leaders from across the organization to participate in a comprehensive effort to fully understand where we excel and where we need to improve. Our focus: to identify the most promising opportunities for unlocking the tremendous potential of our global organization.



As a result of this effort, this broad group of leaders now has a much deeper understanding of our business. With this solid foundation, we are now in a much better position to realize the opportunities for our business and address our challenges going forward.

#### **WHAT DID THIS EFFORT REVEAL ABOUT YOUR BUSINESS?**

Historically, AMVESCAP has operated as a collection of independent investment management units around the world. This design reflected the environment in which AMVESCAP operated at the time. While these business units were independently strong, they were collectively underutilized. Our markets have evolved and we need to evolve with them.

The process of better understanding our business also made it clear that our operating model is too complex, which keeps us from benefiting from our global strengths. Additionally, investment performance, which is central to everything we do, was strong in some areas but below expectations in others.

The comprehensive effort we undertook to more fully understand our business revealed a number of opportunities for unlocking the tremendous potential of our global organization and reaffirmed our strategic direction.

#### **WHAT IS YOUR STRATEGY FOR SUCCESS?**

We start by delivering consistent, good investment performance over the long term for our clients. This requires having well-defined, repeatable investment processes that are well-communicated and understood by our clients. These truly enduring investment solutions are the foundation of long-term success. Achieving consistent investment results that meet our clients' expectations will continue to be one of our primary areas of focus going forward.

We will also work to unlock the power of our global operating platform, acting more cohesively as a single investment management firm focused on the needs of our clients. This will enable us to do a better job of bringing the best of AMVESCAP to our clients around the world.

We are taking steps to simplify our operating model. The idea is to execute globally where it helps us operate more efficiently, while responding to our clients' needs wherever they reside. Simplifying our operating model isn't just a cost-cutting exercise. It will make us more efficient so we can better serve our clients, respond more quickly to opportunities and take greater advantage of our size and scale.

Finally, and most importantly, the success of our clients and our organization is dependent upon the quality of our people. We are committed to building an organization dedicated to attracting, retaining and motivating quality individuals whose focus is on driving a culture of continuous improvement and performance excellence in everything we do.

If we do this, we will be successful. We understand what we must do to deliver on our incredible potential. Our focus going forward will be on executing diligently against our plan to realize that potential.

#### **HOW DOES YOUR RECENT ACQUISITION OF POWERSHARES FIT INTO THIS STRATEGY?**

Early in 2006 we announced the acquisition of PowerShares Capital Management, a leading provider of exchange-traded funds (ETFs). The 36 ETFs offered by PowerShares greatly complement our fund lineup and will expand the breadth of products we can offer our clients through AIM Investments.

When the acquisition is finalized, the combination of PowerShares ETFs with our broad range of actively managed investment products will provide our clients with one of the industry's most robust and comprehensive product line-ups. Just as importantly, this acquisition forcefully demonstrates to the marketplace that AMVESCAP is acting with renewed momentum to grow its business and strengthen its competitive position.

#### **WHERE DO YOU SEE THE ORGANIZATION HEADED IN 2006?**

Our vision is clear. If we successfully execute against the tremendous world of opportunity before us, I believe we can become a premier global investment management organization. Everything we do, every decision we make, is designed to move us closer to this vision.

With the deeper understanding of our business that comes from the planning process we completed in 2005, we will now work to unlock the tremendous power of our global organization to provide meaningful solutions for our clients and add real value for our shareholders.



**AMVESCAP****Community Service****INVESCO U.K.**

Employees in the London, Henley and Dublin offices raised over \$218,000 in 2005 for -charitable causes. This included special donations for disaster relief appeals, regular dress down days, participation in the BBC Children In Need and Comic Relief's Red Nose Day events and a sponsored Paris-to-London bicycle ride by members of the Henley investment team, who all shaved their heads to raise extra money.

**AIM INVESTMENTS**

The devastation from hurricanes Katrina and Rita brought out the best from AIM and its employees, who volunteered thousands of hours for Houston communities. In addition to financial contributions, employees worked hard to provide food, clothing and shelter for -evacuees, including those in the Astrodome. AIM's partnerships with the Houston Food Bank, Habitat for Humanity and United Way continue to provide far-reaching, long-term support.

**INVESCO ASIA PACIFIC**

In 2005, employees in the Asia Pacific region showed fervent support for the tsunami relief efforts by raising over \$86,000 for the recovery campaign. Colleagues in Hong Kong also donated and played a part in the Soccer Charity Cup and Dress Casual Day events, with all donations going to the Hong Kong Community Chest, an independent charitable organization helping over one million local community members in need.

**INVESCO U.S.**

INVESCO Institutional's Community Service Committee volunteers raised over \$27,000 for Starlight Children's Foundation, Shepherd Center, Urban Ministries, Toys for Tots, American Red Cross and many other organizations. In addition to these accomplishments, INVESCO employees had an opportunity to impact the students at an assigned school by improving student achievement and attendance through participation in the Atlanta Partners for Education Signature Program.

**AIM TRIMARK**

Drawing on the commitment and energy of its employees, AIM Trimark participated in -charitable activities to support Big Brothers Big Sisters of Canada. These included Bowl for Kids' Sake events in Toronto and Vancouver and the company's summer Play Day. Financial advisors who sell AIM Trimark's investment solutions also donated funds during AIM Trimark's PD Network Live road show. Other charitable initiatives included Habitat for Humanity, Dress Your Best, United Way and the Christmas Family Assistance Program.

**Financial Highlights**

	Results for the Year Ended		Results before the	
	December 31,		Adjustments <sup>(a)</sup> for the Year	
	2005	2004 <sup>(b)</sup>	2005	2004 <sup>(b)</sup>
Net revenues	\$ 2,173.2m	\$ 2,124.5m	\$ 2,173.2m	\$ 2,124.5m
Operating expenses	\$ 1,748.6m	\$ 2,037.2m	\$ 1,672.9m	\$ 1,624.0m
Operating profit	\$ 424.6m	\$ 87.3m	\$ 500.3m	\$ 500.5m
Net operating margin <sup>(c)</sup>	19.5%	4.1%	23.0%	23.6%
Profit before tax	\$ 360.1m	\$ 39.0m	\$ 435.8m	\$ 452.2m
Earnings per share:				
basic	\$ 0.27	\$ (0.05)	\$ 0.34	\$ 0.35
diluted	\$ 0.26	\$ (0.05)	\$ 0.34	\$ 0.35

(a) Results before the Adjustments are results before the 2005 restructuring charge and the 2004 U.S. regulatory settlement.

(b) 2004 results have been restated to reflect the transition from U.K. Generally Accepted Accounting Practice (U.K. GAAP) to International Financial Reporting Standards (IFRS) and have been translated into U.S. dollars, the presentation currency of AMVESCAP. See Note 2

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*for reconciliations of AMVESCAP's U.K. GAAP results to IFRS.*

(c) *Net operating margin is equal to Operating profit divided by Net revenues.*

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In this annual report, we use the terms AMVESCAP, company, we, us and our to refer to AMVESCAP PLC together with its consolidated subsidiaries when the distinction between the publicly-traded parent company and its subsidiaries is not important to the discussion. When this distinction is important to the discussion, we use the term Parent or AMVESCAP PLC to refer to AMVESCAP PLC, the publicly-traded parent company, standing alone. The term ordinary shares means ordinary shares of AMVESCAP PLC.

**Business and Financial Overview**

On December 8, 2005, the company changed its presentation currency from sterling to U.S. dollars. The comparative figures have been presented in U.S. dollars applying the average foreign exchange rates for the period for the income statement and the ending foreign exchange rates for the period for the balance sheet. See Note 29 to the Consolidated Financial Statements for additional details. Additionally, AMVESCAP PLC (Parent) redenominated its share capital from sterling to U.S. dollars.

U.S. dollars more accurately reflect the currency of the underlying operations and financing of the Parent.

The key drivers of success for AMVESCAP are long-term investment performance and client service, delivered across a diverse spectrum of products, distribution channels and geographic areas. By achieving success in these areas, we seek to generate positive net flows and increased assets under management. We measure relative investment performance by comparing our products to competing products and industry benchmarks. Generally, distributors, investment advisors and consultants heavily weigh longer-term performance (e.g. three-year and five-year performance), in selecting the products they recommend to their customers, although one-year performance may be an important consideration. External ratings can also have an influence over client investment decisions. Quality of client service is monitored in a variety of ways, including periodic client satisfaction surveys, analysis of response times and redemption rates, competitive benchmarking of services, and obtaining feedback from investment consultants.

**Assets Under Management**

Assets under management (AUM) at the end of 2005 were \$386.3 billion (2004: \$382.1 billion). Average AUM for 2005 were \$377.6 billion, compared to \$371.3 billion in 2004. Net outflows for the year ended December 31, 2005, were \$16.2 billion, with inflows of \$66.3 billion and outflows of \$82.5 billion.



Approximately \$9.2 billion of outflows during the year were from one portion of our institutional business in the U.S. In addition, one sub-advised client in our U.S. Retail business terminated in the fourth quarter of 2005, accounting for \$1.4 billion in net outflows. We have seen some degree of net flow improvement over the last half of 2005, as our investment performance has generally strengthened during this same period. Our High Net Worth (HNW) business continued to show a pattern of modest but steady sales growth. Changes in AUM are as follows:

<i>\$ billions</i>	2005	2004	% Change
January 1,	\$ 382.1	\$ 370.6	
Inflows	66.3	67.0	(1.0)%
Outflows	(82.5)	(86.5)	4.6%
Net flows	(16.2)	(19.5)	16.9%
Market gains/reinvestment	24.4	26.0	(6.2)%
Change in money market funds and other	0.5	(8.3)	N/A
Acquisitions/disposals		6.1	(100.0)%
Foreign currency*	(4.5)	7.2	N/A
December 31,	\$ 386.3	\$ 382.1	1.1%
Average long-term AUM	\$ 335.8	\$ 326.2	2.9%
Average money market AUM	41.8	45.1	(7.3)%
Average AUM	\$ 377.6	\$ 371.3	1.7%

\* *The foreign currency movement arises from different exchange rates being in effect as of the relevant measurement dates for assets denominated in currencies other than U.S. dollars.*

Our revenues are directly influenced by the level and composition of the firm's AUM. Therefore, movements in global capital market levels, net new business inflows (or net outflows) and changes in the mix of investment products between asset classes may materially impact the revenues for the firm within a quarter. Global capital markets improved over 2004. The FTSE 100 increased by 19.1%, the S&P 500 by 6.2%, NASDAQ by 6.4% and the Dow Jones Industrial Average by 1.8% from December 31, 2004 to December 31, 2005. Our AUM by channel, by division, and by asset class are as follows:

#### AUM by Channel

<i>\$ billions</i>	Total	Retail	Institutional	High Net Worth
January 1, 2004	\$ 370.6	\$ 176.6	\$ 184.9	\$ 9.1
Inflows	67.0	40.1	22.6	4.3
Outflows	(86.5)	(53.3)	(28.6)	(4.6)
Net flows	(19.5)	(13.2)	(6.0)	(0.3)
Market gains/reinvestment	26.0	16.0	9.7	0.3
Change in money market funds and other	(8.3)	1.3	(9.6)	
Acquisitions/disposals	6.1			6.1
Foreign currency*	7.2	5.3	1.9	
December 31, 2004	\$ 382.1	\$ 186.0	\$ 180.9	\$ 15.2
Inflows	66.3	41.2	21.3	3.8
Outflows	(82.5)	(53.3)	(25.8)	(3.4)
Net flows	(16.2)	(12.1)	(4.5)	0.4
Market gains/reinvestment	24.4	16.0	7.9	0.5

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Change in money market funds and other	0.5	1.9	(1.6)	0.2
Foreign currency*	(4.5)	(1.6)	(2.9)	
December 31, 2005	\$ 386.3	\$ 190.2	\$ 179.8	\$ 16.3



**AUM by Division**

\$ billions	Total	AIM		INVESCO			PWM
		U.S.	Canada	U.S.	U.K.	Europe/Asia	
January 1, 2004	\$ 370.6	\$ 151.1	\$ 28.7	\$ 118.5	\$ 39.0	\$ 23.8	\$ 9.5
Inflows	67.0	16.3	5.3	19.6	11.3	10.2	4.3
Outflows	(86.5)	(28.7)	(4.6)	(25.7)	(9.8)	(13.2)	(4.5)
Net flows	(19.5)	(12.4)	0.7	(6.1)	1.5	(3.0)	(0.2)
Market gains/reinvestment	26.0	7.3	2.7	8.1	5.6	2.0	0.3
Change in money market funds and other	(8.3)	(8.4)		0.2	0.6	(0.2)	(0.5)
Acquisitions/disposals	6.1						6.1
Foreign currency*	7.2		2.5	0.3	2.9	1.5	
December 31, 2004	\$ 382.1	\$ 137.6	\$ 34.6	\$ 121.0	\$ 49.6	\$ 24.1	\$ 15.2
Inflows	66.3	12.6	5.9	16.7	19.0	8.3	3.8
Outflows	(82.5)	(28.0)	(5.7)	(24.0)	(11.9)	(9.5)	(3.4)
Net flows	(16.2)	(15.4)	0.2	(7.3)	7.1	(1.2)	0.4
Market gains/reinvestment	24.4	5.1	2.2	4.4	8.8	3.4	0.5
Change in money market funds and other	0.5	0.7				(0.2)	
Foreign currency*	(4.5)		2.1	(0.4)	(4.2)	(2.0)	
December 31, 2005	\$ 386.3	\$ 128.0	\$ 39.1	\$ 117.7	\$ 61.3	\$ 24.1	\$ 16.1

\* The foreign currency movement arises from different exchange rates being in effect as of the relevant measurement dates for assets denominated in currencies other than U.S. dollars.

**AUM by Asset Class**

\$ billions	Total	Equity	Fixed		Money	Stable	Alternatives
			Income	Balanced			
January 1, 2005	\$ 382.1	\$ 178.5	\$ 44.8	\$ 44.1	\$ 50.0	\$ 43.2	\$ 21.5
Inflows	66.3	30.0	14.5	7.8	3.3	4.2	6.5
Outflows	(82.5)	(45.6)	(10.4)	(12.5)	(3.5)	(3.0)	(7.5)
Net flows	(16.2)	(15.6)	4.1	(4.7)	(0.2)	1.2	(1.0)
Market gains/reinvestment	24.4	17.9	1.2	1.7		2.4	1.2
Change in money market funds	0.5				0.5		
Foreign currency*	(4.5)	(3.3)	(0.8)	0.1			(0.5)
December 31, 2005	\$ 386.3	\$ 177.5	\$ 49.3	\$ 41.2	\$ 50.3	\$ 46.8	\$ 21.2

\* The foreign currency movement arises from different exchange rates being in effect as of the relevant measurement dates for assets denominated in currencies other than U.S. dollars.

**Investment Performance**

% of AUM in Top Half of Peer Group as of

December 31, 2005

Retail <sup>(1)</sup>

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	One-Year	Three-Year	Five-Year
U.S.	62%	34%	22%
Canada	14%	28%	90%
U.K.	72%	87%	83%
Continental Europe and Asia	66%	83%	60%

**% of AUM in Top Half of Peer Group as of**

<b>Institutional <sup>(2)</sup></b>	<b>December 31, 2005</b>		
Equity	53%	53%	97%
Fixed Income	94%	93%	92%
Money Market	93%	93%	93%

Stable Value	Largest U.S. Stable Value manager with over \$45 billion in assets under management. Outperformed cash benchmarks over all relevant periods.
Real Estate	100% of U.S. REIT and Direct Real Estate assets have outperformed their respective benchmarks over one-, three- and five-year periods.
Financial Structures	Named 2005 CDO Manager of the Year by Euro money

(1) Retail performance is based on Peer Rankings and AUM as of December 31, 2005. Sources include: Morningstar, Lipper and S&P Micropal.

