Ashmore

Interim Report 2016/17

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Highlights

ASSETS UNDER MANAGEMENT (AUM) AT 31 DECEMBER 2016	AUM OUTPERFORMING BENCHMARKS OVER ONE YEAR	THREE YEARS	FIVE YEARS
US$52.2bn	91%	81%	86%
30 June 2016: US$52.6bn	30 June 2016: 69%	63%	73%

NET MANAGEMENT FEES	ADJUSTED EBITDA	ADJUSTED EBITDA MARGIN
£114.9m	£89.7m	66%
(H1 2015/16: £98.7m)	(H1 2015/16: £68.0m)	(H1 2015/16: 63%)

PROFIT BEFORE TAX	DILUTED EARNINGS PER SHARE	INTERIM DIVIDEND PER SHARE
£121.5m	13.9p	4.55p
(H1 2015/16: £62.7m)	(H1 2015/16: 6.5p)	To be paid on 7 April 2017 (H1 2015/16: 4.55p)

Non-GAAP alternative performance measures (APMs) are defined and explained on page 6.

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

"Emerging Markets produced very strong investment returns in 2016 and delivered a 5% increase in Ashmore's AuM over the calendar year. Relative investment performance is strong with more than 90% of assets outperforming benchmarks over one year, and more than 80% over three and five years. This backdrop, together with favourable currency movements, delivered a 94% increase in Ashmore's profit before tax. While the US election outcome interrupted the improvement in sentiment towards Emerging Markets, the effect has been short-lived with asset prices strengthening into 2017. The combination of attractive absolute and relative returns, accelerating GDP growth, and low allocations all support the expectation of further strong performance in 2017 and a return to the improving flow trend seen for most of 2016."

The positive trends in Emerging Markets asset prices and sentiment that were established early in 2016 continued during the six months to 31 December and meant that, over the calendar year, Emerging Markets delivered strong returns. The US election in November, and consequent uncertainty regarding trade and other policies, interrupted the recovery towards the end of the period, but the fundamental strengths of Emerging Markets and the attractive absolute and relative valuations on offer have enabled the positive momentum to resume after only a brief interruption.

Assets under management fell slightly from US$52.6 billion to US$52.2 billion during the six months, but increased by 5% from US$49.4 billion over the course of the calendar year. However, profits increased significantly compared with the same period in the prior year, reflecting the combination of higher management and performance fees, strong market returns on the Group's seed capital, the positive impact of a more favourable GBP:USD rate on the Group's assets, and continued disciplined control of operating costs.

Ashmore's investment processes continued to deliver significant outperformance throughout the period as a direct result of active management and having added risk in earlier periods of market weakness. As at 31 December 2016, more than 90% of the Group's AuM were outperforming benchmarks over one year, and more than 80% were outperforming over three and five years.

Adjusted net revenue of £135.7 million increased 25% versus the same period in the prior year, and comprised net management fees of £114.9 million, performance fees of £21.6 million, and other revenues of £2.2 million. The adjusted EBITDA margin increased to 66% (H1 2015/16: 63%) as the cost control inherent in the Group's business model limited the growth in total adjusted operating costs to 14%.

Profit before tax of £121.5 million increased 94% from £62.7 million in the prior half-year period. Diluted earnings per share increased by 114% to 13.9 pence (H1 2015/16: 6.5 pence) and the Board has declared an interim dividend of 4.55 pence per share (H1 2015/16: 4.55 pence per share).

Summary non-GAAP financial performance

The table below reclassifies items relating to seed capital and the translation of non-Sterling balance sheet positions to aid clarity and comprehension of the Group's operating performance, and to provide a more meaningful comparison with the prior period. For the purposes of presenting 'Adjusted profits', operating expenses have been adjusted for the 20% variable compensation charge on foreign exchange translation gains and losses.

Non-GAAP alternative performance measures (APMs) are defined and explained on page 6.

		Reclassification of				
£m	**H1 2016/17 Statutory**	Seed capital-related items	Foreign exchange translation	**H1 2016/17 Adjusted**	H1 2015/16 Adjusted	% change
Net management fees	**114.9**	–	–	**114.9**	98.7	
Performance fees	**21.6**	–	–	**21.6**	8.6	
Other revenue	**2.2**	–	–	**2.2**	2.1	
Foreign exchange	**5.4**	–	(8.4)	**(3.0)**	(1.0)	
Net revenue	**144.1**	–	(8.4)	**135.7**	108.4	+25%
Investment securities and third-party interests	**2.3**	(2.3)	–	**–**	–	
Personnel expenses	**(36.2)**	–	1.7	**(34.5)**	(28.0)	
Other expenses	**(12.9)**	1.4	–	**(11.5)**	(12.4)	
EBITDA	**97.3**	(0.9)	(6.7)	**89.7**	68.0	+32%
EBITDA margin	***68%***	–	–	***66%***	*63%*	
Depreciation and amortisation	**(2.7)**	–	–	**(2.7)**	(2.5)	
Operating profit	**94.6**	(0.9)	(6.7)	**87.0**	65.5	+33%
Net finance income/(expense)	**26.1**	(10.0)	(14.9)	**1.2**	1.0	
Associates and joint ventures	**0.8**	–	–	**0.8**	(1.0)	
Seed capital-related items	**–**	10.9	–	**10.9**	(8.3)	
Profit before tax excluding FX translation	**121.5**	–	(21.6)	**99.9**	57.2	+75%
Foreign exchange translation	**–**	–	21.6	**21.6**	5.5	
Profit before tax	**121.5**	–	–	**121.5**	62.7	+94%

