

Ashmore

2011/12

Interim Report

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Ashmore Group is a leading emerging markets fund manager with long experience of investment outperformance through active management across its core investment themes: external debt, local currency, corporate debt, blended debt, equities, multi-strategy, alternatives in addition to currency overlay/liquidity.

Unaudited interim results for the six months to 31 December 2011

Highlights

- Total net revenue up 4% to **£181.0 million** (H1 2010/11: **£173.7 million**)
 - Net management fees increased 30% to **£151.4 million** from **£116.1 million**
 - Performance fees decreased to **£23.0 million** from **£60.1 million**
- Profit before tax up 2% to **£129.8 million** (H1 2010/11: **£127.6 million**)
- EBITDA margin of **70%** (H1 2010/11: **73%**)
- Assets under management (“AuM”) of **US\$60.4 billion** at **31 December 2011**, a decrease of **US\$5.4 billion (8%)** from **30 June 2011** with net inflows maintained across the period
- Basic EPS of **13.83p** (H1 2010/11: **14.30p**)
- An interim dividend of **4.25p per share** will be paid on **4 April 2012** (H1 2010/11: **4.16p**)

Commenting on the results Mark Coombs, Chief Executive Officer of Ashmore Group plc said;

“Whilst AuM levels increased in our second quarter, they declined overall in the period, in line with significant falls in global indices during our first quarter. We have maintained net inflows throughout and achieved satisfactory financial performance.”

“It has been clearer than ever over the last six months that emerging markets are the driver of global GDP growth, and negative developed world events are happily having a profound impact on perceptions of relative risk globally and prejudices about emerging markets. Many of the asset classes in emerging markets can now not only be considered as higher returning than their developed market equivalent, but also as safer.”

“There are excellent investment opportunities within many of Ashmore’s investment themes and performance across all of them in 2012 has started well as a result of maintaining and developing our positioning in the final quarter of 2011.”

“We continue to innovate, with an ever deepening range of emerging market products. There remains an extremely compelling prospect for substantial long term, profitable growth.”

Chief Executive Officer's Statement

During the six months ended 31 December 2011 Ashmore Group plc ("Ashmore", the "Group") achieved a satisfactory financial performance with net revenue up by 4% to £181.0 million as the planned growth in levels of management fees offset the anticipated reduction in performance fees. The Group maintained net inflows throughout the period.

Overall, profit for the period before tax of £129.8 million is up 2% from the equivalent period a year ago of £127.6 million. The operating costs and profitability measures are tracking the course we outlined as we invest in technology, support and control positions alongside distribution building the infrastructure to grow our diversified business going forward.

AuM development

AuM at 31 December 2011 were \$60.4 billion, a decrease of US\$5.4 billion over the period comprising net subscriptions of US\$0.7 billion offset by adverse investment performance of US\$6.1 billion (Q1 adverse US\$7.1 billion; Q2 positive US\$1.0 billion).

Gross subscriptions were US\$6.7 billion (H1 2010/11: US\$11.4 billion), whilst gross redemptions were US\$6.0 billion (H1 2010/11: US\$2.8 billion) being 9% of the average AuM (H1 2010/11: 7%). Subscriptions included new segregated mandates, further subscriptions from existing clients and new fund launches, with the majority of overall subscriptions being from larger segregated mandates.

The market conditions during the period, against a backdrop of further significant global economic turmoil and risk aversion, resulted in negative mark to market movements, particularly in the first quarter, in a number of asset classes, in line with their respective indices.

Our investment performance overall continues to follow our historic profile and strong long term track record with 50% by AuM of those accounts managed to benchmarks outperforming their benchmarks over one year, and 78% outperforming over three years.

Investment theme developments

We continue to seek investment themes and sub-themes for investors to allocate capital across the emerging markets where we can provide both diversification of risk/return profiles and depth and growth of investable asset pools. This broadening of products further expands our target client base and adds variety to the margins on assets managed as well as to the stability of the resulting income.

The period has seen further developments as a result of a widening adoption by large institutional investors of emerging markets investment grade products, the initial establishment of dedicated local currency corporate debt funds, and the set up of conduits to allow wider access to our equity product suite. We believe that these conduits will provide significant growth and that both these debt sub themes will be highly scaleable over the next five years.

Investment grade emerging market debt has featured within our product range for some time, and this year we have made it a dedicated sub theme. As expected with the inversion of credit quality between developed markets and emerging markets sovereigns, we have seen increasing momentum within these products as investors find the universe of developed world investment grade debt reduces with sovereign downgrades, contrasting with the ongoing improvement of credit quality and

emerging markets upgrades. The next evolution will be investment grade bond products denominated in local currency, where our expertise in local currency investment gained over many years provides us with the capability to extend the investment grade range into local currency denominated instruments. This enables investors to take advantage of attractive local currency exposure whilst diversifying away from the Dollar, Euro, Yen and Sterling denominated bond assets which have traditionally dominated the investment grade space. Not all fixed income managers have the appropriate combination of interest rate, credit and foreign exchange skills to manage such a product successfully over the cycle.

Whilst investment grade bond products are typically lower return and therefore have a lower fee margin than their respective higher yield peers within each theme, the investment grade sub themes tend to attract significant mandates. They are therefore highly scaleable within our existing investment management and support infrastructure as investors become aware of their particular lower risk/return characteristics.

As our clients and shareholders will recognise, after investing in corporate bonds selectively within some external debt mandates over many years, we established a dedicated emerging markets corporate debt theme in 2007. The increase in local currency denominated corporate issuance now provides a further investment opportunity. The investable universe has become sufficiently large and diversified to offer a dedicated product which provides currency and yield curve diversification benefits in local currency for the investor and issuer alike, in contrast to the predominantly US Dollar denominated historic corporate bond issuance. Hence, in the first half, we established the local currency corporate debt fund.

One of the most significant product initiatives in the half year was not in the form of new product, but in new conduits for our existing global equities themes. We now have both SICAV and US 40 Act mutual funds in place for both our broad global active and global small cap emerging markets equities products. Both are currently in the top decile of performance against their peers. These conduits open up the chance of investing with us to a far larger audience of both institutional and retail clients and we expect great things from both our investing and distribution teams in these sub themes.

Investment theme reviews

External debt

External debt, our longest established and still largest theme, comprises a highly diversified portfolio of emerging markets debt assets benchmarked around sovereign emerging markets external debt indices with a primary focus on external debt, investing in three sub themes a) broad; b) sovereign; and c) sovereign investment grade.

AuM at 31 December 2011 were US\$13.6 billion; a decrease of US\$0.7 billion (5%) from 30 June 2011. The period saw small net redemptions of US\$0.4 billion and adverse performance of US\$0.3 billion. Subscriptions included segregated mandate wins in the sovereign investment grade and broad sub-themes for clients diversifying away from traditional US Treasury investment strategies. The theme contributed £30.8 million in management fees at an average margin of 71 bps, (H1 2010/11: £31.5 million; 77 bps) and £16.6 million of performance fees (H1 2010/11 £55.3 million).

Local currency

The local currency investment theme takes advantage of the rapidly expanding local currency and local currency denominated debt markets. Investing in three sub-themes a) broad; b) FX; and c) bonds.

AuM at 31 December 2011 were US\$9.2 billion; a decrease of US\$0.2 billion (2%) from 30 June 2011, with net subscriptions of US\$0.7 billion, and adverse performance of US\$0.9 billion. During the period the theme contributed £22.6 million in management fees at an average margin of 77 bps (H1 2010/11: £18.3 million; 90 bps) and £3.6 million of performance fees (H1 2010/11 £0.8 million).

Corporate debt

The corporate debt theme focuses on the developing corporate debt asset class in emerging markets. Sub-themes include a) broad; b) high yield; and c) investment grade and, as highlighted above, the recent establishment of a new sub-theme, local currency denominated corporate debt.

Dedicated AuM at 31 December 2011 were US\$1.9 billion; an increase of US\$0.6 billion (46%) from 30 June 2011 including net subscriptions of US\$0.6 billion principally from European segregated mandates into the investment grade sub-theme, and flat performance. During the period the theme contributed £5.8 million in management fees at an average margin of 116 bps (H1 2010/11: £5.7 million; 197 bps) and nil performance fees (H1 2010/11 £0.3 million).

Blended debt

The blended debt theme mandates specifically combine external, local currency and sometimes corporate debt, measured against tailor made blended indices.

Dedicated AuM at 31 December 2011 were US\$12.0 billion an increase of US\$1.1 billion (10%) from 30 June 2011 including net subscriptions of US\$0.9 billion, principally from a number of UK pension fund clients and positive performance of US\$0.2 billion. During the period the theme contributed £17.9 million in management fees at an average margin of 51 bps (H1 2010/11: £13.5 million; 46 bps) and nil performance fees (H1 2010/11 £1.0 million). As we highlighted, this is a theme where we can expect further margin expansion over time given its constituent assets and the resultant complexity of product management.