(2) Institutional includes representative products managed in Atlanta, New York, Frankfurt, Louisville and London. Performance is as of December 31, 2005. All underlying products have been compiled by following AIMR and GIPS standards.

In our U.S. Retail business, we have seen an improving one-year track record, with 62% of AUM in the top half of peers. The longer-term track record remains below our expectations, and therefore the U.S. Retail business continues to be an area of focus for our management team. Within U.S. Retail, our international funds had 85% of AUM in the top half of peers on a one-year basis, and the asset allocation solutions have also performed well. We have seen inflows in these, among other, products. During 2005, we evaluated, rationalized and merged several funds in the U.S. Retail product line to ensure that we are delivering the best possible investment solutions to our clients.

We have experienced a decline in investment performance in our Canadian Retail business due to certain of its portfolios being underweighted in the energy sector, a market segment that has experienced a recent and dramatic increase in valuation. 90% of the Canadian Retail AUM remains in the top half of peers on a five-year basis. The U.K. Retail business has produced particularly strong results across all measured time frames. The offshore product range, marketed in Continental Europe and Asia, is an important component of our diversified profile with more than 66% of its asset base performing in the top half of peer groups on a one-year basis.

In our institutional business, over 90% of our fixed income and money market assets beat their benchmarks over the one-, three- and five-year periods. Equity performance has been mixed, but a majority of AUM are performing ahead of benchmark on a five-year basis. We are the largest stable value manager, with over \$45 billion in AUM. Our real estate business is outperforming benchmarks over all relevant periods, and our financial structures group was named 2005 CDO Manager of the Year by Euromoney.

### **International Financial Reporting Standards (IFRS)**

Effective January 1, 2005, the company began recording its results of operations under IFRS. The date of the transition to IFRS is January 1, 2004, this being the start of the earliest period of comparative information required in the U.K., and accordingly the comparative period has been restated to apply IFRS on a consistent basis. Prior to this date, the company prepared its consolidated financial statements under U.K. Generally Accepted Accounting Practice (U.K. GAAP).

During 2004, the company carried out a review of IFRS to identify the changes to accounting policies that were necessary to comply with the new standards. The most significant changes affecting the company due to the IFRS transition are:

The cessation of goodwill amortization (IFRS 3) and redenomination of goodwill into the currency of the underlying acquired entities (IAS 21);

The inclusion of a fair value charge in respect of outstanding employee share options granted after November 7, 2002 (IFRS 2);

The replacement of existing charges for awards under certain equity-based compensation plans with fair value charges spread over revised time periods (IFRS 2);

The inclusion in the balance sheet of all employee benefit liabilities (IAS 19); and

The reclassification of certain income statement and balance sheet items for disclosure purposes, including the presentation of third-party distribution fees, service and advisory fees in the income statement separately from total revenues.

The underlying business transactions and cash flows of the company did not change upon the transition to IFRS. The transition to IFRS resulted in the reduction of total shareholders' funds from the U.K. GAAP figure at January 1, 2004 of \$208.1 million. This reduction is due primarily to the redenomination of goodwill and management contract intangible assets into the currency of the underlying acquired entities. Under U.K. GAAP, these balances were recorded in sterling. For the year ended December 31, 2004, the transition to IFRS resulted in the addition of \$276.4 million to profit for the year, primarily due to the cessation of goodwill amortization previously recorded under U.K. GAAP. Diluted earnings per share for the year ended December 31, 2004, was a loss of \$0.05 under IFRS, compared with a loss of \$0.39 under U.K. GAAP. See Note 2 to our Consolidated Financial Statements for further details.

### **Operating Results**

2005 saw a 2.3% increase in net revenues (total revenues less third-party distribution, service and advisory fees) to \$2,173.2 million (2004: \$2,124.5 million). The main categories of revenues are as follows:

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<i>\$ millions</i>	2005	2004
Management	2,213.7	2,052.7
Service and distribution	538.2	593.3
Other	127.3	111.5
Total revenues	2,879.2	2,757.5
Third-party distribution, service and advisory fees	(706.0)	(633.0)
Net revenues	2,173.2	2,124.5

Management revenues increased 7.8% from 2004. INVESCO U.K. management revenues increased \$139 million, AIM Canada management revenues increased \$60 million and the management revenues for Private Wealth Management increased \$12 million over 2004. These increases were offset by lower management revenues in AIM U.S. Service and distribution fees declined \$55.1 million (9.3)% from 2004. The sale of the AMVESCAP Retirement business accounted for \$30 million of this decline, as this business was included for the full 12 months in 2004 but only six and a half months in 2005. The remainder of the difference is a result of lower distribution and transfer agency fees in our U.S. Retail channel. Other revenues increased 14.2% over 2004, primarily due to the increase in transaction fees in our real estate group. Third-party distribution, service and advisory fees increased by \$73.0 million, due to an increase in trail and renewal commissions.

During the fourth quarter of 2005, the company undertook an operating review and identified the steps required to move towards a more -integrated global investment manager. We are in the process of integrating the enterprise support functions, such as Human Resources, Finance, Legal and Compliance, and we are combining AIM and INVESCO s managed account platforms. We also merged certain client service functions across our retail business. As a result of this work, we took a restructuring charge of \$75.7 million in 2005 and implemented measures that reduced headcount by 285. Included in this charge are costs incurred to eliminate some office space and streamline our product line. Based on the actions we have taken and those that we will take in 2006, we should be able to significantly decrease our total operating expenses and operate more efficiently. If the business environment experienced in 2005 does not change materially in 2006, we expect to decrease our operating expenses by approximately \$120 million and reach an operating expense base of approximately \$1,550 million in 2006, excluding the impact of the PowerShares acquisition and any unanticipated new initiatives. We expect 50% of the expense reduction to be realized in Compensation costs, with the remainder of the savings from decreases in Property and Office, Technology/telecommunications, and General and Administrative costs.

Total operating expenses before the restructuring charge increased 3% in 2005. Compensation expenses increased \$77.9 million from 2004, with \$34.3 million in incremental amortization of share-related compensation programs, \$11.8 million related to one-time recruiting costs, and the remainder due to staff salaries, bonus and benefit costs. Marketing costs increased 8.1% from 2004, largely due to increased advertising in the U.K. and U.S. Property and Office costs decreased \$39.0 million for the year, primarily as a result of the \$37.0 million -provision we took in 2004 for unused office space. Technology/telecommunications costs decreased 6.5% from 2004, driven by the sale of the AMVESCAP Retirement business and generally lower headcount. General and Administrative costs increased 4.4% from 2004, primarily due to a \$16.6 million goodwill impairment charge in the Private Wealth Management business.

Compensation continues to be the largest component of operating expenses, accounting for 62.5% of costs for 2005 (2004: 59.5%). Competitive compensation is critical for the success of AMVESCAP in attracting and retaining the highest caliber employees. The main categories of operating costs before the 2005 restructuring charge and the 2004 U.S. regulatory settlement, (the Adjustments ), are as follows:

<i>\$ millions</i>	2005	% of total	2004	% of total
Compensation	1,044.7	62.5%	966.8	59.5%
Marketing	139.5	8.3%	129.1	8.0%
Property and office	130.3	7.8%	169.3	10.4%
Technology/telecommunications	139.0	8.3%	148.7	9.2%
General and administrative	219.4	13.1%	210.1	12.9%
	1,672.9	100.0%	1,624.0	100.0%

Our effective tax rate for 2005 was 40.7% (37.7% before the restructuring charge) and was impacted by the lack of tax deductibility for certain expense items, including an \$11.3 million expense associated with a capital infusion into our Taiwan bond funds.

The increase in revenues from 2004 to 2005 was offset by increased expenses, resulting in operating profit before Adjustments for 2005 remaining flat as compared to 2004. Diluted EPS before the restructuring charge was down by one cent.

In January 2006, we announced the acquisition of PowerShares Capital Management, which is expected to close in the second or third quarter of 2006. The 36 exchange-traded funds (ETFs) offered by PowerShares greatly complement our fund lineup and will expand the breadth of products we can offer our clients through AIM Investments.

The divisional income statements presented below are based on a set percentage -allocation of revenues, depending on whether the product is sold, managed, or serviced by the division. Divisions selling, managing or servicing a product received 40%, 40%, and 20% of the revenues for that product, respectively. This measurement of profitability represents the way in which the businesses historically operated prior to the beginning of 2006.

The following tables summarize revenues and profits by operating group before the Adjustments for the periods indicated.

<i>\$ millions</i>	Year Ended December 31, 2005		
	Net		Operating
	Revenues	Expenses	Profit
<b>AIM</b>			
U.S.	\$ 742.0	\$ (493.5)	\$ 248.5
Canada	373.5	(163.2)	210.3
	1,115.5	(656.7)	458.8
<b>INVESCO</b>			
U.S.	392.5	(290.4)	102.1
U.K.	422.7	(325.4)	97.3
Europe/Asia	126.4	(139.4)	(13.0)
	941.6	(755.2)	186.4
Private Wealth/Retirement*	116.1	(149.5)	(33.4)
Corporate		(111.5)	(111.5)
Totals before restructuring charge	2,173.2	(1,672.9)	500.3
Restructuring charge		(75.7)	(75.7)
	\$ 2,173.2	\$ (1,748.6)	\$ 424.6

\* Portions of the Retirement division were sold during 2005. See Note 3 to the Consolidated Financial Statements for additional information.

<i>\$ millions</i>	Year Ended December 31, 2004		
	Net		Operating
	Revenues	Expenses	Profit
<b>AIM</b>			
U.S.	\$ 812.0	\$ (531.7)	\$ 280.3
Canada	319.9	(145.6)	174.3
	1,131.9	(677.3)	454.6
<b>INVESCO</b>			
U.S.	351.8	(258.9)	92.9
U.K.	345.1	(323.5)	21.6
Europe/Asia	142.7	(136.3)	6.4
	839.6	(718.7)	120.9
Private Wealth/Retirement	153.0	(164.7)	(11.7)
Corporate		(63.3)	(63.3)
Totals before U.S. regulatory settlement	2,124.5	(1,624.0)	500.5
U.S. regulatory settlement		(413.2)	(413.2)

\$ 2,124.5    \$ (2,037.2)    \$ 87.3

**AIM U.S.**

The AIM U.S. business reported net revenues of \$742.0 million during 2005, compared with \$812.0 million during 2004. The decline is due to an 8.4% decrease in average asset levels during 2005 and agreed-upon fee reductions as part of the U.S. regulatory settlement. Operating expenses declined by \$38.2 million to \$493.5 million in 2005. Operating profits were \$248.5 million compared with \$280.3 million in 2004. Operating profit margin for 2005 amounted to

33.5%, compared with 34.5% in the prior year. The group generated approximately \$12.6 billion of inflows and had net outflows of \$15.4 billion in 2005. Market gains of \$5.1 billion partially offset these net outflows. AUM amounted to \$128.0 billion at December 31, 2005, including \$47.4 billion of institutional money market funds.

#### **AIM CANADA**

The AIM Trimark business reported net revenues of \$373.5 million during 2005, compared with \$319.9 million for the prior year. Operating profits were \$210.3 million in 2005 compared with \$174.3 million in 2004, and the operating profit margin was 56.3% in 2005. The group generated approximately \$5.9 billion of inflows in 2005 and net inflows of \$0.2 billion. Market gains were \$2.2 billion for the year. As a result, average AUM increased 17.2% from 2004. AUM amounted to \$39.1 billion at December 31, 2005.

#### **INVESCO U.S.**

The INVESCO U.S. business reported net revenues and operating profits of \$392.5 million and \$102.1 million in 2005, compared with \$351.8 million and \$92.9 million for 2004, respectively. Increased expenses, primarily due to higher compensation costs, offset a portion of the revenue increase. Operating profit margins decreased from 26.4% in 2004 to 26.0% in the current year. Average AUM for 2005 was \$117.8 billion compared to \$118.5 billion in 2004. The unit generated \$16.7 billion in inflows during 2005, and recorded net outflows of \$7.3 billion. AUM amounted to \$117.7 billion at December 31, 2005.

#### **INVESCO U.K.**

INVESCO U.K.'s net revenues amounted to \$422.7 million for 2005, compared with \$345.1 million in 2004. Operating profits totaled \$97.3 million for the current year compared to \$21.6 million for the prior year. Operating expenses amounted to \$325.4 million in 2005, compared with \$323.5 million in 2004. The operating profit margin was 23.0% in 2005 (2004: 6.3%). Inflows for 2005 totaled approximately \$19.0 billion, market gains totaled \$8.8 billion, and net inflows were \$7.1 billion for the year. AUM amounted to \$61.3 billion at December 31, 2005.

#### **INVESCO EUROPE/ASIA**

INVESCO Europe/Asia's net revenues amounted to \$126.4 million for 2005, compared with \$142.7 million in 2004. Operating losses totaled \$13.0 million for the year ended December 31, 2005, versus an operating profit of \$6.4 million for the prior year. Inflows for 2005 totaled \$8.3 billion, market gains totaled \$3.4 billion, and net outflows were \$1.2 billion for the year. AUM amounted to \$24.1 billion at December 31, 2005.

#### **PRIVATE WEALTH MANAGEMENT/RETIREMENT**

Net revenues for these businesses totaled \$116.1 million in 2005, compared with \$153.0 million in 2004. Operating losses totaled \$33.4 million, compared to \$11.7 million in 2004. The AMVESCAP Retirement business was sold in July 2005, and accordingly only six and a half months of the results of operations of this business are included in the 2005 financial statements. AUM were \$16.1 billion at December 31, 2005. Net inflows for the group amounted to \$0.4 billion for 2005.

#### **CORPORATE**

Corporate expenses include staff costs related to corporate employees, as well as continued expenditures in company-wide initiatives. The increase in costs over 2004 was the result of several factors, including one-time recruitment costs, increased share-related compensation, termination costs and costs associated with increased focus on risk management.

#### **OTHER INCOME AND EXPENSE ITEMS**

As a result of the sale of the AMVESCAP Retirement business, a gain of \$32.6 million was recorded in 2005. Loss on sale of assets, investments and foreign exchange includes a charge of \$7.2 million related to the outsourcing of the defined contribution platform in the U.K. and an \$11.3 million charge related to a capital infusion into our Taiwan bond funds. In addition, we incurred a non-cash loss of \$6.8 million related to the foreign exchange revaluation of our senior notes into sterling. This loss was recorded pursuant to our adoption of International Accounting Standard 39, Financial Instruments: Recognition and Measurement before the redenomination of our share capital and the change in our presentation currency from sterling to U.S. dollars.

Interest expense increased \$4.0 million over 2004, the result of interest costs associated with the U.S. regulatory settlement payments made in 2005.



### **Business Realignment**

Historically, AMVESCAP operated as a collection of diverse business units. Through the review of our operations, we determined that this operating model has impeded us from fully realizing the benefits of our global strengths. We are working to align ourselves internally in ways that will allow us to take full advantage of our global platform. One result of this realignment is that we will no longer manage business profitability under the divisional structure. Since the review of our operations commenced late in 2005 and we only recently moved to our new alignment in 2006, we have presented our discussion of our operational and financial overview along the historical business unit format, as this is consistent with our business segmentation discussed in Note 5 to the Consolidated Financial Statements. In future disclosures, we expect to present the business under one operating segment, asset management, and will no longer segregate the business under the historical business division format, as presented in this report.