Market review

Investment themes

External debt	Local currency	Corporate debt	Blended debt
Invests in debt instruments issued by sovereigns (governments) and quasi-sovereigns (government-sponsored).	Invests in local currencies and local currency-denominated instruments issued by sovereign, quasi-sovereign and corporate issuers.	Invests in debt instruments issued by public and private sector companies.	Invests in both hard currency and local currency-denominated assets across sovereigns, quasi-sovereigns and corporates.
Equities	**Alternatives**	**Multi-asset**	**Overlay/liquidity**
Invests in equity and equity-related instruments within the Emerging Markets including global, regional, small cap and frontier opportunities.	Provides access to private equity, healthcare, infrastructure, special situations, distressed debt and real estate investment opportunities.	Specialised, efficient, all-in-one access to a long-term strategic asset allocation across the full Emerging Markets investment universe.	Separates and centralises the currency risk of an underlying Emerging Markets asset class in order to manage it effectively and efficiently.

Market movements and sentiment during the period were dominated by political events and rhetoric emanating from Developed Markets. While these may have some bearing on specific parts of Emerging Markets in due course, many countries continue on the path of improving economic and market performance driven by domestic factors. Indeed, Emerging Markets fixed income assets outperformed developed world alternatives over the period. Hard currency assets outperformed local currency markets, and high-yield performed better than investment grade.

Investors are increasingly recognising the robust fundamentals and attractive asset prices in Emerging Markets, and the pick-up in industry flows in the early part of the period supported the ongoing market rally. This enabled Emerging Markets fixed income asset classes to outperform Developed Markets bonds, even as rising inflation expectations, particularly in the US, caused a steepening of nominal yield curves.

The US election in November led to weakness in fixed income markets. Within Emerging Markets, the effect was understandably greater in some countries deemed to be vulnerable to the risk of a more protectionist US administration. There was some profit taking after a strong run in Emerging Markets, albeit they still delivered healthy absolute returns of 9% to 10% across fixed income indices for calendar year 2016.

Emerging Markets equities also delivered good returns over both the six-month period (MSCI EM +4%) and 2016 as a whole (MSCI EM +11%), driven by expectations of accelerating GDP growth.

Despite this recent performance, valuations remain attractive both in absolute terms and relative to alternatives in the developed world, and there remains a supportive technical position with investors significantly underweight or not exposed to Emerging Markets.

External debt

The EMBI GD external debt index was unchanged (-0.1%) over the six months, but the spread over US Treasuries tightened by 46bps and high yield bonds (+3.1%) significantly outperformed investment grade credits (-2.9%). The diversity of the asset class, and the opportunities available for an active manager, are illustrated by the wide range of country returns delivered over the six months, from –23% for Belize to +27% for Venezuela.

Ashmore's investment performance was strong in the period, benefiting from returns generated on positions entered into during recent periods of market dislocation, consistent with the Group's long-standing value-based investment philosophy. For example, shorter duration and higher yielding sovereign and quasi-sovereign bonds, particularly in Latin America, have generated strong returns. Over three years, Ashmore's external debt broad composite has outperformed and returned +7.4% annualised versus +5.9% for the EMBI GD benchmark index.

The EMBI GD index currently yields nearly 6% and its spread over US Treasuries of 340bps provides a healthy cushion for further outperformance against the backdrop of steadily rising US interest rates.

Local currency

The unhedged GBI-EM GD index fell by 3.6%, predominantly due to renewed strength in the US dollar towards the end of the period. On a hedged basis, the index returned -1.2%. As is the case for external debt, the local currency index performance masks a wide range of unhedged returns by country, from +11% for South Africa to -20% for Turkey.

Active management of both currency and local rates positions has delivered good relative performance in local currency portfolios, with particular value in higher-yielding currencies where there is potential for political or institutional reforms, such as in Brazil. In contrast, currencies offering low carry and greater exposure to global trade flows are less attractive. Over three years, the Group's local currency bonds composite has outperformed the benchmark index, returning -3.0% annualised versus -4.1% for the GBI-EM GD index.

The asset class offers good value, as shown by an index yield of approximately 7% and attractive carry available from a diverse range of Emerging Markets currencies. With the potential for higher inflation but lower real interest rates in the US, and the historically positive relationship between Emerging Markets FX performance and GDP growth, there is scope for Emerging Markets currency appreciation to contribute positively to asset class returns.

Corporate debt

Emerging Markets corporate debt performed well over the period, with the CEMBI BD index returning +1.7%. As with sovereign debt, high yield credits (+5.3%) outperformed investment grade (-0.5%).