Equities

With the acquisition of AshmoreEMM in 2011 the equities investment theme now combines a full suite of publicly traded equities products, utilising the Group's very deep top down macro country skills together with the bottom up micro investing excellence of one of the largest dedicated corporate research teams in emerging markets equities. The global sub-themes are a) broad global active; b) global small cap; c) fund of closed-ended funds; and d) quant, together with a range of regional funds including Frontier, Latin America, Middle East and Africa.

AuM at 31 December 2011 were US\$7.0 billion, a decrease of US\$ 3.1 billion (31%) from 30 June 2011 with net redemptions of US\$0.9 billion and adverse performance of US\$2.2 billion. Redemptions on the whole were from US pension fund clients allocating away from global emerging markets equities mandates in the last quarter. As anticipated, subscriptions were less than

US\$100 million in the period immediately post completion. During this first full reporting period of AshmoreEMM within the Group, the theme contributed £19.3 million in management fees at an average margin of 70 bps (H1 2010/11: £1.0 million; 162 bps) and £0.5 million of performance fees (H1 2010/11 £2.2 million).

Progress with the integration of AshmoreEMM is on target. Full global responsibility for the Group's equities theme has now been transferred to this team and in line with this, the migration of the business onto the core portfolio management and fund accounting systems will be completed as planned.

Alternatives

The alternatives theme encompasses investments in longer term, typically corporate situations. This can be through distressed, senior, mezzanine and junior debt, public and private equity and equity linked securities. Sub-themes include a) special situations (incorporating distressed, distressed for control and private equity investments), b) infrastructure (both debt and private equity) and c) real estate (typically private equity).

Dedicated AuM at 31 December 2011 were US\$2.6 billion, a slight decrease of US\$0.2 billion (7%) from 30 June 2011. Redemptions of US\$0.1 billion were due to the maturity of a fund and performance was negative US\$0.1 billion. During the period the theme contributed £21.7 million in management fees at an average margin of 240 bps (H1 2010/11: £24.7 million; 217 bps) and £2.3 million of performance fees (H1 2010/11: £0.4 million).

Multi-strategy

The multi-strategy funds supplement the core investment themes providing a dynamic asset allocation across these themes.

AuM at 31 December 2011 were US\$6.1 billion, a decrease of US\$2.3 billion (27%) from US\$8.4 billion at 30 June 2011. Net redemptions of US\$0.4 billion include gross subscriptions of US\$1.2 billion and gross redemptions of US\$1.6 billion. After a first quarter of the financial year when net inflows from Japanese retail investors were maintained, there followed significant outflows in the October-December quarter across the industry following the significant negative mark to market arising particularly from equity and local currency market performance. Overall across the six months, performance contribution was a negative US\$1.9 billion. During the period the theme contributed £29.2 million in management fees at an average margin of 127 bps (H1 2010/11: £19.4 million; 127 bps).

Overlay/liquidity

This comprises the Group's AuM within currency overlay/hedging and liquidity management including the US dollar and GBP liquidity funds, with Standard & Poor's "AAA" ratings, which are available to clients, but principally used to manage the cash components of the underlying Ashmore funds retained for liquidity purposes.

AuM at 31 December 2011 were US\$8.0 billion, a decrease of US\$0.6 billion (7%) from US\$8.6 billion at 30 June 2011. Net subscriptions were US\$0.3 billion principally into overlay/hedging where adverse currency movements accounted for a negative AUM movement of US\$0.9 billion. During the period the theme contributed £4.2 million in management fees at an average margin of 17 bps (H1 2010/11: £2.1 million; 18 bps).

Chief Executive Officer's Statement *continued*

AuM movements by investment theme as classified by mandate

As presented in our quarterly updates to the market, the AuM by theme as classified by mandate in line with the investment theme reviews above, are shown in the following table. This details gross subscriptions and redemptions, investment performance and average management fee margin for each theme.

Investment theme	AuM at 30 June 2011 US\$bn	Gross subscriptions US\$bn	Gross redemptions US\$bn	Net performance US\$bn	AuM at 31 December 2011 US\$bn	H1 2011/12 Av mgt fee margin bps
External debt	14.3	1.2	(1.6)	(0.3)	13.6	71
Local currency	9.4	1.7	(1.0)	(0.9)	9.2	77
Corporate debt	1.3	0.8	(0.2)	–	1.9	116
Blended debt	10.9	1.0	(0.1)	0.2	12.0	51
Equities	10.1	–	(0.9)	(2.2)	7.0	70
Alternatives	2.8	–	(0.1)	(0.1)	2.6	240
Multi-strategy	8.4	1.2	(1.6)	(1.9)	6.1	127
Overlay/liquidity	8.6	0.8	(0.5)	(0.9)	8.0	17
Total	65.8	6.7	(6.0)	(6.1)	60.4	76

AuM % by investment theme as classified by mandate and as invested

In the following table we report “as invested” by underlying asset class which adjusts from “as classified by mandate” to take account of the allocation into underlying asset classes of multi-strategy, blended debt and, and of cross-over investment from within certain external debt funds.

Investment theme	AuM at 31 December 2010		AuM at 30 June 2011		AuM at 31 December 2011	
	Classified by mandate %	Classified as invested %	Classified by mandate %	Classified by mandate %	Classified by mandate %	Classified as invested %
External debt	27.1	35.4	21.7	28.2	22.5	30.9
Local currency	14.1	19.7	14.3	19.5	15.2	19.4
Corporate debt	1.9	15.2	2.0	13.4	3.2	15.3
Blended debt	20.4	–	16.6	–	19.9	–
Equities	0.8	5.8	15.3	18.5	11.6	14.5
Alternatives	7.7	12.6	4.2	7.3	4.3	6.7
Multi-strategy	16.7	–	12.8	–	10.1	–
Overlay/liquidity	11.3	11.3	13.1	13.1	13.2	13.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Financial Review

Revenue analysis

The Group's management fee income (net of distribution costs) for the six months ended 31 December increased 30% from £116.1 million to £151.4 million due to the higher levels of average AuM compared to a year ago and a stronger US dollar, offset by a reduction in average management fee revenue margins to 76 bps (FY 2010/11: 86 bps) arising principally from theme and client mix effects.

Theme mix effects included the anticipated impact of the acquired equities theme, reporting its first full period contribution throughout the six months, with lower management fee margins than the Group's previous average. Within the largest debt themes, the impact of increasing AuM managed in lower margin investment grade sub themes also had a negative impact on overall margin in the period, most markedly within the corporate debt theme, where the relative proportion of investment grade AuM within the overall theme rose to 49%. This increase in AuM we believe is an indicator of the long term potential scalability of investment grade products outlined above.

Client mix effects also included reduced AuM levels in higher margin multi-strategy funds and increases in the AuM levels of larger but lower margin segregated mandates across the external debt, local currency and corporate debt themes as detailed in the investment theme reviews above. The blended debt theme margin however began to expand as expected.

Performance fee income decreased to £23.0 million, and arose primarily from annual performance fees for the funds with a 31 August 2011 year end. The reduction had been anticipated as absolute levels of investment return reduced period on period after peaking in 2009/10 following the credit crisis. The market wide corrections seen in the period reduced performance fees for the funds with a 31 December 2011 year end to a minimal level.

The Group maintains a balance between those funds where it is eligible to earn performance fees and those that generate revenues solely through management fees. At 31 December 2011 the Group was eligible to earn performance fees on 32% of AuM (30 June 2011: 38%), or 40% of funds (30 June 2011: 43%). The continued reduction of this percentage reflects a range of factors – further large segregated mandate wins, retail specific products and investment grade sub-theme mandates - where performance fees are either prohibited or not customary, i.e performance fees generally become more difficult to charge as asset classes become larger and more scalable. Of this 32% of AuM, 45% (H1 2010/11 28%), whilst able to generate performance fees in the future, was ineligible to do so in H1 2011/12 either as a result of such fees only being available at the end of the multi-year fund life or, such funds/accounts not earning a fee in the performance year. Those funds and accounts with a year end falling within the Group's second half are not expected to produce any material performance fees.

After taking into account foreign exchange gains of £3.0 million (H1 2010/11: loss of £4.6 million) the Group's net revenue increased by 4%, from £173.7 million to £181.0 million.

Operating costs, margins, profitability and earning measures

The Group continues to maintain its cost structure where employee costs, its largest overall cost, involve a low proportion of recurring salaries and benefits and a much higher proportion of variable compensation based upon the Group's profitability. At 31 December 2011, the Group's headcount had increased to 252 (31 December 2010: 173; 30 June 2011: 246).