### **Liquidity and Capital Resources**

The ability to generate cash from operations in excess of capital expenditure and dividend requirements is one of our company's fundamental financial strengths. Operations continue to be financed from share capital, retained profits and borrowings. Our principal uses of cash flow, other than for operating expenses, include dividend payments, capital expenditures, acquisitions, purchase of shares in the open market and investments in certain new investment products.

Cash flows for the years ended December 31, 2005 and 2004, are summarized as follows:

<i>\$ millions</i>	<b>2005</b>	<b>2004</b>
Cash flow from:		
Operating activities	469.1	205.4
Investing activities	30.9	(107.0)
Financing activities	(286.9)	(126.7)
Increase/(decrease) in cash and cash equivalents	213.1	(28.3)
Cash and cash equivalents, beginning of year	546.9	563.3
Foreign exchange	(5.3)	11.9
Cash and cash equivalents, end of year*	754.7	546.9

\* Included in cash and cash equivalents are \$266.1 million (2004: \$290.3 million) of client cash and cash held to meet certain net capital requirements.

#### **OPERATING CASH FLOWS**

Operating cash flows are the result of receipts of investment management and other fees generated from AUM. The company participates in funding arrangements for the payment of mutual fund share sales commissions. Certain future revenue streams from asset-based and deferred redemption fees are sold by an external fund distribution entity to a bank at a purchase price equal to a percentage of the price at which each share of the fund is sold. Operating cash flows provide sources of funds to meet day-to-day operating expenses and future material commitments.

#### **INVESTING CASH FLOWS**

In our institutional business, we invest regularly as the general partner in collateralized debt obligation structures. During 2005, we invested \$13.5 million (2004: \$22.4 million) in new long-term capital investments and have committed \$90.3 million (2004: \$85.3 million) to fund our obligations under these programs at the end of December 2005. We received \$7.7 million (2004: \$0.3 million) in return of capital from such investments, including \$4.4 million of capital returned related to the closure of two funds during the year.

During the fiscal years ended December 31, 2005 and 2004, our capital expenditures were \$38.2 million and \$51.6 million, respectively. These expenditures related in each year to technology initiatives, including new platforms from which we maintain our portfolio management systems and fund tracking systems, improvements in computer hardware and software desktop products for employees, new telecommunications products to enhance our internal information flow, and back-up disaster recovery systems. Also, in each year, a portion of these costs related to leasehold improvements made to the various buildings and workspaces used in our offices.

Business acquisitions/disposals amounted to net inflows of \$53.6 million in 2005 (2004: net outflows of \$53.9 million). See -Note 3 to the Consolidated Financial Statements for additional -information related to this activity.

#### **FINANCING CASH FLOWS**

##### *Dividends*

Dividend payments in 2005 of \$134.1 million related to the interim dividend for 2005 and the final dividend from 2004 (2004: \$135.7 million). See Note 9 to the Consolidated Financial Statements for additional information regarding the dividend payments.

Our Board of Directors has recommended a final dividend of 5.5p per share, approximately \$0.10 per share at an exchange rate of \$1.74 per £1.00 (2004: 5.0p per share), resulting in a total dividend of 9.5p in 2005 (2004: 7.5p). The final dividend from 2005 will be paid, subject to approval by shareholders, on May 4, 2006. The ex-dividend date will be March 29, 2006. Future dividends will be declared in U.S. dollars.

The Board has a policy of managing dividends in a prudent fashion, with due consideration given to profit levels, covenant constraints and overall debt levels. Under the U.K. Companies Act 1985, as amended, our ability to declare dividends is restricted to the amount of our -distributable profits and reserves, which is the current and retained earnings of the Parent, on an unconsolidated basis. At December 31, 2005,

distributable profits and reserves amounted to \$568.0 million.

***Debt***

Our total indebtedness at December 31, 2005 is \$1.2 billion. The debt proceeds have been used by the company to form part of the consideration paid for acquisitions and also for the integration of the acquired businesses over time. In December 2004, we completed a tender offer for \$320.5 million of our original \$400 million 6.6% senior notes. In May 2005, we repaid the \$79.5 million remaining on these notes. In December 2004, we issued and sold \$500 million

in new senior notes: \$300 million of five-year notes with a coupon of 4.5% due in 2009 and \$200 million of 10-year notes with a coupon of 5.375% due in 2014. We also have outstanding \$10 million of our 6.875% notes due December 15, 2006, \$300 million of our 5.9% notes due 2007 and \$350 million of our 5.375% notes due 2013. The significant amount of indebtedness we carry could limit our ability to obtain additional financing, if needed, for working capital and other financial commitments.

On March 31, 2005, we entered into a new five-year \$900 million credit facility with a group of lenders, which matures during 2010. The company draws and repays its credit facility balances and utilizes the credit facility for working capital and other cash needs. The financial covenants under our new credit agreement include a leverage ratio of not greater than 3.25:1.00 (debt/EBITDA) and an interest coverage ratio of not less than 4.00:1.00 (EBITDA/interest payable for the four consecutive fiscal quarters). The breach of any covenant would result in a default under the credit facility, which could lead to lenders requiring all balances under the credit facility, together with accrued interest and other fees, to be immediately due and payable. This credit facility also contains customary affirmative operating covenants and negative covenants that, among other things, restrict certain of our subsidiaries' ability to incur debt, transfer assets, merge, make loans and other investments and create liens. The coverage ratios, as defined in our credit facility, were as follows during 2005 and 2004:

2005	Q1	Q2	Q3	Q4
Debt/EBITDA	1.95	1.80	1.73	1.82
Coverage Ratio	8.00	7.58	7.53	8.13
2004	Q1	Q2	Q3	Q4
Debt/EBITDA	1.86	1.79	1.76	2.04
Coverage Ratio	8.91	9.66	9.51	8.42

Net debt (total debt less cash and cash equivalents balances, excluding client cash) at December 31, 2005, amounted to \$733.7 million, compared with \$1,125.2 million at December 31, 2004. Earnings before interest, taxes, depreciation, amortization, the Adjustments and certain non-cash and other items (EBITDA), as defined in our credit facility, were \$661.9 million, compared with \$655.4 million in the prior year. Changes in our net debt position in 2005 are shown below.

\$ millions	2005	2004	Increase/ (decrease)
Senior notes	1,152.2	1,230.6	(78.4)
Credit facility	70.0	151.0	(81.0)
Total Debt	1,222.2	1,381.6	(159.4)
Cash and cash equivalents, excluding client cash	(488.5)	(256.4)	(232.1)
Net Debt	733.7	1,125.2	(391.5)

We have received credit ratings of A3, BBB+, and BBB+ from Moody's, Standard & Poor's, and Fitch credit rating agencies, respectively. Although Standard & Poor's has a negative outlook for the rating, the other two agencies have a stable outlook. Rating agency concerns focus on a few issues: our ability to earn our share of industry net inflows in light of inconsistent historical performance and our higher-than-peer levels of debt. Material deterioration of these factors (among others defined by each rating agency) could result in downgrades to our credit ratings, thereby limiting our ability to generate additional financing or receive mandates. Because credit facility borrowing rates are not tied to credit ratings, and interest rates on outstanding senior notes are fixed, there is no direct correlation between changes in ratings and interest expense of the company. However, management believes that solid investment grade ratings are an important factor in winning and maintaining institutional business and strives to manage the company to maintain such ratings.

## FINANCIAL COMMITMENTS

Financial commitments are as follows (payments due by period):

\$ millions	Total	Within	1 3	3 5	More than
		1 year	years	years	5 years

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Total debt	1,222.2	10.0	299.4	367.9	544.9
Finance leases	0.1	0.1			
Operating leases <sup>(1)</sup>	500.8	57.7	109.8	86.1	247.2
Defined benefit obligation	128.6	23.5	2.5	2.1	100.5
Acquisition provisions <sup>(2)</sup>	49.2	17.4	31.8		
Total	1,900.9	108.7	443.5	456.1	892.6

(1) Operating leases reflect obligations for leased building space and sponsorship and naming rights agreements.

(2) Acquisition provisions reflect retention payments and earn-out arrangements associated with business acquisitions. Earn-out payments are based upon asset -retention levels at the payment dates and conclude in March 2007. Any payments not made are reversed against the related goodwill balances.

Note: The financial commitments table above does not include amounts related to the acquisition of PowerShares, which was announced in January 2006 and is expected to close in the second or third quarter of 2006.

AMVESCAP maintains approximately \$31.1 million in letters of credit from a variety of banks. The letters of credit are generally one-year automatically-renewable facilities and are maintained for various reasons. Approximately \$30.3 million of the letters of credit support office lease obligations. Although we generally do not guarantee the obligations of our subsidiaries, we have provided regulators in the U.S. with such a guarantee for the banking entities within our business.

The company has not changed its financial instruments policies in the current year and does not hedge its operational foreign exchange exposures, except to the extent that the net assets of overseas subsidiaries were hedged by foreign currency borrowings (prior to the change in presentation currency from sterling to U.S. dollars on December 8, 2005). As a result, the company's financial statements may be impacted by movements in sterling, Canadian dollar and Euro exchange rates compared to the U.S. dollar. The company does not actively manage its currency exposures except as described in Note 27 to the Consolidated Financial Statements, which provides quantitative information about financial instruments.

The company is subject to minimum regulatory capital requirements in most areas where it operates. After consultation with the U.K. Financial Services Authority (FSA), it has been determined that for the purposes of prudential supervision, AMVESCAP PLC is not subject to regulatory consolidated capital requirements under current European Union Directives. A sub-group of our European subsidiary companies is subject to these regulations, however, and we have provided commitments to the FSA that we will meet these requirements.

The existing capital structure of the company, together with the cash flow from operations and borrowings under the credit facility, should provide the company with sufficient resources to meet present and future cash needs. We believe that our cash flow from operations and credit facilities, together with our ability to obtain alternative sources of financing, will enable us to meet debt and other obligations as they come due and anticipated future capital requirements.

#### **Forward-Looking Statements**

This report includes statements that constitute forward-looking statements under the United States securities laws. Forward-looking statements include information concerning possible or assumed future results of our operations, earnings, liquidity, cash flow and capital expenditures, industry or market conditions, AUM, acquisition activities and the effect of completed acquisitions, debt levels and the 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, words such as believes, expects, anticipates, intends, plans, estimates, projects, and future or conditional verbs such as will, may, could, should and would, and any other statement that necessarily 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 on any forward-looking statements. In connection with any forward-looking statements, you should carefully consider the areas of risk described in our most recent Annual Report on Form 20-F, as filed with the United States Securities and Exchange Commission (SEC). You may obtain these reports from the SEC's Web site at [www.sec.gov](http://www.sec.gov).

**Consolidated Income Statement***Year ended December 31,*

<i>\$ 000, except per share data</i>	Notes	2005	2004
<b>Revenues:</b>			
Management		\$ 2,213,650	\$ 2,052,664
Service and distribution		538,210	593,265
Other		127,358	111,562
<b>Total Revenues</b>		<b>2,879,218</b>	<b>2,757,491</b>
Third-party distribution, service and advisory fees		(705,981)	(633,030)
<b>Net Revenues</b>	5	<b>2,173,237</b>	<b>2,124,461</b>
<b>Operating Expenses:</b>			
Compensation	4	(1,044,706)	(966,788)
Marketing		(139,560)	(129,098)
Property and office		(130,294)	(169,290)
Technology/telecommunications		(138,966)	(148,709)
General and administrative		(219,462)	(210,040)
Restructuring charge	4	(75,690)	
U.S. regulatory settlement			(413,211)
<b>Total Operating Expenses</b>		<b>(1,748,678)</b>	<b>(2,037,136)</b>
<b>Operating profit</b>		<b>424,559</b>	<b>87,325</b>
Gain on sale of business	3	32,626	11,831
Investment income	6	23,359	29,891
Loss on sale of assets, investments and foreign exchange	6	(35,324)	(8,847)
Interest expense	7	(85,142)	(81,171)
<b>Profit before taxation</b>		<b>360,078</b>	<b>39,029</b>
Taxation U.K.	8	(18,013)	(2,391)
Taxation Overseas	8	(128,677)	(72,297)
<b>Profit/(Loss) after taxation</b>		<b>213,388</b>	<b>(35,659)</b>
Minority interests		(1,148)	(536)
<b>Profit/(Loss) attributable to equity holders of the Parent</b>		<b>\$ 212,240</b>	<b>\$ (36,195)</b>
<b>Earnings per share:</b>			
basic	10	\$ 0.27	\$ (0.05)
diluted	10	\$ 0.26	\$ (0.05)
<b>Earnings per share before restructuring charge (2005) and U.S. regulatory settlement (2004):</b>			
basic and diluted	10	\$ 0.34	\$ 0.35
<b>Dividends paid</b>	9	\$ 134,118	\$ 135,681
Dividends proposed per share (pence)	9	5.5p	5.0p
<b>Dividends proposed</b>	9	\$ 78,471	\$ 78,645

*The accompanying notes form part of these financial statements.*

**Consolidated Balance Sheet***As of December 31,*

<b>\$ 000</b>	<b>Notes</b>	<b>2005</b>	<b>2004</b>
<b>Non-current assets</b>			
Goodwill	11	\$ 4,213,648	\$ 4,317,391
Intangible assets	12	98,971	129,869
Property and equipment	14	180,044	226,987
Deferred sales commissions		78,944	110,982
Deferred tax assets	8	150,600	150,114
Investments	13, 27	149,410	134,478
		4,871,617	5,069,821
<b>Current assets</b>			
Trade and other receivables	15	749,181	844,358
Investments	13, 27	1,202,076	958,524
Cash and cash equivalents	19, 27	754,754	546,928
		2,706,011	2,349,810
<b>Total assets</b>		<b>7,577,628</b>	<b>7,419,631</b>
<b>Current liabilities</b>			
Current maturities of long-term debt	16, 17, 19	(10,045)	(79,476)
Trade and other payables	16	(2,461,006)	(2,218,862)
Provisions	16, 18	(52,108)	(28,449)
		(2,523,159)	(2,326,787)
<b>Non-current liabilities</b>			
Long-term debt	17, 19, 27	(1,212,191)	(1,302,168)
Deferred tax liabilities	8	(43,496)	(36,655)
Provisions	18	(182,479)	(211,054)
		(1,438,166)	(1,549,877)
<b>Total liabilities</b>		<b>(3,961,325)</b>	<b>(3,876,664)</b>
<b>Net assets</b>		<b>\$ 3,616,303</b>	<b>\$ 3,542,967</b>
<b>Equity</b>			
Share capital	20	\$ 81,811	\$ 388,953
Share premium		84,968	1,345,144
Shares held by employee trusts	20	(413,473)	(456,717)
Exchangeable shares	20	431,778	593,025
Retained earnings		638,739	571,574
Other reserves	21	2,789,187	1,098,467
<b>Equity attributable to equity holders of the Parent</b>		<b>3,613,010</b>	<b>3,540,446</b>
<b>Minority interests</b>		<b>3,293</b>	<b>2,521</b>
<b>Total equity</b>		<b>\$ 3,616,303</b>	<b>\$ 3,542,967</b>

*The accompanying notes form part of these financial statements. These financial statements were approved by the Board of Directors on March 3, 2006, and were signed on its behalf by:*