Over three years, the Group's corporate debt composite has returned +4.5% annualised versus +5.3% for the CEMBI BD benchmark index. The performance over one and two years is particularly strong with annualised outperformance of between 5% and 10%, reflecting the research-led active management of corporate credit risk, in particular identifying and buying oversold credits in periods of market weakness, and including opportunities in off-benchmark bonds.

The 12-month default rate on Emerging Markets high yield credit is 4.1%, marginally higher than the long-run average of 3.7%, and running significantly below the US high yield default rate of 7.1%. With the potential for easier financial conditions via a pick-up in flows to Emerging Markets, business conditions should improve and support a gradual improvement in default rates. The shorter duration, higher yielding nature of the asset class is particularly attractive in a period of US monetary policy tightening.

Blended debt

The standard blended debt benchmark (50% EMBI GD, 25% GBI-EM GD, 25% ELMI+) fell 1.5% over the six-month period, reflecting the effect of a stronger US dollar on local currency-denominated assets.

Ashmore's active management of the constituent elements has delivered significant outperformance in blended debt portfolios. In this period, reducing Emerging Markets FX exposure and shortening duration, together with an off-benchmark exposure to corporate debt, meant that good relative performance was delivered even in weaker market conditions such as when yield curves steepened around the time of the US election.

Over three years, the Group's blended debt composite has returned 4.7% annualised versus 1.1% for the standard benchmark.

Blended debt strategies offer the potential for significant outperformance through broad-based, actively managed exposures to underlying asset classes that provide a wide range of returns. Demand is therefore expected to continue to come from a broad range of both institutional and intermediated retail investors.

Equities

Equities outperformed fixed income during the period, with the MSCI EM (net) index rising 4.5%. The MSCI Frontier (net) and MSCI Small Cap (net) indices rose 3.2% and 0.9%, respectively.

The Group's range of specialist equity funds continues to perform well relative to their respective benchmarks. In particular, the Global Emerging Markets small cap, Frontier, India and Middle East funds have strong track records over three and five years.

The ongoing improvements in Emerging Markets macro drivers, in particular the potential for the twin headwinds of FX weakness and falling commodity prices to become tailwinds, augurs well for an improvement in the profit cycle. However, the sensitivity of Emerging Markets equities beta to shocks emanating from Developed Markets means that disciplined, active management is required to capture returns.

Alternatives

AuM in the theme was unchanged over the period as no new capital was raised and investment performance was flat. The Group is actively investing recently raised capital, for example in Colombia, and continues to explore opportunities to grow this theme.

Multi-asset

Similar to blended debt, but with the inclusion of equities, the multi-asset theme offers investors exposure to a broad range of actively managed investment themes, thereby increasing diversification and offering potentially higher returns through the cycle.

The investment performance of the Group's Emerging Markets multi-asset funds is strong, with all funds significantly outperforming their respective benchmarks over one, three and five years.

Overlay/liquidity

AuM in the overlay/liquidity theme increased by US$0.5 billion during the period as a result of net inflows.

Market outlook

The prospects for Emerging Markets in 2017, and over the longer term, are very attractive. The fundamental strength and flexibility of the economies contrasts sharply with much of the developed world, and these characteristics have enabled Emerging Markets to adjust and to withstand the global economic challenges faced over the past three to five years, many of which originated in developed nations.

Emerging Markets' economic growth is expected to accelerate this year, both against recent experience and versus developed countries. This growth outlook is supported by the improvement in export competiveness that has occurred through currency adjustments since 2011. Importantly, inflation is under control and falling across many Emerging Markets as central banks have acted quickly and appropriately by raising interest rates as currencies have weakened.

Despite the strong performance in 2016, Emerging Markets assets remain attractively priced, with substantial further US interest rate increases already anticipated in valuations. The US dollar may remain stronger for a while longer, but its medium-term prospects against Emerging Markets currencies are arguably weaker, as fiscal stimulus in the US could lead to higher inflation and the Federal Reserve is unlikely to raise rates too rapidly given the United States' 330% debt/GDP ratio. If real interest rates therefore fall, this is likely to put downward pressure on the US dollar, to the benefit of local currency assets in Emerging Markets.

Indeed, with a new US president focused on stimulating the domestic economy, potentially leading to even higher levels of debt, then the combination of rising inflation and a weaker currency may be desirable in the short term. The expected near-term pick-up in US economic activity should have a positive impact on the global economy including Emerging Markets in the short term. If the risk of a more protectionist stance by the US comes to pass, then it is unlikely to have a uniform effect across Emerging Markets, and therefore the diversity of the asset classes and the ability to manage country and company exposures actively will be increasingly important.

Finally, after several years of capital outflows as investors have withdrawn money from Emerging Markets to fund QE trades in Developed Markets, the technical position is favourable. Allocations to Emerging Markets are low and underweight and in some cases even below investors' own target levels, and therefore should increase as Emerging Markets continue to deliver strong absolute and relative investment returns. An additional factor in favour of switching allocations from Developed Markets to Emerging Markets is the nearly US$9 trillion of government debt that trades at negative yields, representing 20% of the indexed bonds issued by developed nations.

Ashmore has a strong, active investment performance track record and is well positioned to benefit from these capital flows.