The period is the first one in which the results include a full six months of Ashmore EMM expenses as the Group's equities business was acquired on 31 May 2011. This resulted in an anticipated increase to the Group's other costs, including amortisation of intangible assets of £3.2 million.

Overall variable compensation for the period as a percentage of earnings before variable compensation interest and tax ("EBVCIT") was accrued at a rate of 20% (H1 2010/11: 20%; FY 2010/11: 19%). This includes an accrual for the share-based payment charge on the unvested proportion of the Ashmore EMM shares held by the employees of Ashmore EMM. The overall operating margin of the Group for the period has, as anticipated and highlighted in the Annual Report, fallen to 67% (H1 2010/11: 72%; FY2010/11: 72%). Going forward the Group will report EBITDA margin in order to ensure market comprehension and peer comparability. The EBITDA margin for H1 2011/12 was 70% (H1 2010/11 73%; FY 2010/11 73%).

The contingent element of the overall consideration paid for the acquisition of Ashmore EMM was adjusted at the end of the period, in line with accounting standards, to reflect its fair value. Such a movement in fair value is driven principally by the levels of equities AuM managed by Ashmore EMM at 31 December 2011 compared with the levels forecast when the fair value of the contingent consideration liability was established on the completion date and retested at the end of the previous financial year. The reduction in equities AuM to US\$7.0 billion – principally through negative investment performance in the first quarter, in line with the sharp falls in global equity indices – created a fall in the fair value of the contingent consideration, resulting in a credit to the consolidated statement of comprehensive income of £8.5 million, reported within finance income.

Profit before tax for the six months ended 31 December 2011 taking into account the above is £129.8 million (H1 2010/11: £127.6 million) resulting in a basic earnings per share of 13.83p (H1 2010/11: 14.30p).

Balance sheet, foreign exchange management and cash flow

It remains the Group's policy to maintain a strong balance sheet in order to support regulatory capital requirements, to meet the commercial demands of current and prospective investors, and to fulfil the development needs across the business, which include funding the establishment costs of distribution offices and local asset management ventures, seeding new funds, trading or investment in funds or other assets and other strategic initiatives.

Chief Executive Officer's Statement *continued*

The Group's cash and cash equivalents balance reduced by £45.1 million in the period to £323.9 million. The Group continues to generate significant cash from operations, totalling £114.0 million in the period (H1 2010/11: £103.9 million), from which it paid the following significant items: £74.5 million in cash dividends (H1 2010/11: £64.4 million); £40.8 million for the purchase of own shares to satisfy the Group's share-based payments obligations (H1 2010/11: nil); £31.0 million of taxation (H1 2010/11: £30.7 million); and £18.3 million for new seed capital investments (H1 2010/11: £42.6 million).

There is no debt on the Group's balance sheet and information regarding the principal risks, uncertainties and related party transactions is provided in the accompanying notes to the financial statements.

The Group's long-standing policy is to hedge between a quarter and two-thirds of the notional value of the foreign exchange exposure in connection with its net management fee cash flows arising in entities with a Sterling functional currency. The GBP/USD exchange rate during the six months to 31 December 2011 was relatively stable, with the GBP/USD exchange rate ranging between 1.54 and 1.65 and an average exchange rate for management fees of 1.59.

Seed capital investments

As at 31 December 2011 the amount invested was £97.0 million (at cost), with a market value of £108.1 million (31 December 2010: cost £97.9 million; market value £116.8 million). During the period seed capital investments were made in various funds, principally in the launch of equities focused SICAV and US 40 Act mutual funds making our broad global active and global small cap strategies available to a wider investment audience. These will provide Ashmore with a suitable range of equities products alongside the full range of debt funds through the prime investing channels in Europe and the United States principally targeted at smaller and medium sized institutional and retail asset allocations to emerging markets by clients.

Dividend

The Board has determined that an interim dividend of 4.25 pence per share (2011: 4.16 pence per share) will be paid on 4 April 2012 to all shareholders who are on the register on 9 March 2012.

Outlook

The consensus forecasts for global GDP growth have reduced over the last six months but it is clearer than ever that emerging markets are the driver of global growth. Slowdown in emerging markets is likely to be slight and healthy, taking pressure off inflation. The gap between emerging and developed market growth may widen even more in 2012. The developed world is consumed by the requirement for further deleveraging and impacted dramatically by the significant quantitative easing undertaken to date and the likelihood of more to come. We expect that quantitative easing in direct or disguised form will continue to bolster asset prices, including in emerging markets, which will also benefit from the US desire for a weaker dollar.

The Eurozone sovereign crisis may be moving towards a solution, but to date, the sheer number of differing national agendas has slowed the rate of genuine progress. The impact of negative events in the developed world can be expected to cause volatility in many markets, including in emerging markets, but without dislodging their relatively superior growth prospects and relative portfolio investment attractiveness.

The overall economic health of the United States is an ongoing concern although there are some flickers of life amongst various economic indicators. The upcoming election and the sense that their Eurozone counterparts are in an even worse state present US investors with twin and welcome distractions and a renewed desire to put money to work, particularly in non European markets.

Negative developed world events are happily having a profound impact on perceptions of relative risk globally, challenging the concept of "risk free", the simple association of risk with short term volatility, and prejudices about emerging markets. Many of the asset classes in emerging markets can now not only be considered as higher returning than their developed market equivalent, but also as safer. In the case of debt, this has been reflected as expected through increased demand in particular for local currency, blended debt and investment grade bonds. Meanwhile, in equities we are expecting to reap the benefits of our deep bottom up stock selection both in broad global active mandates but also in particular, in small and mid cap products as investors begin to differentiate between the equity risks and returns available in emerging markets compared to developed ones. The result is expected further allocations across all our asset classes from emerging market investors currently over-exposed to Europe and the US, as well as from Western investors.

There are excellent investment opportunities within many of Ashmore's investment themes and performance across all of them in 2012 has started well as a result of maintaining and developing our positioning in the final quarter of 2011. The world in many senses looks similar to the same time a year ago, after a little hiatus, but emerging asset classes offer considerably more value than then, having been caught up in the Europe induced general "risk off" mentality of the last quarter of 2011.

We have now established a deep range of emerging markets products and our infrastructure and distribution platforms are progressing to plan. We continue to innovate, based on our experience gained over twenty years since our first funds were established. There remains an extremely compelling prospect for substantial, long term, profitable growth. We just have to keep performing and delivering it.

We are looking forward to the challenge.

Mark Coombs
Chief Executive Officer

22 February 2012

Consolidated statement of comprehensive income

	Note	Unaudited 6 months to 31 December 2011 £m	Unaudited 6 months to 31 December 2010 £m	Audited 12 months to 30 June 2011 £m
Management fees		152.8	117.2	250.9
Performance fees		23.0	60.1	85.4
Other revenue		3.6	2.1	6.5
Total revenue	2	179.4	179.4	342.8
Less: Distribution costs		(1.4)	(1.1)	(1.6)
Add: Foreign exchange	3	3.0	(4.6)	(7.4)
Net revenue		181.0	173.7	333.8
Losses on investment securities	12b	(1.0)	–	–
Change in third party interests in consolidated funds	12b	0.2	–	–
Personnel expenses		(42.3)	(38.5)	(71.5)
Other expenses		(16.3)	(9.4)	(22.9)
Operating profit		121.6	125.8	239.4
Finance income	4	8.2	1.8	6.5
Share of profit of associates		–	–	–
Profit before tax		129.8	127.6	245.9
Tax expense		(33.7)	(31.6)	(55.7)
Profit for the period		96.1	96.0	190.2
Other comprehensive income:				
Exchange adjustments on translation of foreign operations		(0.1)	0.2	2.8
Net (losses)/gains on available-for-sale and held-for-sale financial assets including tax		(1.3)	8.1	9.3
Gains on available-for-sale and held-for-sale financial assets previously recognised directly in equity		–	(0.9)	(5.3)
Cash flow hedge intrinsic value movements		(0.8)	0.6	(0.1)
Total comprehensive income for the period		93.9	104.0	196.9
Profit attributable to:				
Equity holders of the parent		93.8	95.7	189.0
Non-controlling interests		2.3	0.3	1.2
Profit for the period		96.1	96.0	190.2
Total comprehensive income attributable to:				
Equity holders of the parent		91.5	103.7	195.3
Non-controlling interests		2.4	0.3	1.6
Total comprehensive income for the period		93.9	104.0	196.9
Earnings per share:				
Basic	6	13.83p	14.30p	28.08p
Diluted	6	13.24p	13.52p	26.63p