*Charles W. Brady*



*Martin L. Flanagan*

*Loren M. Starr*

## Consolidated Statement of Changes in Equity

\$ 000	Shares							
	Share capital (Note 20)	Exchangeable shares (Note 20)	Share premium	held by employee trusts (Note 20)	Other reserves (Note 21)	Retained earnings	Minority interests	Total
January 1, 2004	\$ 353,967	\$ 584,387	\$ 1,194,397	\$ (328,417)	\$ 965,624	\$ 671,540	\$ 673	\$ 3,442,171
(Loss) after taxation						(36,195)		(36,195)
Currency translation differences resulting from change in presentation currency	30,536	48,226	104,752	(32,842)	246,934	47,899	1,312	446,817
Currency translation differences on investments in overseas subsidiaries					(158,550)			(158,550)
Total recognized income and expense attributable to equity holders of the Parent	30,536	48,226	104,752	(32,842)	88,384	11,704	1,312	252,072
Total equity before transactions with owners	384,503	632,613	1,299,149	(361,259)	1,054,008	683,244	1,985	3,694,243
Share-based payment charge						24,011		24,011
Dividends						(135,681)		(135,681)
Exercise of options	705		7,234		(44)			7,895
Acquisition of subsidiary	2,839				44,503			47,342
Acquisition earn-out	2		77					79
Increase in shares held by employee share ownership trusts				(95,458)				(95,458)
Conversion of exchangeable shares into ordinary shares	904	(39,588)	38,684					
Total amounts attributable to minority interests							536	536
December 31, 2004	\$ 388,953	\$ 593,025	\$ 1,345,144	\$ (456,717)	\$ 1,098,467	\$ 571,574	\$ 2,521	\$ 3,542,967
Adoption of IAS 32/39 on January 1, 2005					29,100			29,100
Profit after taxation						212,240		212,240
Currency translation differences resulting from change in presentation currency	(37,534)	(69,113)	(129,831)	43,244	(304,381)	(63,517)	(376)	(561,508)
Currency translation differences on investments in overseas subsidiaries					450,479			450,479
Gains/losses on available for-sale assets					5,371			5,371
Tax taken to/recycled from equity					8,151			8,151
Total recognized income and expense attributable to equity holders of the Parent	(37,534)	(69,113)	(129,831)	43,244	188,720	148,723	(376)	143,833
Total equity before transactions with owners	351,419	523,912	1,215,313	(413,473)	1,287,187	720,297	2,145	3,686,800
Share-based payment charge						52,560		52,560

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Dividends						(134,118)		(134,118)
Exercise of options	512		7,274		(66)			7,720
Acquisition earn-out	154		2,039					2,193
Conversion of exchangeable shares into ordinary shares	717	(92,134)	91,417					
Redenomination of share capital (Note 20)	(270,991)		(1,231,075)		1,502,066			
Total amounts attributable to minority interests							1,148	1,148
December 31, 2005	\$ 81,811	\$ 431,778	\$ 84,968	\$ (413,473)	\$ 2,789,187	\$ 638,739	\$ 3,293	\$ 3,616,303

*The accompanying notes form part of these financial statements.*

**Consolidated Cash Flow Statement***Year-ended December 31,*

<b>\$ 000</b>	<b>Notes</b>	<b>2005</b>	<b>2004</b>
Operating profit		\$ 424,559	\$ 87,325
Depreciation, amortization and goodwill impairment	4	94,463	92,522
Interest paid		(88,210)	(85,331)
Interest received		17,389	11,927
Other investment (loss)/income		(15,411)	14,016
Taxation paid		(118,789)	(133,113)
Decrease in receivables		60,994	95,763
(Decrease)/Increase in payables		(31,524)	151,872
Loss on disposal of property, equipment and software		3,796	1,003
Gain on disposal of long-term investments		(520)	(12,004)
Decrease/(Increase) in current investments		122,362	(18,581)
<b>Net cash inflow from operating activities</b>		<b>469,109</b>	<b>205,399</b>
<b>Investing:</b>			
Purchase of property and equipment		(38,179)	(51,633)
Disposal of property and equipment		2,184	1,050
Purchase of long-term investments		(25,389)	(45,204)
Disposal of long-term investments		38,641	42,671
Acquisitions of businesses, net of cash acquired of \$4.8 million	3		(72,284)
Disposal of business, including cash of \$0.6 million	3	53,640	18,400
<b>Net cash inflow/(outflow) from investing activities</b>		<b>30,897</b>	<b>(107,000)</b>
<b>Financing:</b>			
Issues of ordinary share capital		7,720	7,895
Purchases of shares held by employee share ownership trusts			(95,458)
Dividends paid	9	(134,118)	(135,681)
Credit facility, net	17, 19	(81,000)	(79,000)
Issuance of senior notes	17, 19		496,087
Repayment of senior notes	17, 19	(79,476)	(320,524)
<b>Net cash outflow from financing activities</b>		<b>(286,874)</b>	<b>(126,681)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>19</b>	<b>\$ 213,132</b>	<b>\$ (28,282)</b>
Foreign exchange movement on cash and cash equivalents		(5,306)	11,884
Cash and cash equivalents, beginning of year		546,928	563,326
<b>Cash and cash equivalents, end of year</b>		<b>\$ 754,754</b>	<b>\$ 546,928</b>

*The accompanying notes form part of these financial statements.*

**Notes to the Financial Statements**

**Note 1. Accounting Policies**

**CORPORATE INFORMATION**

The separate financial statements of AMVESCAP PLC (Parent) and the consolidated financial statements of the Parent and all of its controlled subsidiaries (company) for the year-ended December 31, 2005, were authorized for issue in accordance with a resolution of the directors on March 3, 2006. The Parent is incorporated and domiciled in the United Kingdom. Its shares are publicly traded. The principal activities of the company are described in Note 5. The principal accounting policies that are presented below are applicable to both the company and the Parent.

**BASIS OF ACCOUNTING AND CONSOLIDATION**

The financial statements consolidate the financial statements of the Parent and all of its controlled subsidiaries. Control is achieved where the Parent has the power to govern the financial and operating policies of the subsidiary so as to obtain the benefits from its activities. No statement of income is presented for the Parent as permitted by S230 of the Companies Act 1985. The financial statements have been prepared in accordance with International Financial Reporting

Standards (IFRS) and the Companies Act 1985. Previously, the company followed generally accepted accounting practice in the U.K. (U.K. GAAP), which included standards issued by the U.K. Accounting Standards Board and the pronouncements of its Urgent Issues Task Force, and also the Companies Act 1985. The disclosures required by IFRS 1, First-time Adoption of International Financial Reporting Standards, concerning the January 1, 2004 transition from U.K. GAAP to IFRS are given in Note 2.

IFRS comprise standards and interpretations approved by the International Accounting Standards Board and its predecessors, all of which have been approved by the European Commission at the current date, with the exception of the amendments to International Accounting Standard (IAS) 21, The effects of changes in foreign exchange rates, and IFRIC 8, Scope of IFRS 2. On September 1, 2005, the company adopted the amendment to IAS 39, Fair value option, and formally designated its investments on behalf of deferred compensation plans and its linked policyholder assets as Fair Value Through Profit and Loss investments. The fair value of these investments on the designation date was \$1.0 billion. Under U.K. GAAP, the linked policyholder assets were classified as a receivable. The company continues to monitor the development of new accounting standards and interpretations that were not effective at December 31, 2005. It is not currently anticipated that the adoption of these standards and interpretations will have a material impact on the financial statements.

The company has changed its presentation currency from sterling to U.S. dollars with effect from December 31, 2005. The comparative figures have been presented in U.S. dollars applying the exchange rates outlined in Note 29. On December 8, 2005, the Parent redenominated its share capital from sterling to U.S. dollars and changed its functional currency from sterling to U.S. dollars. The U.S. dollar more accurately reflects the currency of the underlying operations and financing of the Parent. See Note C to the Parent financial statements for additional information.

The financial statements have been prepared primarily on the historical cost basis; however certain items are presented using other bases such as fair value and recoverable amounts, where such treatment is appropriate. 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 IFRS from local generally accepted accounting principles or reporting regulations. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Minority interests represent the interests in certain entities within the company over which the company has control, but of which the company does not own all of the share capital.

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent liabilities. 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.

## **ACQUISITION ACCOUNTING**

On acquisition, the assets, liabilities and contingent liabilities, if reliably measurable, of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired attributable to the company is recognized as goodwill. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of entities acquired or sold during the year are included from or to the date control changes.

## **GOODWILL**

Goodwill represents the excess of the cost over the identifiable net assets of businesses acquired and is recorded in the functional currency of the acquired entity. Goodwill is recognized as an asset and is reviewed for impairment annually. The recoverable amounts of each cash generating unit (the lowest group of identifiable assets that generate independent cash flows) are compared to its carrying amount to determine if impairment results. The recoverable amount of a cash generating unit is the higher of the fair value less costs to sell of the cash generating unit or its value-in-use (VIU).

Transaction data for similar assets within the asset management industry are obtained from an external valuations consultant and are used to assess the fair value less costs to sell as part of the annual goodwill impairment test. Key assumptions made in determining the fair value less costs to sell include an analysis of the purchase prices paid for similar acquisitions in the asset management industry as a multiple of the revenue streams acquired. These key assumptions reflect past acquisition experiences within the company and are applied to the cash generating units to arrive at an estimate of the fair value less costs to sell of the cash generating units.

VIU is calculated by first determining the estimate of future cash flows to be generated by the cash generating unit and then applying a discount rate equivalent to the company's weighted average cost of capital, adjusted for risks specific to the cash generating unit. VIU calculations are based on the cash generating unit's most recent budgets and (up to) five-year projections. Extrapolations are then made to the projections assuming declining growth rates on cash flow throughout the estimated life of the goodwill. Any impairment is recognized in the income statement and is not subsequently reversed.

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On disposal of a business, the attributable amount of goodwill is included in the determination of profit or loss. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous U.K. GAAP amounts. Prior to 1998, goodwill was charged directly to other reserves. The goodwill has not been restated, and will not be included in determining any subsequent profit or loss on disposal.

### **INTANGIBLE ASSETS**

Management contract intangible assets identified on the acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition (transaction date) and are amortized and recorded as operating expenses on a straight-line basis over their useful lives, usually seven to ten years. Purchased software is capitalized where the related costs can be measured reliably, and it is probable that the asset will generate future economic benefits, and amortized into operating expenses on a straight-line basis over its useful life, usually three to seven years.

## REVENUE

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is recognized when services have been provided, it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue represents management, distribution, transfer agent and other fees. Revenue is generally accrued over the period for which the service is provided, or in the case of performance-based management fees, when the contractual performance criteria have been met. Management fee revenues are derived from providing professional expertise to manage client accounts and include fees received from institutional advisory contracts and retail mutual funds, unit trusts, investment companies with variable capital and investment trusts. Management fees vary in relation to the level of client assets managed, and in certain cases are also based on investment performance. Distribution fees include 12b-1 fees received from certain mutual funds to cover allowable 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. Transfer agent fees are service fees charged to cover the expense of transferring shares of a mutual fund or units of a unit trust into the investor's name. Other fees include trading fees derived from generally non-recurring security or investment transactions and fees earned from the company's banking subsidiaries, such as interest earned from balances available on demand from clients and credit institutions and commissions earned from derivative instruments. Distribution fees, service fees and advisory fees that are passed through to external parties are presented separately from total revenues to arrive at Net Revenues on the income statement.

Interest income is accrued on cash and other interest-generating financial assets using the effective interest method.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

## DEFERRED SALES COMMISSIONS

Mutual fund shares sold without a sales commission at the time of purchase are commonly referred to as B shares. B shares typically have an asset-based fee (12b-1 fee) that is charged to the fund over a period of years and a contingent deferred sales charge (CDSC). The CDSC is an asset-based fee that is charged to investors that redeem B shares during a stated period. Commissions paid at the date of sale to brokers and dealers for sales of mutual funds that have a CDSC are capitalized and amortized over a period not to exceed the redemption period of the related fund (generally up to six years).

The company's Canadian business participates in a funding arrangement with a bank whereby certain future revenue streams from asset-based and deferred redemption fees for each class B equivalent security are sold to the bank by a fund distribution entity unaffiliated with the company. The purchase price paid by the fund distribution entity for the revenue stream associated with any particular security under this arrangement is equal to a percentage of the price at which that security is sold. In return, the bank pays the B-share commissions to the Canadian financial advisors and brokers. There is no recourse to the company with respect to the proceeds from these programs. Under this arrangement, no commissions are capitalized or amortized as the transactions are financed through parties external to the company.

## PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment includes owned property, computer hardware and other equipment and is stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on property and equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life: owned buildings over 50 years, leasehold improvements over the shorter of the lease term or useful life of the improvement; computers and other various equipment between three and seven years.

## IMPAIRMENT OF ASSETS EXCLUDING GOODWILL

The carrying amounts of assets excluding goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. At each reporting date, an assessment is made for any indication of impairment. If an indication of impairment exists, and if the recoverable amounts (the higher of the fair value less costs to sell or value-in-use) are estimated to be less than the carrying amounts, then the carrying amounts are reduced to their recoverable amounts, and an impairment charge is recognized immediately. The company uses the fair value less costs to sell in determining recoverable amounts. Where an impairment subsequently reverses, the carrying amounts of the assets and equity are increased to the revised estimate of their recoverable amounts, limited to the original carrying amounts less subsequent amortization or depreciation.

## INVESTMENTS

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the company commits to buy or sell the asset. As explained in Note 2, the company has not applied IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement, to the 2004 comparative financial statements included herein. Accordingly, the



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investment balances in the 2004 comparative financial statements are included using the policies and disclosures used under U.K. GAAP.

*Policy applicable through December 31, 2004:*

Long-term investments, including partnership investments, are stated at cost less provisions for any impairment in value. Investments held as current assets are stated at the lower of cost or net realizable value. Gains and losses on investments are recorded within other income and expense in the income statement in the period in which they arise.

***Policy applicable from January 1, 2005:***

Investments are initially recognized at fair value, adjusted by transaction costs, and are then classified as fair value through profit and loss, available-for-sale, or held-to-maturity. Fair value through profit and loss and available-for-sale investments are measured at fair value. Gains or losses arising from changes in the fair value of fair value through profit and loss investments are included in income, and gains or losses arising from changes in the fair value of available-for-sale investments are recognized in a separate component of equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income. Held-to-maturity investments are measured at amortized cost, taking into account any discounts or premiums. Gains or losses on held-to-maturity investments are recognized in income when the investments are amortized or impaired.

Fair value is determined by reference to an active trading market, using quoted bid prices as of each reporting period end. When a readily ascertainable market value does not exist for an investment (such as the company's collateralized debt obligations) the fair value is calculated based on the expected cash flows of its underlying net asset base, taking into account applicable discount rates and other factors. In certain instances, such as unquoted securities, where the fair values cannot be reliably measured, because the range of fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the investment is recorded at cost.

**DERIVATIVE FINANCIAL INSTRUMENTS**

The company does not utilize derivative financial instruments to provide a hedge against interest rate or foreign exchange exposures except in the offshore business, where foreign currency forward and swap contracts are purchased daily to hedge against foreign exchange rate movements during the four-day client money settlement period.