Strategy/business developments

During the period, the Group consolidated its US operations into its operating hub in New York, thus locating investment professionals in the specialist equities business alongside distribution and support functions, and delivering operational efficiencies through the combination of the offices.

In December 2016, Ashmore completed the sale of its local fund management business in Turkey. Given the anticipated regulatory changes, various options to develop the local business were considered, as a result of which an offer was received from another independent manager. Including seed capital gains realised in the period, the transaction resulted in a small pre-tax gain, and will free up resources and allow consideration of other local markets with appropriate AuM and profit growth potential.

In China, the expected improvement in performance of the fund management joint venture is on track following the completion of the transaction to introduce China Taiping Insurance Group Limited as a majority shareholder.

As a result of actions taken in recent periods to rationalise the Group's local market platforms, these businesses are now performing as expected and delivering an increased contribution to Group operating profits. In aggregate, the local platforms now manage AuM of more than US$2 billion, or approximately 5% of the Group total. The majority of this is in Indonesia and Colombia, but the nascent businesses in the Middle East are developing well. Fund performance is particularly strong in areas such as Indonesian and Indian equities, and Colombia infrastructure. Over the past three years, AuM managed by the local businesses has more than doubled, with an increase in headcount of less than 15%.

With regards to the process for the UK to exit the European Union (Brexit), there has been no new information relevant to the Group since it published its annual report in September 2016. The Group remains focused on three principal issues: the passporting of financial services; counterparty relationships; and the small number of UK-based employees that are potentially affected. Additionally, the management of foreign exchange exposures is relevant given the impact of the EU referendum outcome on the value of Sterling. Managing the impact of this falls under the business-as-usual activities of the FX Management Committee. The Group remains of the view that the operational implications of Brexit will be manageable.

AuM development

As at 31 December 2016, assets under management were US$52.2 billion, a decline of US$0.4 billion, or 1%, during the six months. While there was a net outflow of US$0.7 billion over the six months, the improving trend continued: the preceding six months had a net outflow of US$1.8 billion, which was down from the US$5.7 billion net outflow in H1 2015/16.

Investment performance contributed US$0.3 billion and average AuM of US$53.3 billion was broadly unchanged compared with the same period in the prior year (H1 2015/16: US$53.6 billion).

Gross subscriptions increased to US$5.5 billion, or 10% of opening AuM (H1 2015/16: US$3.4 billion, 6% of opening AuM), with demand continuing to be broadly spread across investment themes, client types and geographies, and with a good mix of new client inflows and increases to existing mandates.

Gross redemptions declined to US$6.2 billion, or 12% of opening AuM (H1 2015/16: US$9.1 billion, 15% of opening AuM). While there was a slight pick-up in redemptions in the middle of the second quarter, coinciding with the US election result, this was influenced by a small number of institutional redemptions from local currency and external debt. Overall, the trend of falling redemptions continued in the period as markets sustained upward momentum.

The Group's client base remains predominantly institutional, with 90% of AuM from such clients (30 June 2016: 90%) and the remainder sourced through intermediaries, which provide access to retail investors. Segregated accounts represent 69% of AuM (30 June 2016: 70%).

Ashmore's principal mutual fund platforms are in Europe and the US, which together account for 16% of AuM (30 June 2016: 15%). The European SICAV range comprises 26 funds with AuM of US$7.0 billion (30 June 2016: US$6.6 billion in 28 funds) and the US 40-Act range has 10 funds with AuM of US$1.3 billion (30 June 2016: US$1.1 billion in nine funds).

Investment performance

The Group's investment performance is strong and improved further during the six months, with 91% of AuM outperforming over one year, 81% over three years, and 86% over five years (30 June 2016: 69%, 63% and 73%, respectively). As at 31 December 2016, the majority of the Group's fixed income and specialist equity products are in the first or second performance quartile when compared with peers, over one, three and five years.

This continuing strong performance results from the Group's active, value-based investment philosophy, which added risk to portfolios in the periods of market dislocation experienced over the past few years. The inefficiency of Emerging Markets, the frequently changing sentiment towards them, and the consequent impact on asset prices, continue to provide attractive investment opportunities for an active, specialist manager. Indeed, the return potential is demonstrated by the outstanding track record of Ashmore's EMLIP fund, which will celebrate its 25-year anniversary in October this year. Since inception, EMLIP has delivered a gross annualised return of 18.5%, outperforming the 10.6% annualised return of the EMBI benchmark index, and it is the top performing fund in its peer group over one, five and 10 years.

Ashmore's fixed income investment committee takes decisions based on rigorous credit analysis, and places access to market liquidity at the centre of its process. These factors enable portfolios to be actively managed and deliver outperformance even in periods of volatile or weak markets. The main drivers of investment outperformance recently have been local currency positioning together with shorter duration and higher yielding credits in external and corporate debt.

Active management in equities has also produced healthy outperformance. For instance, the Frontier markets portfolios have had significant active risk in Pakistan and Nigeria, which combined represent nearly 15% of the benchmark MSCI Frontier index, and off-benchmark positions in countries such as Georgia. These three countries alone contributed 9.5% of outperformance in 2016.

The Group's investments are geographically diverse and broadly consistent with recent periods, with 39% in Latin America, 23% in Asia Pacific, 25% in Eastern Europe and 13% in the Middle East and Africa.