Consolidated balance sheet

	Note	Unaudited As at 31 December 2011 £m	Unaudited As at 31 December 2010 £m	Audited As at 30 June 2011 £m
Assets				
Property, plant and equipment		2.9	3.4	3.4
Investment in associate		2.3	2.3	2.3
Non-current asset investments	12d	6.1	3.6	3.5
Other receivables		0.8	0.7	0.8
Deferred tax assets		12.6	17.1	17.9
Deferred acquisition costs		5.8	8.2	6.9
Goodwill and intangible assets	11	103.3	6.7	103.2
Total non-current assets		133.8	42.0	138.0
Cash and cash equivalents		323.9	305.5	369.0
Trade and other receivables		59.7	109.4	68.2
Available-for-sale financial assets	12c	59.1	49.1	41.4
Investment securities	12b	35.6	–	–
Total current assets		478.3	464.0	478.6
Non-current assets held-for-sale	12a	17.9	76.1	59.0
Total assets		630.0	582.1	675.6
Equity				
Issued capital		–	–	–
Share premium		15.7	0.3	15.7
Retained earnings		454.6	410.2	473.5
Foreign exchange reserve		3.1	1.1	3.3
Available-for-sale and held-for-sale fair value reserve		5.4	11.3	6.7
Cash flow hedging reserve		(1.5)	–	(0.7)
Total equity attributable to equity holders of the parent		477.3	422.9	498.5
Non-controlling interests		18.7	2.4	16.4
Total equity		496.0	425.3	514.9
Liabilities				
Trade and other payables		17.2	–	21.4
Deferred tax liabilities		0.9	1.9	1.6
Total non-current liabilities		18.1	1.9	23.0
Current tax		29.2	32.4	29.4
Third party interests in consolidated funds	12b	8.8	–	–
Derivative financial instruments		2.9	0.3	0.6
Trade and other payables		73.2	110.2	94.9
Total current liabilities		114.1	142.9	124.9
Non-current liabilities held-for-sale	12a	1.8	12.0	12.8
Total liabilities		134.0	156.8	160.7
Total equity and liabilities		630.0	582.1	675.6

Consolidated statement of changes in equity

	Issued capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	AFS/HFS fair value reserve £m	Cash flow hedging reserve £m	Total equity attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
Audited balance at 1 July 2010	–	0.3	365.8	0.9	4.1	(0.6)	370.5	2.2	372.7
Profit for the period	–	–	95.7	–	–	–	95.7	0.3	96.0
Other comprehensive income									
Exchange adjustments on translation of foreign operations	–	–	–	0.2	–	–	0.2	–	0.2
Net gains on AFS/HFS assets including tax	–	–	–	–	8.1	–	8.1	–	8.1
Gains on AFS previously recognised in equity	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Cash flow hedge intrinsic value movements	–	–	–	–	–	0.6	0.6	–	0.6
Share-based payments	–	–	11.0	–	–	–	11.0	–	11.0
Deferred tax related to share-based payments	–	–	2.0	–	–	–	2.0	–	2.0
Dividends to equity holders	–	–	(64.3)	–	–	–	(64.3)	–	(64.3)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(0.1)	(0.1)
Unaudited balance at 31 December 2010	–	0.3	410.2	1.1	11.3	–	422.9	2.4	425.3
Issue of share capital	–	15.4	–	–	–	–	15.4	–	15.4
Non-controlling interests arising on acquisition of subsidiary	–	–	–	–	–	–	–	12.9	12.9
Profit for the period	–	–	93.3	–	–	–	93.3	0.9	94.2
Other comprehensive income									
Exchange adjustments on translation of foreign operations	–	–	–	2.2	–	–	2.2	0.4	2.6
Net gains on AFS/HFS assets including tax	–	–	–	–	1.2	–	1.2	–	1.2
Gains on AFS previously recognised in equity	–	–	–	–	(4.4)	–	(4.4)	–	(4.4)
Cash flow hedge intrinsic value movements	–	–	–	–	–	(0.7)	(0.7)	–	(0.7)
Other reserve movements	–	–	1.4	–	(1.4)	–	–	–	–
Purchase of own shares	–	–	(10.9)	–	–	–	(10.9)	–	(10.9)
Share-based payments	–	–	8.7	–	–	–	8.7	–	8.7
Deferred tax related to share-based payments	–	–	(2.6)	–	–	–	(2.6)	–	(2.6)
Proceeds received on exercise of vested options	–	–	2.5	–	–	–	2.5	–	2.5
Dividends to equity holders	–	–	(29.1)	–	–	–	(29.1)	–	(29.1)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(0.2)	(0.2)
Audited balance at 30 June 2011	–	15.7	473.5	3.3	6.7	(0.7)	498.5	16.4	514.9
Profit for the period	–	–	93.8	–	–	–	93.8	2.3	96.1
Other comprehensive income									
Exchange adjustments on translation of foreign operations	–	–	–	(0.2)	–	–	(0.2)	0.1	(0.1)
Net losses on AFS/HFS assets including tax	–	–	–	–	(1.3)	–	(1.3)	–	(1.3)
Cash flow hedge intrinsic value movements	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Purchase of own shares	–	–	(40.8)	–	–	–	(40.8)	–	(40.8)
Share-based payments	–	–	1.4	–	–	–	1.4	2.8	4.2
Deferred tax related to share-based payments	–	–	(2.0)	–	–	–	(2.0)	–	(2.0)
Proceeds received on exercise of vested options	–	–	0.3	–	–	–	0.3	–	0.3
Dividends to equity holders	–	–	(71.6)	–	–	–	(71.6)	–	(71.6)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(2.9)	(2.9)
Unaudited balance at 31 December 2011	–	15.7	454.6	3.1	5.4	(1.5)	477.3	18.7	496.0

Consolidated Cash Flow Statement

Note	Unaudited 6 months to 31 December 2011 £m	Unaudited 6 months to 31 December 2010 £m	Audited 12 months to 30 June 2011 £m
Operating activities			
Cash receipts from customers	175.4	130.4	307.7
Cash paid to suppliers and employees	(61.4)	(26.5)	(54.3)
Cash generated from operations	114.0	103.9	253.4
Taxes paid	(31.0)	(30.7)	(62.1)
Net cash from operating activities	83.0	73.2	191.3
Investing activities			
Interest received	2.0	0.4	1.4
Acquisition of subsidiary	–	–	(41.2)
Changes in upfront consideration relating to acquisitions	0.4	–	–
Purchase of non-current asset investments	(2.2)	(3.1)	(0.9)
Purchase of non-current assets held-for-sale	(9.9)	(38.3)	(49.0)
Purchase of available-for-sale financial assets	(6.2)	(8.5)	(8.8)
Sale of available-for-sale financial assets	–	7.3	46.2
Purchase of investment securities	(109.2)	–	–
Sale of investment securities	109.1	–	–
Subscriptions to consolidated funds	1.1	–	–
Redemptions from consolidated funds	(1.9)	–	–
Purchase of property, plant and equipment	(0.2)	(0.1)	(0.5)
Net cash used in investing activities	(17.0)	(42.3)	(52.8)
Financing activities			
Dividends paid to equity holders	(71.6)	(64.3)	(93.4)
Dividends paid to non-controlling interests	(2.9)	(0.1)	(0.3)
Purchase of own shares	(40.8)	–	(10.9)
Net cash used in financing activities	(115.3)	(64.4)	(104.6)
Net (decrease)/increase in cash and cash equivalents	(49.3)	(33.5)	33.9
Cash and cash equivalents at beginning of period	369.0	344.4	344.4
Effect of exchange rate changes on cash and cash equivalents	4.2	(5.4)	(9.3)
Cash and cash equivalents at end of period	323.9	305.5	369.0
Cash and cash equivalents comprise:			
Cash at bank and in hand	323.9	305.5	369.0
	323.9	305.5	369.0

Notes to the Financial Statements

1) Basis of preparation and significant accounting policies

The interim report is unaudited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and the Disclosure Rules and Transparency Rules of the Financial Services Authority ("FSA").

The comparative figures for the financial year ended 30 June 2011 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounting policies applied in these interim financial statements are consistent with those applied in the Group's annual report and accounts for the year ended 30 June 2011. The annual report and accounts are available on the Group's website.

2) Revenue

Management fees are accrued throughout the period in line with fluctuations in the levels of assets under management. Periodic performance fees are recognised only if performance hurdles have been achieved in a period. The Group is not reliant on any single source of revenue. During the period, one fund managed by the Group provided 11.4% (period to 31 December 2010: two funds provided 5.7% and 6.0%; year to 30 June 2011: two funds provided 5.3% and 10.3%) of total revenue through management fees. When considering management fees and performance fees on a combined basis, two funds provided 11.4% and 14.7% (period to 31 December 2010: two funds provided 31.6% and 6.0%; year to 30 June 2011: three funds provided 19.7%, 10.3% and 5.4%) of total revenue in the reporting period.