**LEASES**

Rentals under operating leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are charged evenly to the income statement over the lease term. Benefits received and receivable as an incentive to enter an operating lease are also spread evenly over the lease term. When an operating lease obligation becomes onerous, a provision is recorded based on the best estimate of the present value of expenditure required to settle the obligation at the balance sheet date net of estimated sublease income.

**TAXATION**

Tax expense represents the sum of current tax and deferred tax. Current tax is provided on taxable profits based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax is generally provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

Deferred tax assets and liabilities are not recognized where the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized, and deferred tax liabilities are recognized where either the timing of the reversal of the temporary difference cannot be controlled or it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and liabilities in the Consolidated Balance Sheet have been offset on a jurisdiction by jurisdiction basis where they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities.

#### **FOREIGN CURRENCIES**

Transactions in foreign currencies (currencies other than the functional currencies of the operation) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Gains and losses arising on retranslation are included in the income statement, with the exception of differences on foreign currency borrowings that provide an effective designated hedge against a net investment in a foreign entity. These differences are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement. In the Parent's financial statements, a fair value hedge is utilized to revalue certain foreign currency investments in subsidiaries, allowing the revaluation of these assets to offset the revaluation of external foreign currency debt in the Parent's income statement.

The company's presentation currency and the functional currency of the Parent is U.S. dollars. On consolidation, the assets and liabilities of company subsidiary operations whose functional currencies are currencies other than the U.S. dollar ( foreign operations ) are translated at the rates of exchange ruling at the balance sheet date. Income statement figures are translated at the weighted average rates for the year, which approximate actual exchange rates. Exchange differences arising on the translation of foreign operations' accounts are taken directly to equity. Goodwill and other fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at rates of exchange ruling at the balance sheet date.

## **PENSIONS**

For defined contribution schemes, contributions payable in respect of the accounting period are charged to the income statement. For defined benefit schemes, the cost of providing benefits is separately determined for each plan using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. A portion of actuarial gains and losses is recognized through the income statement if the net cumulative unrecognized actuarial gain or loss at the end of the previous reporting period exceeds the greater of 10% of the present value of the defined benefit obligation (before deducting plan assets) at that date and 10% of the fair value of any plan assets. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses, unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan.

## **DEBT AND FINANCING COSTS**

Upon initial recognition, debt balances are recorded at the net of the maturity amounts and any debt issue costs. Finance charges and debt issue costs are accounted for using the effective interest method. Interest charges are recognized in the income statement in the period in which they are incurred.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity upon acquisition of three months or less. Certain cash and cash equivalents balances that are held to satisfy regulatory liquidity requirements are disclosed as restricted cash. Also included in cash and cash equivalents is cash to facilitate our trust operations and customer transactions in the company's affiliated funds. In addition, cash balances may not be readily accessible to the Parent due to certain tax adequacy requirements. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## **TRADE AND OTHER RECEIVABLES AND PAYABLES**

Trade and other receivables and payables are recorded at their original invoice amounts, less any provision.

## **PROVISIONS**

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

## **LINKED ASSETS AND LIABILITIES**

One of the company's subsidiaries is an insurance entity, established to facilitate retirement savings plans. Fair value through profit and loss investments and policyholder liabilities held by this business meet the definition of financial instruments and are carried in the balance sheet at fair value. Changes in fair value are recorded in the income statement. The liability to the policyholders is linked to the value of the investments. Management fees earned from policyholder investments are accounted for as described in the company's revenue accounting policy. Policyholder liabilities are measured in accordance with actuarial principles and guidance.

## **SHARE-BASED PAYMENT**

The company issues equity-settled share-based awards to certain employees, which are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest. Fair value is measured by use of a stochastic valuation model. The expected life of share-based payment awards used in the

model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. In accordance with the transition provisions of IFRS, the company has applied this policy to all grants after November 7, 2002, that were unvested as of January 1, 2005.

**TREASURY SHARES**

Shares held by employee share ownership trusts associated with equity-settled share-based awards that have not vested unconditionally to the company's employees are valued at cost and are included as deductions from equity.

**DIVIDENDS**

Final dividends are recognized on the declaration date, which is the date when the dividend is formally approved by shareholders. Interim dividends are recognized when paid.

**Note 2. First-Time Adoption of IFRS**

The transition date to IFRS from U.K. GAAP was January 1, 2004. IFRS 1, First-Time Adoption of IFRS, requires the adoption of IFRS accounting policies at the transition date but allows an entity to make certain elections for exemption from certain requirements of IFRS. The company has used the provisions of IFRS 1 in arriving at its transition date balance sheet amounts as follows:

**GOODWILL**

The company has not applied IFRS 3, Business Combinations, retrospectively to business combinations that occurred before January 1, 2004. The company has elected to apply IAS 21, The Effects of Changes in Foreign Exchange Rates, retrospectively to all goodwill arising from business combinations that occurred before the transition date to IFRS. Therefore, the carrying amount of the goodwill in the U.K. GAAP balance sheet at December 31, 2003, adjusted to reflect the underlying balances in the local currencies of the acquired entities, has been brought forward into the opening IFRS balance sheet.

**PROPERTY AND EQUIPMENT**

The company measures the carrying values of all items of property and equipment at their historical cost in accordance with IAS 16, Property, Plant and Equipment, on the date of transition and has not elected to use the fair values at the date of transition as the deemed cost.

**EMPLOYEE BENEFITS**

For defined benefit retirement and post-employment medical schemes, the company has recognized all cumulative actuarial gains and losses at the date of transition to IFRS.

**CUMULATIVE TRANSLATION DIFFERENCES**

The cumulative translation differences recognized in equity for all foreign operations are deemed to be zero at the transition date to IFRS. The gains or losses upon subsequent disposal of any foreign operation will exclude translation differences that arose before the date of transition to IFRS but will include translation differences accumulating after the date of transition to IFRS.

**SHARE-BASED PAYMENT**

IFRS 2, Share-Based Payment has been applied to equity instruments granted after November 7, 2002, but that were unvested by the transition date. The company has not applied IFRS 2 to grants occurring before November 7, 2002, or to grants after November 7, 2002, that vested before January 1, 2005.

**FINANCIAL INSTRUMENTS**

The company has not applied IAS 32, Financial Instruments: Presentation and Disclosure, and IAS 39, Financial Instruments: Recognition and Measurement, to its 2004 comparatives. The impact of these standards is reflected through adjustments to equity at January 1, 2005. In the 2004 comparatives, financial instruments are included using the U.K. GAAP measurement bases.

**RECONCILIATIONS FROM U.K. GAAP TO IFRS**

The tables below reconcile total shareholders funds at January 1, 2004, and December 31, 2004, under U.K. GAAP to total equity under IFRS, and loss after taxation for the year ended December 31, 2004 from U.K. GAAP to IFRS.

**Reconciliation of total U.K. GAAP shareholders funds to IFRS total equity**

<i>\$ 000</i>	<b>Jan 1, 2004</b>	<b>Dec 31, 2004</b>
U.K. GAAP shareholders funds and minority interests	\$ 3,650,225	\$ 3,577,525
IFRS Transition Adjustments:		
Goodwill and intangible assets	(230,618)	(31,262)

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Shared-based payment	(12,162)	(12,513)
Defined benefit obligation, net	(54,112)	(57,563)
Dividends	93,310	78,643
Other	(4,472)	(11,863)
IFRS total equity	\$ 3,442,171	\$ 3,542,967

**Reconciliation of U.K. GAAP loss after taxation to IFRS loss after taxation**

	Year ended
	<b>Dec 31, 2004</b>
<i>\$ 000</i>	
U.K. GAAP loss after taxation	\$ (312,011)
IFRS Transition Adjustments:	
Goodwill	279,953
Share-based payment	934
Defined benefit obligation, net	(561)
Sale of business	4,821
Other	(9,090)
FX upon change in presentation to U.S. dollars	295
<b>IFRS loss after taxation</b>	<b>\$ (35,659)</b>

There were no adjustments to the cash flow statement as a result of the transition from U.K. GAAP to IFRS; rather there were formatting changes to the presentation of the cash flow information. As required by IAS 7, Cash Flow Statements, a cash flow statement under IFRS contains three sections of cash flow data: operating, investing and financing. This information is presented to reconcile the movement in cash and cash equivalents during the period. Under U.K. GAAP, the requirements for the presentation of cash flow information include the presentation of different categories of cash flow information, including operating, returns on investments and servicing of finance, taxation, acquisitions and disposals, dividends paid and financing. In addition, the cash flow statement under U.K. GAAP was presented to reconcile the movement in cash that is available within 24 hours without penalty (not cash equivalents or liquid resources) during the period.

**IFRS TRANSITION ADJUSTMENTS:**

**Goodwill and intangible assets.** The company has elected to apply IFRS 3 prospectively from the date of transition. This has resulted in the value of goodwill arising from previous acquisitions being frozen at the value held on the company's balance sheet at January 1, 2004, and the reversal of any amortization charged in 2004. The company has also elected to apply IAS 21, The Effects of Changes in Foreign Exchange Rates, retrospectively to its goodwill and intangible asset balances, which were previously recorded in sterling from their respective acquisition dates. The result of this application is that goodwill and intangible assets have been redenominated into their underlying currencies and the non-U.S. dollar balances will subsequently be re-measured each reporting date for the effect of changes in foreign exchange rates.

**Share-based payment.** The company will recognize a charge in the Income Statement for the fair value of outstanding share awards granted to employees after November 7, 2002. The charge has been calculated using a stochastic option valuation model and will be charged over the relevant vesting periods, adjusted to reflect expected and actual levels of vesting.

**Defined benefit obligation, net.** The company will recognize the net liability for defined benefit post retirement plan schemes on the balance sheet and will take actuarial gains and losses on a systematic basis to the Income Statement, in accordance with the permitted methods of recognition under IAS 19, Employee Benefits. As of January 1, 2004, the excess of defined benefit plan liabilities over the fair value of plan assets was \$106.8 million.

**Sale of business.** During 2004, the company disposed of its U.K. and Jersey businesses of Atlantic Wealth Management and included the previously written-off goodwill related to this business in the calculation of the net gain resulting from the sale. Under IFRS 1, First-Time Adoption of IFRS, goodwill previously deducted from equity is not recognized in the opening balance sheet and that goodwill is not transferred into the income statement upon disposal of the business. This had the effect of increasing the gain previously reported under U.K. GAAP.

**Dividends.** The company will recognize dividends declared after the balance sheet date in the reporting period in which they are declared, as they represent non-adjusting events after the balance sheet date.

**Reclassifications.** For disclosure purposes, IFRS requires that certain reclassifications be made to the financial statements that were presented under U.K. GAAP, including the presentation of third-party distribution, service and advisory fees in the income statement separately from total revenues. Certain balance sheet reclassifications were made, including the presentation of the policyholder assets as investments (previously included in receivables), the presentation of software assets as intangible assets (previously included in property and equipment assets) and the separation of deferred tax liabilities from provisions.



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**Other.** Other adjustments upon transition to IFRS include the recognition and establishment of accruals related to compensated absences, foreign exchange items and certain tax adjustments.

The company adopted IAS 32, Financial Instruments: Disclosure and Presentation and IAS 39, Financial Instruments: Recognition and Measurement, from January 1, 2005. These standards require that financial assets and liabilities be recognized on the balance sheet and accounted for according to their underlying classification. Investments and shareholders' equity increased by \$29.1 million as a result of these changes, primarily arising from the recognition of net unrealized gains on investments classified as available-for-sale. Also as a result of the adoption of IAS 39, a charge of \$6.8 million was recorded within loss on sale of assets, investments and foreign exchange in the income statement during 2005. This charge was the result of foreign exchange revaluation of the U.S. dollar senior notes into sterling and was recorded before the change in functional currency from sterling to U.S. dollars. See Notes 1, 6, 20 and 27 for additional information.

The company has also applied IFRS 4, Insurance Contracts, from January 1, 2005, and has reclassified its linked policyholder assets, where they were presented under U.K. GAAP, into investments classified as fair value through profit and loss.

**Note 3. Acquisitions and Dispositions**

On July 15, 2005, the company completed the sale of the AMVESCAP Retirement business. This business provided administrative, recordkeeping, brokerage, trust and custodial services for retirement plans, individual retirement accounts, and education savings programs and accounts. The company disposed of all rights, title and interests in this business, including all of the issued and outstanding capital of one of its subsidiaries, AMVESCAP Services Inc. The results of this business are included through the closing date of the transaction. The disposal is analyzed as follows:

<i>\$ 000</i>	
Non-current assets	6,165
Current assets, including cash of \$0.6 million	9,595
Current liabilities assumed	7,700
	23,460
Gain on sale	32,626
Cash consideration	56,086

On March 1, 2004, the company acquired 100% of the voting power over Stein Roe Investment Counsel LLC (Stein Roe) for consideration totaling \$163.7 million, which includes earn-out provisions of \$43.0 million. Goodwill and management contract intangible assets of \$157.9 million have been recorded on this acquisition, net cash paid was \$68.5 million, and shares were issued in satisfaction of \$47.3 million purchase consideration.

From the date of acquisition through the end of 2004, Stein Roe revenues were \$30.6 million. If the acquisition had taken place on January 1, 2004, Stein Roe revenues for the year would have been approximately \$40 million. Immediately following the acquisition, employees and cost streams were combined with the other businesses in the Private Wealth Management division. It is therefore impracticable to segregate the post acquisition expenses associated with the acquired entity.

The book and fair values of net assets acquired were determined as follows:

	Book	Fair value	Fair
<i>\$ 000</i>	value	adjustments	value
Non-current assets, including acquired goodwill and intangible assets	37,767	(34,500)	3,267
Receivables	3,443	1,173	4,616
Cash	4,823		4,823
Payables	(6,941)		(6,941)
Net assets	39,092	(33,327)	5,765
Goodwill and intangible assets			157,900
			163,665
Satisfied by:			
Issuance of 6.1 million ordinary shares			47,342
Cash paid and provisions established			116,323
Total fair value of net assets			163,665

The value of the share consideration was determined by reference to the fair value of an ordinary share of AMVESCAP PLC at the acquisition date, which was £4.17. Adjustments include the write-off of pre-acquisition goodwill to equity and the establishment of deferred tax assets related to certain creditor balances.

On March 31, 2004, the company completed the sale of the U.K. and Jersey businesses of Atlantic Wealth Management. A gain of \$11.8 million was recorded within Gain on sale of business in the income statement. The disposal is analyzed as follows:

*\$ 000*

Non-current assets sold	2,134
Other costs related to sale	6,736
	8,870
Gain on sale	11,831
Consideration (cash of \$18.4 million)	20,701

In December 2005, AMVESCAP outsourced its banking operations in Germany and on January 31, 2006, completed the sale of its German banking license. Net assets at December 31, 2005, were \$7.1 million. On January 23, 2006, the company announced the acquisition of PowerShares Capital Management LLC (PowerShares). The transaction, subject to certain conditions including approvals from the Board of Directors and the shareholders of PowerShares, is expected to close in the second or third quarter of 2006. The initial purchase consideration is \$60 million to be paid on closing. Additional consideration of up to a maximum of \$670 million is payable in the future depending on the achievement of various revenue and assets under management growth targets.