AuM movements by investment theme as classified by mandate

The development during the period of AuM by theme as classified by mandate is shown in the following table.

Investment theme	AuM 30 June 2016 US$bn	Gross subscriptions US$bn	Gross redemptions US$bn	Net flows US$bn	Performance US$bn	**AuM 31 December 2016 US$bn**
External debt	11.7	1.1	(1.6)	(0.5)	0.2	**11.4**
Local currency	13.3	0.6	(1.2)	(0.6)	(0.3)	**12.4**
Corporate debt	5.0	0.9	(0.8)	0.1	0.1	**5.2**
Blended debt	13.7	1.7	(1.5)	0.2	0.2	**14.1**
Equities	3.1	0.4	(0.6)	(0.2)	–	**2.9**
Alternatives	1.5	–	–	–	–	**1.5**
Multi-asset	1.2	–	(0.2)	(0.2)	0.1	**1.1**
Overlay/liquidity	3.1	0.8	(0.3)	0.5	–	**3.6**
Total	52.6	5.5	(6.2)	(0.7)	0.3	**52.2**

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

The following table reports AuM 'as invested' by underlying asset class, which adjusts from the 'by mandate' presentation to reflect the allocation to underlying asset classes of the multi-asset and blended debt themes, and the cross-over investment by certain external debt funds.

	AuM at 30 June 2016			**AuM at 31 December 2016**		
Investment theme	Classified by mandate %	Classified as invested %	Classified as invested US$bn	**Classified by mandate %**	**Classified as invested %**	**Classified as invested US$bn**
External debt	22	39	20.4	**22**	**39**	**20.4**
Local currency	25	31	16.2	**24**	**30**	**15.8**
Corporate debt	10	14	7.6	**10**	**14**	**7.2**
Blended debt	26	–	–	**27**	**–**	**–**
Equities	6	7	3.5	**5**	**6**	**3.3**
Alternatives	3	3	1.7	**3**	**3**	**1.7**
Multi-asset	2	–	–	**2**	**–**	**–**
Overlay/liquidity	6	6	3.2	**7**	**8**	**3.8**
Total	100	100	52.6	**100**	**100**	**52.2**

Alternative performance measures

The Group discloses non-GAAP financial alternative performance measures in order to assist shareholders' understanding of the operational performance of the Group during the accounting period.

Net revenue

As shown on the face of the consolidated statement of comprehensive income, net revenue is total revenue less distribution costs and including foreign exchange. This provides a comprehensive view of the revenues recognised by the Group in the period.

Variable compensation ratio

The charge for employee variable compensation as a proportion of earnings before variable compensation, interest and tax (EBVCIT). The linking of variable annual pay awards to the Group's profitability is one of the principal methods by which the Group controls its operating costs.

EBVCIT is defined as operating profit excluding the charge for variable compensation and seed capital-related items. The items relating to seed capital are gains/losses on investment securities; change in third-party interests in consolidated funds; and other expenses in respect of consolidated funds.

EBITDA

The standard definition of earnings before interest, tax, depreciation and amortisation is operating profit before depreciation and amortisation. It provides a view of the performance of the business before certain non-cash items, financing income and charges, and taxation.

Adjusted EBITDA

EBITDA excluding items relating to foreign exchange translation and seed capital.

This provides a better understanding of the Group's operational performance excluding the mark-to-market volatility of foreign exchange translation and seed capital investments. These adjustments are merely reclassified within the adjusted profit and loss account, leaving statutory profit before tax unchanged.

Adjusted EBITDA margin

The ratio of adjusted EBITDA to net revenue, both of which are defined above. This is a fair measure of the Group's efficiency and its ability to generate returns for shareholders.

Financial review

Fee income and net management fee margin by investment theme

The table below summarises the net management fee income after distribution costs, performance fee income, and net management fee margin, defined as the ratio of net management fee income to average AuM, by investment theme.

	Net management fees		Performance fees		Net management fee margin	
Investment theme	**H1 2016/17 £m**	H1 2015/16 £m	**H1 2016/17 £m**	H1 2015/16 £m	**H1 2016/17 bps**	H1 2015/16 bps
External debt	**23.6**	19.9	**8.3**	0.1	**51**	54
Local currency	**22.7**	19.8	**10.8**	–	**43**	45
Corporate debt	**12.7**	11.3	**–**	–	**61**	59
Blended debt	**30.8**	25.6	**2.5**	–	**53**	54
Equities	**11.4**	11.5	**–**	–	**96**	106
Alternatives	**7.9**	5.0	**–**	8.5	**141**	165
Multi-asset	**3.8**	4.2	**–**	–	**82**	98
Overlay/liquidity	**2.0**	1.4	**–**	–	**16**	17
Total	**114.9**	98.7	**21.6**	8.6	**54**	57

Revenues

Net revenue increased by 24% from £116.4 million to £144.1 million largely as a result of higher net management fee income and a higher contribution from performance fees compared with the same period in the prior year.