3) Foreign exchange

The only foreign exchange rate which has a material impact on the reporting of the Group's results is the US dollar.

	Closing rate as at 31 December 2011	Closing rate as at 31 December 2010	Closing rate as at 30 June 2011	Average rate six months ended 31 December 2011	Average rate six months ended 31 December 2010	Average rate year ended 30 June 2011
US dollar	1.5543	1.5612	1.6053	1.5950	1.5559	1.5878

Analysis of foreign exchange

	6 months to 31 December 2011 £m	6 months to 31 December 2010 £m	12 months to 30 June 2011 £m
Realised and unrealised hedging (losses)/gains	(0.8)	1.0	1.8
Translation gains/(losses) on non-Sterling denominated monetary assets and liabilities	3.8	(5.6)	(9.2)
Total foreign exchange gains/(losses)	3.0	(4.6)	(7.4)

The Group's long-standing policy is to hedge between a quarter and two-thirds of the notional value of the foreign exchange exposure in connection with its net management fee cash flows arising in entities with a Sterling functional currency, using either forward foreign exchange contracts or options for up to two years forward. The GBP/USD exchange rate during the six months to 31 December 2011 was relatively stable, with the GBP/USD exchange rate ranging between 1.54 and 1.65 and an average exchange rate for management fees of 1.59.

The level of foreign exchange hedges in place at 31 December 2011 is US\$177.5 million. This consists of a combination of nil cost option collars (US\$126.5 million) and forward contracts (US\$51.0 million) in respect of H2 2011/12 and FY 2012/13 net management fee cash flows. The nil-cost option collars effectively protect the Sterling value of the Group's forecast management fee revenue cash flows from being impacted by currency movements outside the contracted ranges. The option collars and forward contracts have been marked-to-market at the period-end rate of GBP1:1.55USD but, as designated hedges, the mark to market value of the options and forward contracts will be taken through reserves, until such time as the contracts associated with the hedged revenues mature.

4) Finance income

Analysis of Finance income

	6 months to 31 December 2011 £m	6 months to 31 December 2010 £m	12 months to 30 June 2011 £m
Interest on cash and cash equivalents	1.0	0.5	1.4
Finance income	9.6	1.3	5.7
Finance expense	(2.4)	–	(0.6)
Total finance income	8.2	1.8	6.5

Included within finance income is £8.5 million (H1 2010/11: nil; FY2010/11: nil) in relation to the downward adjustment of the Group's contingent consideration liabilities (note 5) and £0.4 million received as part of an acquisition related purchase price adjustment.

The Group's finance expenses are charges arising on the unwind of the discount applied to contingent consideration liabilities (note 5).

Notes to the Financial Statements *continued*

5) Contingent consideration

	Contingent consideration £m
Audited balance at 30 June 2010 and unaudited at 31 December 2010	–
Liabilities arising on acquisition of subsidiary	28.1
Liabilities arising on the purchase of intangible assets	2.6
Net present value discount unwind	0.5
FX revaluation	0.8
Audited balance at 30 June 2011	32.0
Net present value discount unwind	2.4
Fair value adjustment	(8.5)
FX revaluation	1.1
Unaudited balance at 31 December 2011	27.0

The Group's contingent consideration liabilities comprise amounts payable in future periods subject to the respective counterparties achieving agreed milestone targets by the relevant maturity dates of 31 May 2012, 2013 and 2014. Of the total liability of £27.0 million, £9.8 million is payable in less than one year and is classified as a current liability. The remaining £17.2 million is payable after a period greater than 12 months and is classified as a non-current liability.

The contingent consideration payable following the acquisition of Ashmore EMM was adjusted at the end of the period, in line with accounting standards, to reflect its fair value. Such a movement in fair value is driven principally by the levels of equities AuM managed by Ashmore EMM at 31 December 2011, compared with the levels forecast when the fair values of the contingent consideration liabilities were established on the completion date and retested at the end of the previous financial year. The reduction in equities AuM to US\$7.0 billion – principally through negative investment performance in the first quarter, in line with the sharp falls in global equity indices – created a fall in the fair value of the contingent consideration.

The fall in the fair value of the Group's contingent consideration liabilities at 31 December 2011 resulted in a downward adjustment to the 31 December 2011 closing balance of £8.5 million. The reduction of the discounted liability, reported within finance income, reflects a reduction in the Group's expected payments as a result of performance against contingent consideration milestones to date.

The potential undiscounted value of all future payments that the Group could be required to make under contingent consideration arrangements is between nil and a maximum of £92.0 million/US\$143.0 million (30 June 2011: nil and £86.7 million/US\$139.1 million). The fair value of the contingent consideration was calculated by reference to possible scenarios, weighted according to management's estimates of their probabilities and discounted using the Group's weighted average cost of capital of 13.0%. The undiscounted value of the estimated payments was £32.3 million/US\$50.3 million (30 June 2011: £37.9 million/US\$ 60.9 million). At maturity, contingent consideration will be settled using a combination of cash and new Ashmore ordinary shares at the prevailing market price. Ashmore has the option to pay up to £7.3 million/US\$11.4 million (30 June 2011: £8.6 million/US\$13.8 million) of the current estimate of the undiscounted contingent consideration amount that will ultimately become payable as equity.

The discount applied to the contingent consideration will unwind until the time when the final payment is made in May 2014.

6) Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent of £93.8 million (six months to 31 December 2010: £95.7 million; year to 30 June 2011: £189.0 million) by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated as for basic earnings per share with an adjustment to the weighted average number of ordinary shares to reflect the effects of all dilutive potential ordinary shares. There is no difference between the profit for the period attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

A reconciliation of the figures used in calculating basic and diluted earnings per share is shown below:

	6 months to 31 December 2011	6 months to 31 December 2010	12 months to 30 June 2011
Weighted average number of ordinary shares used in calculation of basic earnings per share	678,395,706	668,663,949	673,317,931
Effect of dilutive potential ordinary shares – share options	30,453,130	38,785,247	36,585,155
Weighted average number of ordinary shares used in calculation of diluted earnings per share	708,848,836	707,449,196	709,903,086

7) Share-based payments

Group share-based compensation plans

There were no new share-based compensation plans in operation during the period. Total charges in the Group's income statement for the six months to 31 December relating to share-based payments are £7.0 million (six months to 31 December 2010: £9.7 million; year to 30 June 2011: £23.3 million).

Share options outstanding

Share options outstanding under the Option Scheme were as follows:

	Period to 31 December 2011 Number of options	Period to 31 December 2010 Number of options	Year to 30 June 2011 Number of options
At the beginning of the period	4,229,071	18,529,571	18,529,571
Exercised	(1,943,896)	(7,804,250)	(14,280,500)
Forfeited	–	(20,000)	(20,000)
At the end of the period	2,285,175	10,705,321	4,229,071
Options exercisable	2,285,175	9,070,221	3,355,000

There were no new share options granted during the period ended 31 December 2011 (six months to 31 December 2010: none; year to 30 June 2011: none).

Share awards outstanding

The combined total of cash and equity settled share awards outstanding under the Omnibus Plan was as follows:

Equity settled awards

	Period to 31 December 2011 Number of shares	Period to 31 December 2010 Number of shares	Year to 30 June 2011 Number of shares
Total share awards			
At the beginning of the period	22,889,524	17,784,317	17,784,317
Granted	7,519,847	9,886,915	7,743,428
Vested	(1,140,713)	(545,406)	(649,842)
Forfeited	(3,403,501)	(594,502)	(1,988,379)
At the end of the period	25,865,157	26,531,324	22,889,524

Cash settled awards

	Period to 31 December 2011 Number of shares	Period to 31 December 2010 Number of shares	Year to 30 June 2011 Number of shares
Total share awards			
At the beginning of the period	2,665,924	–	–
Granted	2,184,471	–	2,665,924
Vested	(108,225)	–	–
Forfeited	–	–	–
At the end of the period	4,742,170	–	2,665,924

Total awards

	Period to 31 December 2011 Number of shares	Period to 31 December 2010 Number of shares	Year to 30 June 2011 Number of shares
Total share awards			
At the beginning of the period	25,555,448	17,784,317	17,784,317
Granted	9,704,318	9,886,915	10,409,352
Vested	(1,248,938)	(545,406)	(649,842)
Forfeited	(3,403,501)	(594,502)	(1,988,379)
At the end of the period	30,607,327	26,531,324	25,555,448

The fair value of awards granted under the Omnibus Plan is determined by the average Ashmore Group plc share price for the five business days prior to grant.