#### Note 4. Additional Operating Expense Information

<i>\$ 000</i>	2005	2004
Wages and salaries	785,748	743,538
Payroll-related costs	53,136	50,355
Pension costs	73,342	66,516
Benefits costs	41,270	42,720
Share-related compensation	64,280	30,018
Other compensation costs	26,930	33,641
<b>Total Compensation Costs</b>	<b>1,044,706</b>	<b>966,788</b>

The average number of employees of the company during the year was 6,261 (2004: 6,812). Of these totals, 4,593 (2004: 4,824) were employed in North America and the remainder were employed in the U.K., Europe and Asia. Included in operating expenses are the following non-cash charges:

<i>\$ 000</i>	2005	2004
Depreciation	43,570	51,353
Amortization	34,337	41,169
Goodwill impairment charge	16,556	
	94,463	92,522

Included in operating expenses in 2005 is a restructuring charge of \$75.7 million, related to operational and structural changes made as a result of a review of the business.

<i>\$ 000, except per share data</i>	2005
Staff termination costs	45,014
Property costs	20,386
Fund rationalization costs	6,936
Other	3,354
<b>Total restructuring charge</b>	<b>75,690</b>
Taxation	(17,439)
<b>Net income charge</b>	<b>58,251</b>
 Per share impact	 \$ 0.07

The consolidated income statement for 2004 includes a charge of \$413.2 million relating to the mutual fund market timing investigations by regulators in the United States. The charge comprised settlement payments and civil penalties of \$376.7 million, along with related costs of \$36.5 million, primarily additional legal costs associated with the investigations. Previously, when reporting under U.K. GAAP, the settlement charge was included in exceptional items totaling \$450.2 million. The exceptional items, as reported in 2004, also included \$37.0 million primarily relating to estimates of lease payments in excess of the expected sublease proceeds over the remaining lives of the leases. These items have been reclassified into operating expenses in 2005.

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Cash paid in 2005 related to the restructuring charge was \$14.5 million and relating to the U.S. regulatory settlement was \$173.6 million (2004: \$237.7 million was paid relating to the U.S. regulatory settlement).

### **Note 5. Segmental Information**

For management reporting purposes prior to the end of 2005, the company was organized into seven operating segments, including a Corporate segment. Each operating segment performed asset management activities. The company generally recorded inter-segment services and transfers as if the services or transfers were provided to third parties at current market prices. Beginning January 1, 2006, management realigned the business to achieve increased efficiencies and does not expect to continue to manage the business under the divisional business structure used in the past, which is presented below.

2005

	INVESCO						Private Wealth/ Retirement	Total
	AIM U.S.	AIM Canada	INVESCO U.S.	INVESCO U.K.	Europe/ Asia			
<b>\$ 000</b>								
<b>Operating Profit information</b>								
Total Revenues	966,141	592,123	395,056	704,195	112,880	108,823	2,879,218	
Net Revenues:								
External	737,710	384,148	374,881	485,502	83,747	107,249	2,173,237	
Inter-segment	4,323	(10,613)	17,607	(62,774)	42,617	8,840		
	742,033	373,535	392,488	422,728	126,364	116,089	2,173,237	
Operating profit	248,477	210,326	102,041	97,312	(13,009)	(33,404)	611,743	
Restructuring charge							(75,690)	
Unallocated corporate expenses							(111,494)	
Operating profit							424,559	
Other net gains							20,661	
Interest expense							(85,142)	
Profit before taxation							360,078	
Taxation							(146,690)	
Profit after taxation							213,388	
<b>Balance Sheet information</b>								
Segment assets	473,985	117,952	928,282	2,930,173	396,651	339,126	5,186,169	
Corporate assets							2,391,459	
Total assets							7,577,628	
Segment liabilities	(211,104)	(74,284)	(351,150)	(1,806,170)	(120,596)	(33,168)	(2,596,472)	
Corporate liabilities							(1,364,853)	
Total liabilities							(3,961,325)	
<b>Other information</b>								
Capital additions								
Property and equipment	14,787	3,428	439	1,984	2,069	2,026	24,733	
Intangible assets	7,406	1,288	1,407	2,901	44	401	13,447	
Total capital additions	22,193	4,716	1,846	4,885	2,113	2,427	38,180	
Depreciation, amortization and impairment	15,946	6,916	6,191	18,785	2,271	30,185	80,294	
Corporate depreciation and amortization							14,169	
Total depreciation, amortization and impairment							94,463	

Portions of the Retirement division were sold during the year. See Note 3 for further information.

2004

	INVESCO						Private Wealth/ Retirement	Total
	AIM U.S.	AIM Canada	INVESCO U.S.	INVESCO U.K.	Europe/ Asia			
<b>Operating Profit information</b>								
Total Revenues	1,064,748	525,981	358,982	555,339	132,467	119,974	2,757,491	
Net Revenues:								
External	826,797	332,381	344,781	396,149	101,291	123,062	2,124,461	
Inter-segment	(14,770)	(12,521)	7,048	(51,093)	41,403	29,933		
	812,027	319,860	351,829	345,056	142,694	152,995	2,124,461	
Operating profit	280,354	174,265	92,930	21,593	6,392	(11,730)	563,804	
U.S. regulatory settlement							(413,211)	
Unallocated corporate expenses							(63,268)	
Operating profit							87,325	
Other net gains							32,875	
Interest expense							(81,171)	
Profit before taxation							39,029	
Taxation							(74,688)	
Profit after taxation							(35,659)	
<b>Balance Sheet information</b>								
Segment assets	524,960	178,573	701,587	2,336,233	516,600	334,687	4,592,640	
Corporate assets							2,826,991	
Total assets							7,419,631	
Segment liabilities	(393,560)	(80,612)	(349,818)	(1,224,923)	(253,278)	(26,623)	(2,328,814)	
Unallocated corporate liabilities							(1,547,850)	
Consolidated total liabilities							(3,876,664)	
<b>Other information</b>								
Capital additions								
Property and equipment	19,367	1,346	1,814	6,831	1,147	2,154	32,659	
Intangible assets	12,257	845	1,997	18	384	3,473	18,974	
Total capital additions	31,624	2,191	3,811	6,849	1,531	5,627	51,633	
Depreciation and amortization	28,328	7,738	7,718	26,267	3,155	16,526	89,732	
Corporate depreciation and amortization							2,790	
Total depreciation, amortization and impairment							92,522	

Geographical analysis of the company's business, is as follows:

**2005**

\$ '000	U.K.	U.S.	Canada	Europe/ Asia	Total
<b>Operating Profit information</b>					
Total Revenues	704,195	1,470,020	592,123	112,880	2,879,218
Net Revenues:					
External	485,502	1,219,840	384,148	83,747	2,173,237
Inter-segment	(62,774)	30,770	(10,613)	42,617	
	422,728	1,250,610	373,535	126,364	2,173,237
<b>Balance Sheet information</b>					
Segment assets	2,951,600	1,719,966	117,952	396,651	5,186,169
Corporate assets					2,391,459
Total assets					7,577,628
Capital additions					
Property and equipment	1,984	17,252	3,428	2,069	24,733
Intangible assets	2,901	9,214	1,288	44	13,447
Total capital additions	4,885	26,466	4,716	2,113	38,180

**2004**

\$ '000	U.K.	U.S.	Canada	Europe/ Asia	Total
<b>Operating Profit information</b>					
Total Revenues	557,963	1,541,080	525,981	132,467	2,757,491
Net Revenues:					
External	398,685	1,292,104	332,381	101,291	2,124,461
Inter-segment	(50,929)	22,047	(12,521)	41,403	
	347,756	1,314,151	319,860	142,694	2,124,461
<b>Balance Sheet information</b>					
Segment assets	2,361,281	1,536,676	178,573	516,110	4,592,640
Unallocated corporate assets					2,826,991
Total assets					7,419,631
Capital additions					
Property and equipment	6,831	23,335	1,346	1,147	32,659
Intangible assets	18	17,727	845	384	18,974
Total capital additions	6,849	41,062	2,191	1,531	51,633

Net revenues reflects the geographical segments from which services are provided.



**Note 6. Other Income and Expenses**

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Investment Income:		
Interest receivable	16,705	10,395
Gain on disposal of assets	312	134
Gain from listed investments	1,162	5,014
Gain from unlisted investments	4,440	12,868
Profit of associated companies	740	1,480
	23,359	29,891
Loss on sale of assets investments, and FX:		
Loss on disposal of assets	(10,522)	(343)
Loss from unlisted investments	(2,004)	(8,504)
Loss from Taiwan bonds	(11,293)	
Foreign exchange	(11,505)	
	(35,324)	(8,847)

The loss on disposal of assets includes \$7.2 million that arises from the outsourcing of the defined contribution platform in the U.K.

**Note 7. Interest Expense**

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Senior notes	62,509	63,452
Credit facility	4,484	5,666
Debt retirement costs		5,101
U.S. regulatory settlement*	7,235	2,360
Other	10,914	4,592
	85,142	81,171

\* *Interest costs associated with the payment terms of the U.S. regulatory settlement*

**Note 8. Taxation**

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
<b>Consolidated income statement</b>		
<i>Current Income Tax</i>		
Corporation tax for the period	(126,537)	(103,970)
Adjustments in respect of prior periods	(2,933)	(3,372)
<i>Deferred Income Tax</i>		
Relating to origination and reversal of temporary differences	(17,880)	35,371
Adjustments in respect of prior periods	660	(2,717)
Income tax expense reported in the consolidated income statement	(146,690)	(74,688)
Total U.K. corporation tax	(18,013)	(2,391)
Total foreign income tax	(128,677)	(72,297)
Income tax expense reported in the consolidated income statement	(146,690)	(74,688)
<b>Consolidated statement of changes in equity</b>		
Deferred tax related to additional tax deduction for share-based payment	12,518	
Deferred tax related to mark-to-market adjustments on available-for-sale investments	(7,497)	
Current tax related to realized foreign exchange loss	3,130	
Income tax (expense) benefit reported in equity	8,151	

A reconciliation between tax expense and the product of accounting profit multiplied by the blended average statutory income tax rate of the company for the years ended December 31, 2005 and 2004 is as follows:

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Accounting profit before tax from continuing operations	360,078	39,029
At blended average statutory income tax rate of 35.12% (2004: 33.42%)	126,456	13,044
Effects of:		
Non-deductible investment write-offs	5,622	3,207
Adjustment in respect of prior periods	2,273	6,089
Other permanent items	3,908	(5,602)
Europe and Asia restructuring provisions	9,835	
Europe and Asia operating losses	10,683	3,439
Previously unrecognized losses	(6,345)	
Additional tax loss on retirement division sale	(3,955)	
Net movement in tax reserves	(1,787)	1,111
Non-deductible U.S. regulatory settlement penalties		53,400
Income tax expense as reported in the consolidated income statement	146,690	74,688

Our subsidiaries operate in several taxing jurisdictions around the world, each with its own statutory income tax rate. As a result, the blended average statutory income tax rate will vary from year to year depending on the mix of the profits and losses of our subsidiaries. The majority of our profits are earned in the U.S., Canada and the U.K. The current U.K. statutory tax rate is 30%, the Canadian statutory tax rate is 36.12% and the U.S. statutory tax rate can range from 36% - 42% depending upon the applicable state tax rate(s).

Deferred income tax at December 31 related to the following:

*Deferred Tax Assets*

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<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Deferred compensation arrangements	82,398	42,103
Restructuring accruals	24,513	63,458
Tax losses carried forward	17,803	32,816
Post-retirement medical, pension and other benefits	45,926	48,016
Fixed asset depreciation	7,208	4,618
Investment basis differences	6,275	6,656
Other	13,650	13,508
Ending balance prior to offset	197,773	211,175
Offset within same tax jurisdiction	(47,173)	(61,061)
Net deferred tax assets	150,600	150,114

*Deferred Tax Liabilities*

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Deferred sales commissions	(28,477)	(39,647)
Intangible asset amortization	(10,421)	(12,031)
Undistributed earnings of subsidiaries	(3,770)	(4,167)
Basis differences on available for sale assets	(7,099)	
Revaluation reserve	(6,406)	
Tax reserves	(33,169)	(36,655)
Other	(1,327)	(5,216)
Ending balance prior to offset	(90,669)	(97,716)
Offset within same tax jurisdiction	47,173	61,061
Net deferred tax liabilities	(43,496)	(36,655)
Deferred tax assets net of liabilities	107,104	113,459

Movements on net deferred tax of \$(6.4) million comprise a deferred tax expense in the consolidated income statement of \$17.2 million less foreign exchange and other reclasses of \$5.8 million and \$5.0 million reflected in the statement of changes in equity:

*Deferred Tax in the statement of changes in equity:*

<i>\$ 000</i>	2005	2004
Deferred tax related to additional tax deduction for share-based payment	12,518	
Deferred tax related to mark-to-market adjustments on available-for-sale investments	(7,497)	
	5,021	

Deferred tax assets and liabilities in the Consolidated Balance Sheet have been offset on a jurisdiction by jurisdiction basis where they relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities.

At December 31, 2005, the company had tax loss carryforwards accumulating in certain subsidiaries in the aggregate of \$127.5 million (2004: \$73.1 million) for which deferred tax has not been recognized as the losses may not be utilized to offset taxable profits elsewhere in the company, and they have arisen in subsidiaries that have not shown a history of taxable profits and/or the amount of the losses is greater than the expected profit in the near future. The tax loss carryforwards at December 31, 2005 will expire as follows:

<i>\$ 000</i>	2006 2008	2009 2011	After 2011	Unlimited
	5,211	11,179	1,793	109,335

Deferred tax assets of \$17.8 million (2004: \$32.8 million) have been recognized on tax losses in certain subsidiaries as it is more likely than not that each subsidiary will have taxable profits in the foreseeable future to enable utilization of the amounts recognized.

Deferred tax liabilities are recognized for taxes that would be payable on the unremitted earnings of the company's non-U.K. subsidiaries, associates, and joint ventures except where there is no intention to distribute subsidiary earnings in the foreseeable future or for associates and joint ventures where profits cannot be distributed without the consent of the parent company. The temporary difference associated with our investment in Canada for which deferred tax liabilities have not been recognized is estimated to be \$500.0 million (2004: \$470.0 million). If distributed as a dividend, Canadian withholding tax of 5% would apply. For associates and joint ventures, no consent to distribute profits was given as of the balance sheet date.

Deferred tax liabilities in the amount of \$3.8 million (2004: \$4.2 million) for additional UK tax have been recognized for unremitted earnings of certain subsidiaries that have regularly remitted earnings to the Parent and are expected to continue to remit earnings in the foreseeable future.

There are no adverse income tax consequences to the company related to the payment of dividends by the company to its shareholders.

#### **Note 9. Dividends**

<i>\$ 000</i>	2005	2004
Declared and paid during the year:		
Final dividend in respect of 2004, 5.0p per share (2003: 6.5p)		
Ordinary shares	72,408	96,312
Exchangeable shares	2,573	3,496
Final dividend paid	74,981	99,808
Interim dividend paid in respect of 2005, 4.0p per share (2004: 2.5p)		
Ordinary shares	57,162	34,555
Exchangeable shares	1,975	1,318
Interim dividend paid	59,137	35,873

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Total dividend paid		134,118	135,681
Proposed for approval at AGM (not recognized as a liability at Dec 31):			
Final proposed in respect of 2005, 5.5p per share (2004: 5.0p)			
Ordinary shares		76,308	75,943
Exchangeable shares		2,163	2,702
Final dividend proposed		78,471	78,645

Up to and including the 2005 final dividend, dividends were declared in sterling. The final dividend proposed will not equal the final dividend paid due to foreign exchange rate movement and changes in the number of shares over which the dividend is ultimately paid.

The trustees of the Employee Share Option Trust waived dividends amounting to \$3.1 million in 2005 (2004: \$3.2 million).