The Group's management fee income, net of distribution costs, was £114.9 million, an increase of 16% over the prior year period (H1 2015/16: £98.7 million). A favourable movement in the average GBP:USD rate, from 1.5291 to 1.2809, more than offset the decline in the net management fee margin to 54bps (H1 2015/16: 57bps).

Compared with H2 2015/16, the net management fee margin declined by 1bp, attributable to the effect of large segregated account subscriptions, for example in the local currency theme, and redemptions from higher margin pooled funds in the local currency and multi-asset themes.

As described above, investment performance across the Group's funds is strong and consequently performance fees of £21.6 million were delivered in the period compared with £8.6 million in H1 2015/16.

At 31 December 2016, 12% of the Group's AuM were eligible to earn performance fees (30 June 2016: 14%), of which a significant proportion is subject to rebate agreements.

Translation of the Group's non-Sterling assets and liabilities, excluding seed capital, at the period end resulted in a foreign exchange gain of £8.4 million (H1 2015/16: £8.0 million), principally reflecting continued US dollar strength against Sterling.

As explained below, the Group hedges a proportion of its budgeted management fee income. During the period, the fall in the GBP:USD exchange rate produced a translation benefit to operating revenues including approximately £16 million related to net management fee income. This comprises the effect of a favourable average translation rate, only partially offset by £3.0 million of net realised and unrealised hedging losses (H1 2015/16: £1.0 million loss).

Operating costs

Total operating costs increased by 12% to £51.8 million (H1 2015/16: £46.3 million), reflecting the increased charge for variable compensation as a result of higher profits and approximately £6 million as a result of the movement in the GBP:USD exchange rate.

Excluding variable compensation, operating costs fell by 1% to £28.5 million (H1 2015/16: £28.8 million). This includes £1.4 million of operating costs borne by consolidated funds (H1 2015/16: £1.8 million) and £2.5 million of adverse currency effects. Excluding variable compensation, consolidated fund expenses and currency effects, operating costs were reduced by 9% versus the same period in the prior year.

Fixed staff costs of £12.9 million increased by 7% compared with the prior year (H1 2015/16: £12.1 million), reflecting recent expansion in areas such as the local offices in Colombia, Dubai and Saudi Arabia together with the effect of weaker Sterling against the US dollar and other currencies. Excluding the effect of the lower exchange rate, fixed staff costs reduced by 2% compared with the prior year.

With a disciplined approach to replacing natural turnover within the Group's centralised functions, together with reduction in headcount in Turkey and the efficiencies delivered from combining the US offices, the Group's headcount fell from 266 to 246 employees over the six-month period and the average headcount declined by 6% compared with the prior year period.

Other operating costs, excluding depreciation and amortisation, fell by £1.3 million to £12.9 million. Excluding the effects of consolidated funds, other operating expenses were £11.5 million, a decline of £0.9 million, and principally driven by a continued focus on controlling discretionary expenditure.

As is usual, variable compensation at the half year has been accrued at 20% of earnings before variable compensation, interest and tax, resulting in a charge of £23.3 million (H1 2015/16: £17.5 million).

The combined depreciation and amortisation charge for the period was £2.7 million (H1 2015/16: £2.5 million), with the slight increase being the effect of a weaker average GBP:USD rate on the amortisation of US dollar-denominated intangible assets.

Adjusted EBITDA

Adjusted EBITDA, which reclassifies items relating to seed capital investments and foreign exchange translation effects, increased 32% to £89.7 million (H1 2015/16: £68.0 million). The adjusted EBITDA margin, which reflects the underlying operating performance, increased to 66% (H1 2015/16: 63%) as while revenues grew strongly, the growth in total adjusted operating costs was limited to 14%. Indeed, excluding variable compensation, adjusted operating costs were flat and were reduced by 9% on an underlying basis excluding currency effects.

Finance income

Net finance income of £26.1 million (H1 2015/16: £6.1 million) includes items relating to seed capital investments, which are described in more detail below. Interest income for the period was £1.2 million (H1 2015/16: £1.0 million).

Taxation

The majority of the Group's profit is subject to UK taxation; of the total current tax charge for the period of £22.1 million (H1 2015/16: £14.0 million), £17.4 million relates to UK corporation tax (H1 2015/16: £13.2 million). The Group's effective tax rate for the period is 18.7% (H1 2015/16: 24.9%), which is lower than the blended UK corporation tax rate for the current financial year of 19.75%, primarily due to tax relief on Ashmore Group plc shares that vested to employees during the period, and the impact of tax exemptions on some seed capital realisations. Note 10 to the interim condensed financial statements provides a full reconciliation of this deviation from the blended UK corporation tax rate.

Earnings per share

Basic earnings per share for the period increased by 114% to 14.7 pence (H1 2015/16: 6.9 pence). Diluted earnings per share also increased by 114% from 6.5 pence to 13.9 pence.

Balance sheet, cash flow and foreign exchange

It is the Group's policy to maintain a strong balance sheet in order to meet regulatory capital requirements, to support the commercial demands of current and prospective investors, and to fulfil development needs across the business. These include funding 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.