Where the grant of restricted and matching share awards is linked to the annual bonus process the fair value of the awards is spread over a period including the current financial year and the subsequent five years to their release date when the grantee becomes unconditionally entitled to the underlying shares. Of the total outstanding share awards of 30,607,327 as at 31 December 2011 (26,531,324 as at 31 December 2010; 25,555,448 as at 30 June 2011) the amount of 23,977,936 (31 December 2010: 22,890,344; 30 June 2011: 19,630,824) were restricted and matching shares granted as part of the Group's variable compensation process. The fair value of the remaining awards is spread over the period from date of grant to the release date.

Notes to the Financial Statements *continued*

8) Own shares

The Ashmore 2004 Employee Benefit Trust (EBT) was established to act as an agent to facilitate the acquisition and holding of shares in the Company with a view to facilitating the recruitment and motivation of the employees of the Company. As at the period end, the EBT owned 33,131,806 (31 December 2010: 27,894,014; 30 June 2011: 24,555,042) ordinary shares of 0.01p with a nominal value of £3,313.18 (31 December 2010: £2,789.40; 30 June 2011: £2,455.50) and shareholders' funds are reduced by £89.0 million (31 December 2010: £39.0 million; 30 June 2011: £48.7 million) in this respect. It is the intention of the Directors to make these shares available to employees by way of sale through the share-based compensation plans. The EBT is periodically funded by the Company for these purposes.

9) Share capital

(a) Share capital authorised

	At each period end Number of shares	At each period end Nominal value £'000
Ordinary shares of 0.01p each	900,000,000	90

(b) Share capital issued

Allotted, called up and fully paid equity shares:

	As at 31 December 2011 Number of shares	As at 31 December 2011 Nominal value £'000	As at 31 December 2010 Number of shares	As at 31 December 2010 Nominal value £'000	As at 30 June 2011 Number of shares	As at 30 June 2011 Nominal value £'000
Ordinary shares of 0.01p each	712,740,804	71	708,925,000	71	713,284,437	71

All the above ordinary shares represent equity of the Company and rank *pari passu* in respect of participation and voting rights.

During the period 543,633 ordinary shares were cancelled as part of an acquisition related purchase price adjustment. The nominal value of the cancelled shares has been credited to a capital redemption reserve. The capital redemption reserve is not presented on the face of the consolidated balance sheet as it is *de minimis*.

10) Dividends

An analysis of dividends is as follows:

	6 months to 31 December 2011	6 months to 31 December 2010	12 months to 30 June 2011
<i>Dividends declared/proposed in respect of the period:</i>			
Interim dividend declared per share (p)	4.25	4.16	4.16
Final dividend proposed/declared per share (p)	–	–	10.34
<i>Dividends paid in the period:</i>			
Interim dividend paid (£m)	–	–	29.1
Interim dividend per share (p)	–	–	4.16
Final dividend paid (£m)	71.6	64.3	64.3
Final dividend per share (p)	10.34	9.34	9.34

Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend when approved by the shareholders.

The board has approved an interim dividend for the six months to 31 December 2011 of 4.25p per share (six months to 31 December 2010: 4.16p. Final dividend for the year to 30 June 2011: 10.34p). This will be payable on 4 April 2012 to shareholders on the register on 9 March 2012.

11) Goodwill and intangible assets

	Goodwill £m	AEMM fund management relationships £m	AEMM brand name £m	Other intangible assets £m	Total £m
Cost					
Audited balance at 1 July 2010 and unaudited balance at 31 December 2010	6.7	–	–	–	6.7
Additions	–	–	–	2.6	2.6
Acquisitions	50.8	39.5	1.8	–	92.1
Audited balance at 30 June 2011 and unaudited balance at 31 December 2011	57.5	39.5	1.8	2.6	101.4
Accumulated amortisation and impairments					
Audited balance at 1 July 2010 and unaudited balance at 31 December 2010	–	–	–	–	–
Amortisation charge for the period	–	(0.4)	–	(0.1)	(0.5)
Audited balance at 30 June 2011	–	(0.4)	–	(0.1)	(0.5)
Amortisation charge for the period	–	(2.6)	(0.1)	(0.5)	(3.2)
Unaudited balance at 31 December 2011	–	(3.0)	(0.1)	(0.6)	(3.7)
Net book value					
Audited balance at 1 July 2010 and unaudited balance at 31 December 2010	6.7	–	–	–	6.7
FX revaluation through reserves (i)	1.2	1.0	–	0.1	2.3
Audited balance at 30 June 2011	58.7	40.1	1.8	2.6	103.2
FX revaluation through reserves (i)	1.7	1.3	0.1	0.2	3.3
Unaudited balance at 31 December 2011	60.4	38.8	1.8	2.3	103.3

(i) FX revaluation through reserves is a result of the retranslation of USD denominated intangibles and goodwill.

Goodwill

Goodwill represents the amount by which the fair value of consideration paid for an acquisition exceeds the fair value of the net identifiable assets of the acquired business on the acquisition date. Consideration represents the fair value of assets given, equity instruments issued and liabilities incurred on the acquisition date.

Goodwill is carried in the balance sheet at cost less accumulated impairment losses. Goodwill has an indefinite useful life, is not subject to amortisation and is tested for impairment annually or whenever there is an indication that the carrying amount may not be recoverable based on management's judgements regarding the future prospects of the business, estimates of future cash flows and discount rates.

In the six months to 31 December 2011 the Group's management have remained observant for indicators of impairments to goodwill. No indicators have been identified. Accordingly, no formal interim impairment review has been undertaken. The Group's annual impairment review will be completed, as required, prior to 30 June 2012.

The last annual impairment review of goodwill was undertaken at 30 June 2011. No impairments were deemed necessary. When assessing the appropriateness of the carrying value of goodwill, the recoverable amount is based on a value in use calculation. The calculation is based on the forecast future profitability and cash flow projections.

There has been no gross impairment of goodwill to date.

Intangible assets

Intangible assets include fund management relationships, brand names and other separately identifiable intangible assets. Intangible assets continue to be amortised over their useful economic lives which had original periods ranging from three years to ten years.

No indicators of impairment have been identified during the period.

Notes to the Financial Statements *continued*

12) Seed capital investments

a) Non-current assets and non-current liabilities held-for-sale

Where Group companies inject seed capital into funds operated and controlled by the Group, the fund is classified as held-for-sale.

	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Non-current assets held-for-sale	17.9	76.1	59.0
Non-current liabilities held-for-sale	(1.8)	(12.0)	(12.8)
Seed capital classified as being held-for-sale	16.1	64.1	46.2

Typically, if the fund remains under the control of the Group for more than one year from the original investment date it will cease to be classified as held-for-sale, and will be consolidated line by line (note 12b). In determining whether to execute the reclassification, the Group will have regard to the proximity of loss of control, and the extent to which consolidation of the fund on a line by line basis would be material to the presentation of the Group's financial statements.

Investments also cease to be classified as held-for-sale when they are no longer controlled by the Group. A loss of control may happen either through sale of the investment and/or dilution of the Group's holding. When investments cease to be classified as held-for-sale they are reclassified as available-for-sale financial assets in accordance with IAS 39 (note 12c).

The Group's maximum exposure to credit, liquidity, interest rate, foreign exchange and price risk in respect of these assets and liabilities is represented by their carrying value.

b) Consolidated funds

Consolidated funds represent seed capital investments where the Group has held its position for a period greater than one year and its interest represents a controlling stake in the fund. These funds are consolidated line by line.

	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Investment securities	35.6	–	–
Third party interests in consolidated funds	(8.8)	–	–
Consolidated seed capital	26.8	–	–

Included within the consolidated statement of comprehensive income is a net loss of £0.8m relating to the Group's share of the results of the individual statements of comprehensive income for each of the consolidated funds. This is categorised as a £1.0m loss on investment securities, offset by a gain of £0.2m from movements in third party interests in consolidated funds.

c) Available-for-sale financial assets

Investments at fair value

	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Equities – listed	0.6	10.1	–
Equities – unlisted	20.5	15.4	7.5
Debt securities – unlisted	38.0	23.6	33.9
Total	59.1	49.1	41.4

Movements in the value of available-for-sale assets and liabilities are recognised in reserves.

d) Non-current asset investments

Investments at fair value

	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Non-current asset investments	6.1	3.6	3.5

Non-current asset investments relate to the Group's holding in closed-end funds and are classified as financial assets at fair value through profit or loss. Fair value is assessed by taking account of the extent to which potential dilution of gains or losses may arise as a result of additional investors subscribing to the fund where the final close of a fund has not occurred.

Included within finance income is £0.7 million of unrealised gains on the Group's non-current asset investments.

13) Financial instrument risk management

The Group's principal risks remain as detailed within the business review and corporate governance report in the Group's Annual Report and are categorised as strategic and business, investment, and operational. These principal risks are expected to remain unchanged in the final six months of the financial year to 30 June 2012.