**Note 10. Earnings per Share**

Basic earnings per share is based on the weighted average number of ordinary and exchangeable shares outstanding during the respective periods, excluding shares purchased by employee share ownership trusts. Diluted earnings per share takes into account the effect of the potential issuance of ordinary shares.

The calculation of earnings per share is as follows:

	Profit/(loss) attributable to		
	equity holders	Number of	Per share
<i>000</i>	of the parent	shares	amount
<b>2005</b>			
Basic earnings per share	\$ 212,240	793,958	\$ 0.27
Dilutive effect of options		11,105	
Diluted earnings per share	\$ 212,240	805,063	\$ 0.26
<b>2004</b>			
Basic and diluted earnings per share	\$ (36,195)	802,160	\$ (0.05)

Profit before the restructuring charge in 2005 and the U.S. regulatory settlement in 2004 is a more appropriate basis for the calculation of earnings per share because this represents a more consistent measure of the year-by-year performance of the business; therefore, the calculation below is presented on that basis.

	Profit before the restructuring charge	Number of shares	Per share amount
<i>000</i>			
<b>2005</b>			
Basic earnings per share	\$ 270,491	793,958	\$ 0.34
Dilutive effect of options		11,105	
Diluted earnings per share	\$ 270,491	805,063	\$ 0.34
<b>2004</b>			
	Profit before the U.S. regulatory settlement	Number of shares	Per share amount
Basic earnings per share	\$ 281,978	802,160	\$ 0.35
Dilutive effect of options		4,527	
Diluted earnings per share	\$ 281,978	806,687	\$ 0.35

Profit/(loss) attributable to equity holders of the Parent and diluted earnings per share are reconciled to profit and earnings per share before the restructuring charge in 2005 and the U.S. regulatory settlement charges in 2004 as follows:

<i>\$ 000, except per share data</i>	Profit/(loss)	Diluted earnings per share
<b>2005</b>		
Profit attributable to equity holders of the Parent	\$ 212,240	\$ 0.26
Restructuring charge	75,690	0.09
Tax benefit resulting from restructuring charge	(17,439)	(0.02)
Other adjustments		0.01
Profit before the restructuring charge	\$ 270,491	\$ 0.34
<b>2004</b>		
Loss attributable to equity holders of the Parent	\$ (36,195)	\$ (0.05)
U.S. regulatory settlement	413,211	0.51
Tax benefit resulting from U.S. regulatory settlement charge	(95,038)	(0.11)
Profit before the U.S. regulatory settlement charge	\$ 281,978	\$ 0.35

**Note 11. Goodwill**

<i>\$ 000</i>	
January 1, 2004	3,984,878
Acquisition	125,842
Other adjustments	(7,660)
Reduction in earn-out provisions	(49,517)
Foreign exchange	263,848
December 31, 2004	4,317,391
Impairment charge recognized during the year	(16,556)
Other adjustments	7,440
Reduction in earn-out provisions	(1,082)
Foreign exchange	(93,545)
December 31, 2005	4,213,648

Goodwill acquired through business combinations is allocated to the following segments, which are also considered cash generating units for impairment testing:

<i>\$ 000</i>	2005	2004
<b>Cash Generating Unit:</b>		
AIM U.S.	228,611	228,611
AIM Canada	1,519,394	1,436,925
INVESCO U.S.	454,501	460,411
INVESCO U.K.	1,547,143	1,700,819
INVESCO Europe/Asia	245,197	255,841
Private Wealth Management	218,802	234,784

4,213,648 4,317,391

Acquisitions completed by AMVESCAP are generally unique to one cash generating unit and have resulting goodwill allocated to directly to the cash generating unit. In certain cases acquisitions have occurred that have involved more than one cash generating unit. In these cases, the goodwill is allocated to the cash generating units by the percentage of revenue that the unit will obtain compared to the total revenue acquired. By using a percentage of revenue, the goodwill will be matched to the cash generating unit's economic benefits received from the acquisition.



The 2005 goodwill impairment review was based on fair value less costs to sell for all cash generating units except Private Wealth Management, which was based on value-in-use. The impairment review methodology employed is presented in Note 1. As a result of the 2005 goodwill impairment review, the company recognized a non-cash goodwill impairment charge of \$16.6 million (\$10.4 million after tax, or \$0.01 per share) included in General and Administrative costs on the income statement related to the Private Wealth Management business. The key assumptions used to determine the fair value of the Private Wealth Management business included: a) cash flow periods of 20 years (the assumed useful life of the goodwill); and b) a discount rate of 12%, which was based upon the company's weighted average cost of capital, adjusted for the risks associated with the operations. A variance in the discount rate could have a significant impact on the amount of the goodwill impairment charge recorded. For example, a 1% increase in the discount rate would have caused an increase in the goodwill impairment charge of approximately \$31 million. A 1% decrease in the discount rate would have resulted in no impairment.

## Note 12. Intangible Assets

Intangible assets are comprised of purchased software and management contract intangible assets that arose from prior acquisitions of subsidiaries. Amortization of software intangible assets is included within Technology/telecommunications in the income statement. Amortization of management contract intangible assets is included within General and Administrative costs in the income statement.

<i>\$ 000</i>	Management		
	Software	Contract Intangibles	Total
<b>Cost:</b>			
January 1, 2004	201,867	58,431	260,298
Foreign exchange	5,267	490	5,757
Additions	18,974		18,974
Business acquisition		32,058	32,058
Disposals	(2,116)		(2,116)
Other adjustments	1,143	1,143	
December 31, 2004	223,992	92,122	316,114
<b>Accumulated amortization:</b>			
January 1, 2004	(133,940)	(11,064)	(145,004)
Foreign exchange	(1,635)	(150)	(1,785)
Provided during the year	(32,299)	(8,870)	(41,169)
Disposals	1,713		1,713
December 31, 2004	(166,161)	(20,084)	(186,245)
<b>Net book value:</b>			
December 31, 2004	57,831	72,038	129,869
<b>Cost:</b>			
January 1, 2005	223,992	92,122	316,114
Foreign exchange	(4,731)	(722)	(5,453)
Additions	13,447		13,447
Business disposition	(16,853)		(16,853)
Disposals	(7,739)		(7,739)
December 31, 2005	208,116	91,400	299,516
<b>Accumulated amortization:</b>			
January 1, 2005	(166,161)	(20,084)	(186,245)
Foreign exchange	2,542	126	2,668
Provided during the year	(24,980)	(9,357)	(34,337)
Business disposition	13,003		13,003
Disposals	4,366		4,366
December 31, 2005	(171,230)	(29,315)	(200,545)

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Net book value:

December 31, 2005	36,886	62,085	98,971
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**Note 13. Investments****NON-CURRENT INVESTMENTS**

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Available-for-sale investments:		
Partnerships	31,254	18,717
Collateralized debt obligations	48,520	35,751
Seed money in affiliated mutual funds/products	37,532	26,009
Treasury/government agency securities	3,820	4,345
Other	8,304	6,492
Fair value through profit and loss investments:		
Investments held on behalf of deferred compensation plans	8,782	32,942
Held to maturity investments:		
Treasury/governmental agency securities	11,198	10,222
<b>Total non-current investments</b>	<b>149,410</b>	<b>134,478</b>
Listed	24,276	25,522
Unlisted	125,134	108,956
	149,410	134,478

**CURRENT INVESTMENTS**

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Available-for-sale investments:		
Bank liquidity investments		93,641
Seed money in affiliated mutual funds/products	25,106	29,348
Treasury/governmental agency securities	1,280	11,565
Fair value through profit and loss investments:		
Assets held for policyholders	1,170,804	796,384
Other	2,904	24,587
Held to maturity investments:		
Treasury/governmental agency securities	1,982	2,999
<b>Total current investments</b>	<b>1,202,076</b>	<b>958,524</b>
Listed	22,345	110,871
Unlisted	1,179,731	847,653
	1,202,076	958,524

As discussed in Note 2, the company adopted IAS 32, Financial Instruments: Disclosure and Presentation and IAS 39, Financial Instruments: Recognition and Measurement, from January 1, 2005. These standards require that financial assets and liabilities be recognized on the balance sheet and accounted for according to their underlying classification. The disclosures above reflect the 2004 U.K. GAAP balances in the IFRS formats.

At December 31, 2004 the fair value of available-for-sale investments was \$254.8 million. During 2005, fair value movements on available-for-sale investments were \$5.4 million and were recorded as movements in equity. As discussed in Note 1, the fair values of collateralized debt obligations are determined using discounted cash flow analyses. An increase or decrease in the discount rate of 1% could change the valuation of the collateralized debt obligations by \$1.3 million. The fair value of long-term held to maturity investments is \$11.1 million at December 31, 2005 (2004: \$10.4 million). The fair value of short-term held to maturity investments is \$2.0 million at December 31, 2005 (2004: \$3.0 million).



**Note 14. Property and Equipment**

<i>\$ 000</i>	<b>Technology and other equipment</b>	<b>Freehold Land and buildings</b>	<b>Total</b>
Cost:			
January 1, 2004	482,876	97,142	580,018
Foreign exchange	13,915	8,172	22,087
Additions	32,553	106	32,659
Business acquisition	3,268		3,268
Disposals	(16,913)		(16,913)
December 31, 2004	515,699	105,420	621,119
Accumulated depreciation:			
January 1, 2004	(342,224)	(4,189)	(346,413)
Foreign exchange	(12,123)	492	(11,631)
Provided during the year	(48,567)	(2,786)	(51,353)
Disposals	15,265		15,265
December 31, 2004	(387,649)	(6,483)	(394,132)
Net book value:			
December 31, 2004	128,050	98,937	226,987

<i>\$ 000</i>	<b>Technology and other equipment</b>	<b>Freehold Land and buildings</b>	<b>Total</b>
Cost:			
January 1, 2005	515,699	105,420	621,119
Foreign exchange	(10,623)	(9,297)	(19,920)
Additions	24,733		24,733
Business disposition	(18,767)		(18,767)
Disposals	(17,050)	(7,355)	(24,405)
December 31, 2005	493,992	88,768	582,760
Accumulated depreciation:			
January 1, 2005	(387,649)	(6,483)	(394,132)
Foreign exchange	9,846	691	10,537
Provided during the year	(41,915)	(1,655)	(43,570)
Business disposition	16,801		16,801
Disposals	7,648		7,648
December 31, 2005	(395,269)	(7,447)	(402,716)
Net book value:			
December 31, 2005	98,723	81,321	180,044

**Note 15. Trade and Other Receivables**

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Unsettled fund receivables	411,998	245,489
Trade receivables	196,728	213,091
Prepayments	57,524	85,689
Accrued income	38,702	34,662

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Customer and counterparty receivables	1,383	165,423
Other receivables	42,846	100,004
	749,181	844,358

**Note 16. Current Liabilities**

<i>\$ 000</i>	<b>2005</b>	<b>2004</b>
Policyholder liabilities	1,170,804	796,384
Unsettled fund payables	423,805	239,796
Accruals and other liabilities	324,501	449,354
Customer and counterparty payables	234,484	464,251
Compensation and benefits	225,113	184,772
Trade payables	75,428	74,144
Current provisions	52,108	28,449
Current maturities of long-term debt	10,045	79,476
Corporation tax payable	6,871	10,161
	2,523,159	2,326,787

As discussed in Note 1, policyholder liabilities are marked to their market value and are held as fair value through profit and loss financial liabilities.

**Note 17. Long-Term Debt**

	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
<i>\$ 000</i>				
Senior notes:				
US\$79.5 million due May 16, 2005 at 6.6%			79,476	80,575
US\$300 million due January 15, 2007 at 5.9%	299,410	302,055	298,741	306,350
US\$300 million due December 15, 2009 at 4.5%	297,854	291,891	297,856	296,241
US\$350 million due February 27, 2013 at 5.375%	346,698	345,587	346,234	351,518
US\$200 million due December 15, 2014 at 5.375%	198,229	196,215	198,231	193,847
US\$10 million due December 15, 2006 at 6.875%	10,045	10,170	10,106	10,315
US\$900 million credit facility expiring March 31, 2010	70,000	70,000	151,000	151,000
<b>Total debt</b>	<b>1,222,236</b>	<b>1,215,918</b>	<b>1,381,644</b>	<b>1,389,846</b>
Less: current maturities of long-term debt	(10,045)	(10,170)	(79,476)	(10,315)
<b>Total long-term debt</b>	<b>1,212,191</b>	<b>1,205,748</b>	<b>1,302,168</b>	<b>1,379,531</b>

The credit facility provides for borrowings of various maturities and contains certain conditions. Financial covenants under the credit agreement include the quarterly maintenance of a debt/EBITDA ratio of not greater than 3.25:1.00 and a coverage ratio of not less than 4.00:1.00 (EBITDA/interest payable for the four consecutive fiscal quarters ended before the date of determination). Interest is payable on the credit facility based upon LIBOR, Prime, Federal Funds or other bank-provided rates in existence at the time of each borrowing.

**ANALYSIS OF BORROWINGS:**

<i>\$ 000</i>	2005	2004
Less than one year	10,045	79,476
Between one and three years	299,410	308,847
Between three and five years	367,854	297,856
Thereafter	544,927	695,465
<b>Total debt</b>	<b>1,222,236</b>	<b>1,381,644</b>

**Note 18. Provisions**

<i>\$ 000</i>	Acquisition	Defined benefit obligation	Leases and other	Total
January 1, 2005				
Current	11,845		16,604	28,449
Non-current	49,592	117,137	44,325	211,054
	61,437	117,137	60,929	239,503
Cash paid	(7,569)	(272)	(11,456)	(19,297)
Reduction in earn-out provisions	(3,136)			(3,136)
German bank pension		11,125		11,125
Discount rate unwinding			1,703	1,703
Provisions released			(2,095)	(2,095)
Provisions established		8,546	10,581	19,127
Other adjustments		(904)	(1,194)	(2,098)

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Foreign exchange	(1,530)	(6,986)	(1,729)	(10,245)
<b>December 31, 2005</b>	<b>49,202</b>	<b>128,646</b>	<b>56,739</b>	<b>234,587</b>
Current	17,394	23,465	11,249	52,108
Non-Current	31,808	105,181	45,490	182,479
Total	49,202	128,646	56,739	234,587



Expected timing of payments for provisions is as follows:

<i>\$ 000</i>	Total	Less than 1 year	1 3 years	3 5 years	Thereafter
Acquisition provisions	49,202	17,394	31,808		
Defined benefit obligation	128,646	23,465	2,490	2,119	100,572
Leases and other	56,739	11,249	16,881	9,646	18,963
<b>Total</b>	<b>234,587</b>	<b>52,108</b>	<b>51,179</b>	<b>11,765</b>	<b>119,535</b>

Acquisition provisions consist of a \$35.7 million earn-out provision established for the acquisition of Stein Roe. The earn-out provision will be released annually through the third anniversary of the closing in 2007 and will be satisfied by the issuance of shares and the payment of cash. Also included in acquisition provisions is \$4.6 million remaining on a retention provision established at the time of the acquisition of National Asset Management, which is expected to be settled in cash during 2006. The acquisition of the real estate asset management business of Hypo und Vereinsbank in 2003 resulted in the recognition of a \$5.9 million deferred acquisition provision, to be paid in 2006.

The company operates defined benefit schemes for qualifying employees of its subsidiaries in the U.K., Ireland, Germany, Taiwan and the U.S. The company also operates a post-retirement medical plan in the U.S. See Note 24 for additional details.