As at 31 December 2016, total equity attributable to shareholders of the parent was £695.8 million (31 December 2015: £619.2 million, 30 June 2016: £676.7 million). Financial resources available to the Group totalled £609.2 million as at 31 December 2016, equivalent to 86 pence per share, and significantly exceeded the Group's regulatory capital requirement of £99.9 million, equivalent to 14 pence per share. The Group has no debt.

Cash

Ashmore's business model delivers a high conversion rate of profits to cash. Based on operating profit of £94.6 million for the period (H1 2015/16: £57.6 million), the Group generated £96.6 million of cash from operations (H1 2015/16: £56.9 million). The adjusted EBITDA for the period of £89.7 million represents 109% of operating cash flows after excluding consolidated funds (H1 2015/16: 87%).

Cash and cash equivalents by currency

	31 December 2016 £m	30 June 2016 £m
Sterling	**163.9**	212.6
US dollar	**188.4**	123.2
Other	**25.8**	28.2
Total	**378.1**	364.0

Seed capital investments

As at 31 December 2016, the amount invested in seed capital was £189.4 million (at cost) with a market value of £233.4 million (30 June 2016: £207.4 million at cost; £238.5 million market value). The 'at cost' investment represents 31% of Group net tangible equity (30 June 2016: 35%). The majority of the Group's seed capital by market value is held in liquid funds with better than one-month dealing frequency, such as SICAV or US 40-Act mutual funds.

The Group manages its seed capital actively. During the period it made new investments of £40.3 million and the favourable market environment enabled £69.7 million of previous investments to be recycled. Examples of seed capital investment successfully realised in the period include US$14 million from the short duration product and US$41 million from funds managed by the local Indonesian business. These seeded funds manage AuM of US$1.4 billion, illustrating the potential for seeding activity to deliver meaningful growth in third-party AuM and therefore fee income to the Group.

Funds that have been historically seeded by the Group represent 11% of the Group's AuM.

Seed capital by currency

	31 December 2016 £m	30 June 2016 £m
US dollar	**210.8**	189.2
Indonesian rupiah	**5.8**	33.9
Other	**16.8**	15.4
Total market value	**233.4**	238.5

Seed capital activities represent a profitable use of the Group's capital resources, with a gain before tax of £25.8 million in the period (H1 2015/16: £9.2 million loss).

In accordance with IFRS 10, the Group consolidates funds in which its seeding activity results in a controlling interest. Such funds made a contribution to profit before tax of £4.9 million in the period (H1 2015/16: £3.9 million loss). This comprises a gain on investment securities of £6.7 million (H1 2015/16: £19.5 million loss); change in third-party interests loss of £4.4 million (H1 2015/16: £7.0 million gain); operating expenses of £1.4 million (H1 2015/16: £1.8 million); and finance income of £4.0 million (H1 2015/16: £10.4 million finance income).

Net finance income includes a seed capital-related gain of £20.9 million (H1 2015/16: £5.3 million loss), comprising a positive investment return of £6.0 million (H1 2015/16: £4.4 million loss) and a foreign exchange gain of £14.9 million (H1 2015/16: £0.9 million loss).

Further details of the movements of seed capital items during the six months can be found in note 15 to the interim condensed consolidated financial statements.

Own shares held

The Group purchases and holds shares through an Employee Benefit Trust (EBT) in anticipation of the vesting of share awards. During the period, the EBT purchased shares worth £11.8 million (H1 2015/16: £14.7 million) and as at 31 December 2016, the EBT owned 39,009,575 (30 June 2016: 41,173,968) ordinary shares.

Foreign exchange

The majority of the Group's fee income is received in US dollars and it is the Group's policy to hedge up to two-thirds of the notional value of up to two years' budgeted foreign currency-denominated net management fees, using either forwards or options.

The Group's Foreign Exchange Management Committee determines the proportion of budgeted fee income to hedge by regular reference to expected non-US dollar, and principally Sterling, cash requirements. The hedging contracts effectively create a corridor outside of which a proportion of fee income is protected from movements in the GBP:USD exchange rate. The proportion of fee income received in foreign currency and not subject to hedging is held as cash or cash equivalents in the foreign currency and marked to market at the period end exchange rate.

The translation of the Group's non-Sterling balance sheet resulted in a foreign exchange gain reported in revenues of £8.4 million (H1 2015/16: £8.0 million), primarily the effect of Sterling weakness against the US dollar. Also as a consequence of the fall in the GBP:USD exchange rate, the Group recognised net realised and unrealised hedging losses of £3.0 million (H1 2015/16: £1.0 million loss).

Dividend

Ashmore's dividend policy is to pay a progressive ordinary dividend over time, taking into consideration factors such as prospects for the Group's earnings, demands on the Group's financial resources, and the markets in which the Group operates.

In the light of the dividend policy and considering both the cash-generative nature of the Group's business model and its strong and liquid balance sheet, the Board has determined that an interim dividend of 4.55 pence per share (H1 2015/16: 4.55 pence per share) will be paid on 7 April 2017 to all shareholders on the register on 10 March 2017.