The Group is subject to business and strategy, investment and operational risks throughout its business. Specific areas of financial instrument risk include credit, liquidity, interest rate, foreign exchange and price risk. The effectiveness of the Group's risk management process is, therefore, critical to its soundness and profitability and considerable resources are dedicated to this area.

Risk management is the direct responsibility of the Group's senior management. The Ashmore Group Risk Management and Control department and the Group's Risk and Compliance Committee ("RCC") are responsible for monitoring the overall risk environment. The Group has established a control environment which seeks to ensure that risks are reviewed regularly and that all risk controls operating throughout the Group are in accordance with regulatory requirements. In addition, as a regulated business the Group is responsible for maintaining appropriate capital and performing regular calculations of capital requirements, including the development of an Internal Capital Adequacy Assessment Process ("ICAAP"), based upon the Financial Services Authority's methodologies under the Capital Requirements Directive. An overview of the ICAAP can be found on our website at www.ashmoregroup.com.

• Credit risk

The Group has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Group's maximum exposure to credit risk is represented by the carrying value of its financial assets.

Financial assets subject to credit risk at 31 December 2011, 31 December 2010 and 30 June 2011 are as follows:

	Note	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Cash and cash equivalents		323.9	305.5	369.0
Available-for-sale financial assets	12c	59.1	49.1	41.4
Investment securities	12b	35.6	–	–
Non-current assets held-for-sale	12a	17.9	76.1	59.0
Total excluding trade and other receivables		436.5	430.7	469.4
Trade and other receivables		59.7	109.4	68.2
Total		496.2	540.1	537.6

At 31 December 2011 there were nil overdue trade and other receivables (31 December 2010: nil; 30 June 2011: nil). All trade and other receivables are considered to be fully recoverable. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Trade and other receivables at amortised cost

Financial assets at amortised cost principally comprise fee debtors, which are all less than 90 days old. Fee debtors arise principally within the Group's investment management business and amounts are monitored regularly. Historically, default levels have been insignificant, and, unless a client has withdrawn funds, there is an ongoing relationship between the Group and the client. There is no significant concentration of credit risk in respect of fees owing from clients.

Financial assets – available-for-sale

Such assets comprise cash and cash equivalents, and debt and equity instruments in seeded funds.

The Group's cash and cash equivalents are short-term deposits with banks and liquidity funds which have credit ratings ranging from BBB+ to AAAM as at 31 December 2011 (31 December 2010: A to AAAM, 30 June 2011: A to AAAM). At 31 December 2011 there was one deposit with a BBB+ rated counterparty as a result of a downgrade on 1 December 2011 during the fixed term of a deposit with a maturity date of 12 January 2012. The counterparty has since been removed from the Group's approved deposit taker list.

Financial assets and liabilities held at fair value

Such assets comprise derivative financial instruments, non-current assets and liabilities held-for-sale, investment securities and third party interests in consolidated funds with positive and negative fair values.

Notes to the Financial Statements *continued*

13) Financial instrument risk management *continued*

• Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations as they fall due or can only do so at a cost. In order to manage inherent liquidity risk there is a liquidity policy within the Group to ensure that there is sufficient access to funds to cover all forecast committed requirements for the next 12 months.

The table below analyses the Group's financial assets and liabilities. The amounts disclosed are the contractual undiscounted cash flows and are all due within one year, except for commitments which are greater than one year.

	Note	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Financial assets				
Trade and other receivables		59.7	109.4	68.2
Available-for-sale financial assets	12c	59.1	49.1	41.4
Investment securities	12b	35.6	–	–
Cash and cash equivalents		323.9	305.5	369.0
Non-current assets held-for-sale	12a	17.9	76.1	59.0
Total financial assets		496.2	540.1	537.6

	Notes	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Financial liabilities				
Derivative financial instruments		2.9	0.3	0.6
Trade and other payables		73.2	110.2	94.9
Third party interests in consolidated funds	12b	8.8	–	–
Non-current trade and other payables		17.2	–	21.4
Non-current liabilities held-for-sale	12a	1.8	12.0	12.8
Total financial liabilities		103.9	122.5	129.7

The maturity profile of the Group's contractual undiscounted financial liabilities is as follows:

	Liability maturity date (£m)			
	<1 year	2-5 years	>5years	Total
Derivative financial instruments	2.9	–	–	2.9
Trade and other payables	73.8	–	–	73.8
Third party interests in consolidated funds	8.8	–	–	8.8
Non-current trade and other payables	–	21.9	–	21.9
Non-current liabilities held-for-sale	1.8	–	–	1.8
Total financial liabilities	87.3	21.9	–	109.2

As at the end of the period, the Group had the following lease commitments:

	Notes	31 December 2011 £m	31 December 2010 £m	30 June 2011 £m
Commitments				
Operating lease commitments:				
Within one year		2.8	1.8	2.9
Over one year but not more than five years		5.9	5.3	6.5
Over five years		8.1	9.2	8.6
Total		16.8	16.3	18.0

13) Financial instrument risk management *continued*

• Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The principal interest rate risk is the risk that the Group will sustain a reduction in interest revenue through adverse movements in interest rates. This relates to bank deposits held in the ordinary course of business.

At 31 December 2011, if interest rates over the period had been 200 basis points higher or 66 basis points lower (period to 31 December 2010: 200 basis points higher or 60 basis points lower; year to 30 June 2011: 200 basis points higher or 40 basis points lower) with all other variables held constant, post-tax profit for the period would have been £3.1 million higher/£1.0 million lower (period to 31 December 2010: £1.6 million higher/£0.5 million lower; year to 30 June 2011: £7.5 million higher/£1.5 million lower), mainly as a result of higher/lower interest on cash balances.

The assumption that the fair value of assets and liabilities will not be affected by a change in interest rates was used in the model to calculate the effect on post-tax profits.

Effective interest rates applicable to financial instruments are as follows:

	Period ended 31 December 2011 %	Period ended 31 December 2010 %	Year ended 30 June 2011 %
Deposits with banks and liquidity funds	0.66	0.60	0.40

	Period ended 31 December 2011 £m	Period ended 31 December 2010 £m	Year ended 30 June 2010 £m
Items repricing within one year or less:			
Deposits with banks and liquidity funds	323.9	305.5	369.0

• Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's financial assets and liabilities are denominated in the following currencies:

Period ended 31 December 2011:

Note	Sterling £m	US Dollar £m	Brazilian Real £m	Other £m	Total £m
Financial assets					
Trade and other receivables	8.8	49.3	0.4	1.2	59.7
Available-for-sale financial assets	12c 0.6	58.2	–	0.3	59.1
Investment securities	12b –	22.4	13.2	–	35.6
Cash and cash equivalents	247.3	68.6	0.9	7.1	323.9
Non-current assets held-for-sale	12a –	17.9	–	–	17.9
Total financial assets	256.7	216.4	14.5	8.6	496.2

Note	Sterling £m	US Dollar £m	Brazilian Real £m	Other £m	Total £m
Financial liabilities					
Derivative financial instruments	–	2.9	–	–	2.9
Trade and other payables	37.4	34.0	0.4	1.4	73.2
Third party interests in consolidated funds	12b –	5.5	3.3	–	8.8
Non-current liabilities held-for-sale	12a –	1.8	–	–	1.8
Non-current trade and other payables	–	17.2	–	–	17.2
Total financial liabilities	37.4	61.4	3.7	1.4	103.9

Notes to the Financial Statements *continued*

13) Financial instrument risk management *continued*

Period ended 31 December 2010:

	Note	Sterling £m	US Dollar £m	Brazilian Real £m	Other £m	Total £m
Financial assets						
Trade and other receivables		9.8	97.6	0.2	1.8	109.4
Available-for-sale financial assets	12c	4.1	21.0	20.2	3.8	49.1
Cash and cash equivalents		197.6	104.1	1.4	2.4	305.5
Non-current assets held-for-sale	12a	–	57.6	18.5	–	76.1
Total financial assets		211.5	280.3	40.3	8.0	540.1

	Note	Sterling £m	US Dollar £m	Brazilian Real £m	Other £m	Total £m
Financial liabilities						
Derivative financial instruments		–	0.3	–	–	0.3
Trade and other payables		40.3	69.3	0.2	0.4	110.2
Non-current liabilities held-for-sale	12a	–	5.5	6.5	–	12.0
Total financial liabilities		40.3	75.1	6.7	0.4	122.5

Year ended 30 June 2011:

	Note	Sterling £m	US Dollar £m	Brazilian Real £m	Other £m	Total £m
Financial assets						
Trade and other receivables		10.5	54.6	1.7	1.4	68.2
Available-for-sale financial assets	12c	–	41.4	–	–	41.4
Cash and cash equivalents		302.0	63.9	–	3.1	369.0
Non-current assets held-for-sale	12a	–	41.4	17.6	–	59.0
Total financial assets		312.5	201.3	19.3	4.5	537.6

	Note	Sterling £m	US Dollar £m	Brazilian Real £m	Other £m	Total £m
Financial liabilities						
Derivative financial instruments		–	0.6	–	–	0.6
Trade and other payables		46.8	47.2	–	0.9	94.9
Non-current liabilities held-for-sale	12a	–	7.1	5.7	–	12.8
Non-current trade and other payables		–	21.4	–	–	21.4
Total financial liabilities		46.8	76.3	5.7	0.9	129.7

The Group's revenue is almost entirely denominated in US dollars, while the Group's cost base is largely in Sterling. Consequently, the Group has an exposure to movements in the US\$/£ exchange rate.