Lease provisions of \$53.7 million at December 31, 2005, consist of an estimate of the costs associated with onerous leases resulting from excess office space in the U.S. and the U.K. The provisions reflect calculations of the lease payments in excess of the expected sublease proceeds over the remaining lives of the leases. Other provisions of \$3.1 million include amounts established to meet various client claims.

#### Note 19. Analysis of Cash, Cash Equivalents and Net Debt

<i>\$ 000</i>	January 1	Cash flow	Non-cash changes and translation	December 31
<b>2005</b>				
Net cash:				
Total cash	546,928	213,132	(5,306)	754,754
Less: cash equivalents	(151,546)	(114,146)	695	(264,997)
	395,382	98,986	(4,611)	489,757
Client cash*	(290,333)	23,671	541	(266,121)
	105,049	122,657	(4,070)	223,636
Cash equivalents	151,546	114,146	(695)	264,997
Debt due within one year	(79,476)	79,476	(10,045)	(10,045)
Debt due after more than one year	(1,302,168)	81,000	8,977	(1,212,191)
Finance leases	(170)		53	(117)
<b>Net Debt</b>	<b>(1,125,219)</b>	<b>397,279</b>	<b>(5,780)</b>	<b>(733,720)</b>
<b>2004</b>				
Net cash:				
Total cash	563,326	(28,282)	11,884	546,928
Less: cash equivalents	(153,468)	10,747	(8,825)	(151,546)
Bank overdraft	(397)	497	(100)	
	409,461	(17,038)	2,959	395,382
Client cash*	(291,707)	2,086	(712)	(290,333)

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	117,754	(14,952)	2,247	105,049
Cash equivalents	153,468	(10,747)	8,825	151,546
Debt due within one year		320,524	(400,000)	(79,476)
Debt due after more than one year	(1,283,655)	(417,087)	398,574	(1,302,168)
Finance leases	(13)		(157)	(170)
<b>Net Debt</b>	<b>(1,012,446)</b>	<b>(122,262)</b>	<b>9,489</b>	<b>(1,125,219)</b>

\* *Client cash includes deposits in subsidiary trust institutions as well as cash held by certain distributor subsidiaries to facilitate customer transactions in the company's affiliated funds. In addition, certain cash balances may not be readily accessible to the Parent due to certain tax and adequacy requirements.*

Included in cash and cash equivalents at December 31, 2005, is \$0.5 million (2004: \$0.6 million) that is not available for general use by the company due to regulatory net capital restrictions required in certain subsidiary locations.

**Note 20. Called Up Share Capital and Exchangeable Shares****ORDINARY SHARES**

<i>000</i>	2005		2004	
	Number	Book Value	Number	Book Value
Authorized ordinary shares of 10 cents each (2004: 25 pence each)	1,050,000	\$ 105,000	1,050,000	\$ 503,790
Allotted, called up and fully paid ordinary shares of 10 cents each (2004: 25 pence each)	818,107	\$ 81,811	810,657	\$ 388,953
Authorized and issued deferred sterling shares of £1 each	50	\$ 87		\$

Effective December 8, 2005, the ordinary share capital of the Parent was redenominated from 25 pence per share to 10 cents per share implemented by way of a reduction of capital pursuant to Section 135 of the Companies Act 1985. Following Court approval, the sterling share capital was reduced to £nil and the related share premium account was cancelled. The credits arising on the Parent's books were then transferred to a special reserve, converted to U.S. dollars using the foreign exchange rate on the effective date, and applied by the creation of new 10 cent shares. The 10 cent shares were then immediately issued to shareholders in the proportion of one new 10 cent share for every one 25 pence share previously held.

Immediately prior to the reduction of share capital becoming effective, the Parent increased its share capital by £50,000 by the creation of 50,000 deferred sterling shares to ensure that the share capital of the Parent will continue to satisfy the requirements of Section 118 of the Companies Act 1985 that any public company maintain a minimum share capital of £50,000. The deferred sterling shares have no rights to participate in the profits of the Parent, no rights to attend or to vote at any general meetings and will have no rights to any assets of the Parent upon a winding up.

As of December 31, 2005, unissued ordinary shares are reserved for the following purposes:

	Shares	Prices	expiry date
Options arising from acquisitions	1,018,144	66p	1366pFeb 2010
Conversion of exchangeable shares	22,648,116		Dec 2009
Subscription agreement (options) with the Employee Share Option Trust	46,388,530	25p	1680pApr 2013
Options granted under the AMVESCAP 2000 Share Option Plan	81,678,490	319.25p	1440pDec 2015
Options granted under Sharesave plans	3,554,194	268p	805pMay 2010

**EXCHANGEABLE SHARES**

The exchangeable shares issued by a subsidiary of the Parent are exchangeable into ordinary shares of the Parent on a one-for-one basis at any time at the request of the holder. They have, as nearly as practicable, the economic equivalence of the Parent's ordinary shares, including the same voting and dividend rights as the ordinary shares. The Parent can redeem all outstanding exchangeable shares for ordinary shares after December 31, 2009, or earlier if the total number of exchangeable shares falls below 5 million.

The exchangeable shares are included as part of share capital in the consolidated balance sheet to present a complete view of the company's capital structure, as they are economically equivalent to, and will become, ordinary shares.

Movements in ordinary and exchangeable shares comprise:

	Number of ordinary shares	Exchangeable shares
January 1, 2004	801,057,775	30,118,727
Exercises of share options	1,425,974	
Acquisitions and acquisition earn-outs	6,202,445	
Converted from exchangeable shares into ordinary shares	1,970,611	(1,970,611)
December 31, 2004	810,656,805	28,148,116
Exercises of share options	1,442,532	
Acquisitions and acquisition earn-outs	507,562	
Converted from exchangeable shares into ordinary shares	5,500,000	(5,500,000)
December 31, 2005	818,106,899	22,648,116

#### SHARES HELD BY EMPLOYEE TRUSTS

Shares held by employee trusts represent the holdings of the ordinary shares of AMVESCAP PLC by its employee share ownership trusts.

Movements in shares held by employee trusts comprise:

	Number
January 1, 2004	30,263,615
Purchases of ordinary shares	15,224,640
December 31, 2004	45,488,255
Purchases of ordinary shares	
December 31, 2005	45,488,255

The market price of ordinary shares at the end of 2005 was 442 pence. The total market value of shares held by employee trusts was \$349,177,000 on December 31, 2005 (2004: \$280,018,000).

#### Note 21. Other Reserves

Movements in other reserves of the company comprise:

	Tax reserve	Warrant reserve	Capital redemption reserve	Currency reserve	Merger reserve	Goodwill and other reserves	Special reserve	Revaluation reserve	Total other reserves
<i>\$ 000</i>									
January 1, 2004		6,063	7,055		2,849,750	(1,897,244)			965,624
Currency translation differences resulting from change in presentation		521	605		245,808				246,934

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currency									
Currency translation differences on investments in overseas subsidiaries			(205,395)		46,845				(158,550)
Exercise of options	(44)								(44)
Acquisition of subsidiary					44,503				44,503
December 31, 2004	6,540	7,660	(205,395)	3,140,061	(1,850,399)				1,098,467
Adoption of IAS 32/39 on January 1, 2005								29,100	29,100
Currency translation differences resulting from change in presentation currency	(631)	(739)		(303,011)					(304,381)
Currency translation differences on investments in overseas subsidiaries			494,594		(42,566)			(1,549)	450,479
Exercise of options	(66)								(66)
Gain/losses on available-for-sale assets								5,371	5,371
Tax taken/to recycled from equity	8,151								8,151
Redenomination of share capital							1,502,066		1,502,066
December 31, 2005	8,151	5,843	6,921	289,199	2,837,050	(1,892,965)	1,502,066	32,922	2,789,187

**NATURE AND PURPOSE OF RESERVES**

**Tax reserve.** The tax reserve relates to the future tax benefits associated with share-based payments, net of future tax liabilities related to available-for-sale investment revaluation and current tax benefits for realized foreign exchange losses.

**Warrant reserve.** The warrant reserve was created in 1997 in connection with the merger with A I M Management Group Inc.

**Capital redemption reserve.** The capital redemption reserve was created upon the purchase and cancellation of ordinary and special deferred shares prior to 2003.

**Currency reserve.** The foreign currency translation reserve is used to record exchange differences arising from the translation of foreign currency subsidiaries upon consolidation into the company.

**Merger reserve.** The merger reserve was created pursuant to Section 133 of the Companies Act 1985 for the excess value over par value of shares issued as consideration for acquisitions of subsidiaries.

**Goodwill and other reserves.** The goodwill reserve contains goodwill that was created in acquisitions prior to 1998.

**Special reserve.** The special reserve was created in December 2005 pursuant to the reduction in share capital of the Parent prior to the redenomination of share capital into U.S. dollars.

**Revaluation reserve.** The revaluation reserve records the fair value changes on available-for-sale investments.

**Note 22. Share-Based Payment****EQUITY-SETTLED SHARE PLANS**

The company's share option plans provide for a grant price equal to the quoted market price of the company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the company before the options vest.

	2005		2004	
	Options	Weighted average exercise price (pence)	Options	Weighted average exercise price (pence)
Outstanding at the beginning of period	135,085,180	557.20	135,342,727	578.57
Granted during the period	6,236,043	332.50	13,678,274	321.17
Forfeited during the period	(11,473,877)	621.72	(12,584,626)	567.79
Exercised during the period	(1,088,125)	258.88	(1,351,195)	269.54
Outstanding at the end of the period	128,759,221	543.09	135,085,180	556.60
Exercisable at the end of the period	63,434,589	704.75	69,481,760	710.22

The weighted average fair value of the 2005 awards at the measurement date was 197p. The market price at the end of 2005 was 442p.

The options outstanding at December 31, 2005 had a range of exercise prices from 25p to 1680p, and a weighted average remaining contractual life of 5.79 years.

A long-term incentive plan (LTIP) was established on December 1, 2002, to retain and motivate key executives and the next generation of management of the company. Periodic awards are made under the LTIP, ranging in size up to a maximum of 1.5 million ordinary shares, which vest in installments of one-third in each of the last three years of the plan term (maximum of seven years). Shares allocated under the LTIP are distributed to participants at the end of the respective vesting period.

	2005 LTIP awards	2004 LTIP awards
Outstanding at the beginning of the period	32,300,000	23,000,000
Granted during the period	150,000	13,300,000
Forfeited during the period	(4,550,000)	(4,000,000)
Outstanding at the end of the period	27,900,000	32,300,000

The share option programs were valued using a stochastic model. The inputs into the model are as follows:

	2005 Options	2004 Options
Weighted average share price	4.38p	3.21p
Weighted average exercise price	4.39p	3.21p
Expected volatility	52.0%	54.6%
Expected life	7.8 years	7.8 years
Risk free rate	4.2%	4.7%
Expected dividends	2.2%	2.9%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The LTIP awards were valued using the Black-Scholes model. The weighted average fair value at the date of grant of the LTIP awards was 3.04p in 2005 (2004: 3.02p).

#### OTHER SHARE-BASED PAYMENT PLANS

The employee share purchase plans are open to almost all employees and provide for a purchase price equal to the market price on the date of grant, less 15 to 20 percent. The shares can be purchased at the end of the saving contract. The shares can be re-purchased at the end of the 27- to 42-month savings contract. As of December 31, 2005, there are 3,554,194 options to purchase shares outstanding under these programs. Pursuant to these plans, the company granted 1,662,877 options in 2005, at a weighted average share price of £3.10. The fair value of these options was determined using the stochastic valuation model, and the weighted average contractual life of these awards is 1.43 years at December 31, 2005.

The company also offers restricted stock awards to certain employees. There is no discount to the fair value of these awards at their grant date, as dividends accrue directly to the employee recipients. Pursuant to these plans, the company granted 9,992,746 awards in 2005, at a weighted average share price of £4.01.

The company recognized total expenses of \$52.6 million and \$24.0 million related to equity-settled share-based payment transactions in 2005 and 2004 respectively.

#### Note 23. Operating Leases

The company leases office space in the majority of its locations of business. Sponsorship and naming rights commitments relate to INVESCO Field at Mile High, a sports stadium in Denver, Colorado. The company's total future commitments under non-cancelable operating leases are as follows:

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<i>\$ 000</i>	Total		Land and Buildings		Sponsorship and Naming Rights		Other	
	2005	2004	2005	2004	2005	2004	2005	2004
Within one year	57,730	70,056	50,877	51,598	6,000	6,000	853	12,458
Within one to three years inclusive	109,765	115,545	97,262	95,031	12,000	12,000	503	8,514
Within three to five years inclusive	86,045	97,708	74,039	79,313	12,000	12,000	6	6,395
In more than five years	247,237	304,942	183,737	226,665	63,500	69,500		8,777
	500,777	588,251	405,915	452,607	93,500	99,500	1,362	36,144
Future minimum sublease payments expected to be received	104,403	29,649	104,403	29,649				



During 2005, the company recognized \$53.9 million in operating lease costs in the income statement, including \$1.6 million of sublease income (2004: \$58.7 million in operating lease costs and \$1.4 million of sublease income).

AMVESCAP maintains approximately \$31.1 million in letters of credit from a variety of banks. The letters of credit are generally one-year -automatically-renewable facilities and are maintained for various reasons. Approximately \$30.3 million of the letters of credit support office lease obligations.

#### Note 24. 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. Where there are employees who 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 cost charged to the income statement of \$60.5 million (2004: \$57.5 million) represents contributions payable to these plans by the company at rates specified in the rules of the plans. As of December 31, 2005, contributions of \$30.0 million (2004: \$33.6 million) due in respect of the current reporting period had not been paid to the plans .

##### DEFINED BENEFIT PLANS

The company maintains legacy defined benefit pension plans for qualifying employees of its subsidiaries in the U.K., Ireland, Germany, Taiwan, and the U.S. All defined benefit plans are closed to new participants, and the U.S. plan benefits have been frozen. The company also maintains a post-retirement medical plan in the U.S., which was closed to new participants in 2005. In 2006, the plan was amended to eliminate benefits for all participants who will not meet retirement eligibility by 2008. The assets of all defined benefit schemes are held in separate trustee-administered funds. Under the U.K. schemes, the employees are entitled to retirement benefits based on final salary at retirement.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were valued as of December 31, 2005. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key assumptions used in plan valuations are as follows:

	Retirement Plans				Medical Plan			
	2005		2004		2005		2004	
Discount rate	2.50%	5.50%	3.50%	5.75%	5.50%		5.75%	
Expected return on plan assets	3.00%	7.50%	3.50%	7.50%	8.00%		8.00%	
Expected rate of salary increases	3.00%	5.40%	3.00%	5.40%	4.50%		4.50%	
Future pension/medical cost trend rate increases	1.75%	2.90%	1.75%	3.00%	5.50%	9.00%	5.50%	10.00%

In developing the expected rate of return, the company considers long-term compound annualized returns based on historical and current market data. Using this reference information, the company develops forward-looking return expectations for each asset category and an expected long-term rate of return for a targeted portfolio. The actual return on plan assets was \$39.9 million (2004: \$17.5 million).

Amounts recognized in the income statement in respect of these defined benefit plans are as follows:

\$ 000	Retirement Plans		Medical Plan	
	2005	2004	2005	2004
Current service cost	(19,210)	(8,774)	(4,208)	(3,216)
Interest cost	(15,272)	(14,345)	(3,792)	(2,940)
Expected return on plan assets	15,492	14,463	505	408
Past service cost		(420)	(402)	(402)
Unrecognized net transition obligation	(14)	(13)		