The Group's policy is to hedge this net foreign exchange exposure by using a combination of forward foreign exchange contracts and/or options for up to two years forward. The Group also sells US dollars at spot rates when opportunities arise.

At 31 December 2011, if the US dollar had strengthened/weakened by 10 cents against Sterling with all other variables held constant, profit before tax for the period would increase/decrease by £5.3 million/£4.7 million respectively (period to 31 December 2010: £9.2 million/£8.1 million; year to 30 June 2011: £3.5 million/£3.1 million).

The Group also holds a number of seed capital investments, as shown on the balance sheet, which are denominated in Brazilian Real or US dollars. Any such seed investments give rise to foreign exchange risk. Foreign exchange gains and losses arising on the Group's seed capital investments are taken to equity along with the mark-to-market movements in the period. At 31 December 2011, if the Brazilian Real and US dollar had, in aggregate, strengthened/weakened by 1% against Sterling with all other variables held constant, the impact on net assets as a result of the Group's seed capital positions would be an increase/decrease of £0.9 million/£0.9 million (31 December 2010: £1.1 million/£1.1 million; 30 June 2011: £0.9 million/£0.9 million). Of this £0.9 million, the impact on profit before tax would be £0.2 million (period to 31 December 2010: nil; year to 30 June 2011: nil) as a result of investments in consolidated funds.

13) Financial instrument risk management *continued*

- **Price risk**

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of market changes.

The Group's direct exposure to price risk is in respect of the seed capital investments. These can be either debt or equity instruments, where the Group's exposure is restricted to the carrying value of the assets or liabilities. At 31 December 2011, a 5% movement in the fair value of these investments would have a £4.5 million (31 December 2010: £5.7 million; 30 June 2011: £4.4 million) impact on net assets. Of this £4.5 million, the impact on profit before tax as a result of consolidated funds would be £1.1m (31 December 2010: nil; 30 June 2011: nil).

There is also indirect price risk in connection with the Group's AuM and its associated management and performance fees. These are diversified across a range of investment themes and not measurably correlated to any single market indices in emerging markets. Based on the period end assets under management of US\$60.4 billion, and a year to date average net management fee rate of 76bps, a 5% movement in assets under management would have a US\$23.0 million impact on management fee revenues. Performance fee revenues could be reduced in severe market conditions, however, throughout Ashmore's history the policy of having funds with year ends staged throughout the financial year has meant that in periods of steep market decline, some performance fees have still been recorded. The profitability impact is likely to be less than this, as cost mitigation actions would apply, including the reduction of the variable compensation paid to employees.

- **Hedging activities**

Included within the realised and unrealised hedging losses of £0.8 million (note 3) recognised at 31 December 2011 (£1.0 million gain at 31 December 2010; £1.8 million gain at 30 June 2011) are:

- A £1.3 million loss in respect of foreign exchange hedges covering net management fee income for H2 2011/12 and FY 2012/13 (31 December 2010: £0.9 million gain; 30 June 2011: £1.3 million gain); and
- A £0.5 million gain in respect of crystallised foreign exchange contracts (31 December 2010: £0.1 million gain; 30 June 2011: £0.5 million gain).

Foreign exchange options and forward contracts in respect of H2 2011/12 and FY 2012/13

The options and forward contracts have been assessed as effective cash flow hedges at 31 December 2011. Time value in relation to the Group's hedges is excluded from being part of the hedging item and, as a result, a net unrealised loss arising on the hedges of £1.3 million (31 December 2010: £0.9 million gain; 30 June 2011: £1.3 million gain) has been recognised in the consolidated statement of comprehensive income for the period ended 31 December 2011, being the movement in the time value of the hedges in the financial period.

The £0.8 million intrinsic loss (31 December 2010: £0.6 million gain; 30 June 2011: £0.1 million loss) on the Group's hedges has been recognised through other comprehensive income. Nil intrinsic value (2010: nil) was reclassified from equity to the statement of comprehensive income in the period. The cumulative fair value of the outstanding foreign exchange hedges liability at 31 December 2011 was £2.9 million (31 December 2010: £0.3 million; 30 June 2011: £0.6 million).

This treatment will continue so long as the hedges and forward contracts are assessed as being highly effective. Intrinsic value gains and losses are recognised in the statement of comprehensive income as the corresponding hedged cash flows crystallise.

The hedges protect a proportion of the Group's revenue cash flows from foreign exchange movements and occur consistently throughout the year. The maturity profile of the Group's outstanding hedges is shown below.

	Notional amount with maturity date (£m)			Total
	Within 6 months	6 – 12 months	>12 months	
Foreign exchange option collars	36.7	35.7	9.0	81.4
Forward contracts	14.2	14.2	4.5	32.9
Total foreign exchange hedges	50.9	49.9	13.5	114.3

	31 December 2011		31 December 2010		30 June 2011	
	Notional amount £m	Fair value assets/ (liabilities) £m	Notional amount £m	Fair value assets/ (liabilities) £m	Notional amount £m	Fair value assets/ (liabilities) £m
Cash flow hedges						
Foreign exchange option collars	81.4	–	73.6	–	96.3	0.1
Foreign exchange forward contracts	32.9	(1.5)	–	–	37.6	(0.7)
Total foreign exchange hedges	114.3	(1.5)	73.6	–	133.9	(0.6)

- **Capital management**

Equity as referred to in the Group's balance sheet is the capital for the business. There are no other assets managed which are considered capital of the Group. As referred to above, the Group monitors its regulatory capital in order to meet the financial resources requirements of the Financial Services Authority.

Notes to the Financial Statements *continued*

14) Related party transactions

There were no material changes to the related party transactions during the six months to 31 December 2011.

Transactions with key management personnel

Related party transactions are in respect of relationships with key management personnel. The compensation of key management personnel was as follows:

	Period ended 31 December 2011 £m	Period ended 31 December 2010 £m	Year ended 30 June 2011 £m
Short-term employee benefits	0.1	0.1	6.0
Share-based payment benefits	–	–	2.3
Total	0.1	0.1	8.3

Share-based payment benefits represents the fair value charge to the statement of comprehensive income of share awards.

Transactions with the Ashmore Foundation

The Ashmore Foundation is a related party to the Group. The foundation was set up to provide financial grants to worthwhile causes within the emerging markets geographies in which Ashmore operates with a view to putting something back into the countries and communities in which the Group invests and which contribute to Ashmore's income and profitability. There were no related party transactions with the foundation during the period (period to 31 December 2010 nil; FY 2010/11: nil).

Transactions with Ashmore Funds

During the period, the Group received income from the 77 funds (31 December 2010: 59 funds; 30 June 2011: 81 funds) it manages and which are classified as related parties. During the period, the Group received £171.8 million (six months to 31 December 2010: £166.0 million; year to 30 June 2011: 397.3 million) in gross management fees and performance fees. As at 31 December 2011 the Group had receivables due from funds of £49.0 million (31 December 2010: £92.7 million; 30 June 2011: £41.5 million).

Transactions with the Ashmore Employee Benefit Trust (EBT)

The Group provides a loan facility to the EBT to allow it to acquire Ashmore shares in order to satisfy outstanding unvested shares. As at 31 December 2011 the amount outstanding was £60.0 million (31 December 2010: £32.3 million; 30 June 2011: £43.2 million).

15) Post balance sheet events

There are no post balance sheet events that require adjustment or disclosure in these interim financial statements.

Responsibility Statement of the Directors' in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements ; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Mark Coombs

Chief Executive Officer

22 February 2012

Independent Review Report to Ashmore Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2011 which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

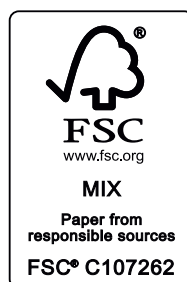
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Paul Furneaux
for and on behalf of KPMG Audit Plc

Chartered Accountants
15 Canada Square
London
E14 5GL

22 February 2012



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