Mark Coombs
Chief Executive Officer

8 February 2017

Interim condensed consolidated statement of comprehensive income

For the six months ended 31 December 2016

	Notes	**Unaudited 6 months to 31 December 2016 £m**	Unaudited 6 months to 31 December 2015 £m	Audited 12 months to 30 June 2016 £m
Management fees		**116.8**	99.3	197.1
Performance fees		**21.6**	8.6	10.4
Other revenue		**2.2**	2.1	4.1
Total revenue	5	**140.6**	110.0	211.6
Distribution costs		**(1.9)**	(0.6)	(1.2)
Foreign exchange	6	**5.4**	7.0	22.1
Net revenue		**144.1**	116.4	232.5
Gains/(losses) on investment securities	15	**6.7**	(19.5)	(5.7)
Change in third-party interests in consolidated funds	15	**(4.4)**	7.0	3.4
Personnel expenses		**(36.2)**	(29.6)	(59.7)
Other expenses		**(15.6)**	(16.7)	(32.6)
Operating profit		**94.6**	57.6	137.9
Finance income	7	**26.1**	11.4	31.5
Finance expense	7	**–**	(5.3)	(0.2)
Profit on disposal of joint ventures and subsidiaries	8	**1.6**	–	–
Share of losses from associates and joint ventures		**(0.8)**	(1.0)	(1.7)
Profit before tax		**121.5**	62.7	167.5
Tax expense	10	**(22.7)**	(15.6)	(38.8)
Profit for the period		**98.8**	47.1	128.7
Other comprehensive income, net of related tax effect				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising on foreign operations		**6.2**	13.6	27.5
Fair value reserve (available-for-sale financial assets):				
Net change in fair value		**0.6**	0.7	1.1
Net amount transferred to profit or loss		**–**	0.2	0.3
Cash flow hedge intrinsic value gains/(losses)		**1.0**	(0.4)	(3.9)
Other comprehensive income, net of tax		**7.8**	14.1	25.0
Total comprehensive income for the period		**106.6**	61.2	153.7
Profit attributable to:				
Equity holders of the parent		**98.4**	46.4	127.8
Non-controlling interests		**0.4**	0.7	0.9
Profit for the period		**98.8**	47.1	128.7
Total comprehensive income attributable to:				
Equity holders of the parent		**106.3**	60.3	152.0
Non-controlling interests		**0.3**	0.9	1.7
Total comprehensive income for the period		**106.6**	61.2	153.7
Earnings per share				
Basic	11	**14.72p**	6.89p	19.13p
Diluted	11	**13.93p**	6.52p	18.08p

The notes on pages 15 to 25 form an integral part of these financial statements.

Interim condensed consolidated balance sheet
As at 31 December 2016

	Notes	**Unaudited 31 December 2016 £m**	Unaudited 31 December 2015 £m	Audited 30 June 2016 £m
Assets				
Non-current assets				
Goodwill and intangible assets	13	**85.8**	76.6	82.5
Property, plant and equipment		**1.8**	2.0	2.2
Investment in associates and joint ventures		**2.3**	6.4	6.3
Non-current asset investments	15	**21.1**	8.8	11.7
Other receivables		**0.1**	0.2	0.1
Deferred acquisition costs		**0.4**	–	0.4
Deferred tax assets		**21.4**	19.7	19.5
		132.9	113.7	122.7
Current assets				
Investment securities	15	**178.2**	140.5	143.7
Available-for-sale financial assets	15	**9.0**	8.8	8.8
Fair value through profit or loss investments	15	**63.5**	67.0	68.2
Trade and other receivables		**94.1**	61.7	61.2
Cash and cash equivalents		**378.1**	341.5	364.0
		722.9	619.5	645.9
Non-current assets held-for-sale	15	**53.0**	22.5	106.7
Total assets		**908.8**	755.7	875.3
Equity and liabilities				
Capital and reserves – attributable to equity holders of the parent				
Issued capital	17	**–**	–	–
Share premium		**15.7**	15.7	15.7
Retained earnings		**656.9**	598.5	645.7
Foreign exchange reserve		**27.4**	7.8	21.1
Available-for-sale fair value reserve		**(1.2)**	(2.3)	(1.8)
Cash flow hedging reserve		**(3.0)**	(0.5)	(4.0)
		695.8	619.2	676.7
Non-controlling interests		**1.5**	13.1	3.3
Total equity		**697.3**	632.3	680.0
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**7.5**	4.2	5.2
		7.5	4.2	5.2
Current liabilities				
Current tax		**20.4**	14.0	24.8
Third-party interests in consolidated funds	15	**101.4**	58.5	75.6
Derivative financial instruments		**3.8**	1.3	4.5
Trade and other payables		**78.1**	39.5	55.4
		203.7	113.3	160.3
Non-current liabilities held-for-sale	15	**0.3**	5.9	29.8
Total liabilities		**211.5**	123.4	195.3
Total equity and liabilities		**908.8**	755.7	875.3

The notes on pages 15 to 25 form an integral part of these financial statements.

Interim condensed consolidated statement of changes in equity

For the six months ended 31 December 2016

	Attributable to equity holders of the parent								
	Issued capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Available-for-sale reserve £m	Cash flow hedging reserve £m	Total £m	Non-controlling interests £m	Total equity £m
Audited balance at 30 June 2015	–	15.7	649.3	(5.6)	(3.2)	(0.1)	656.1	14.0	670.1
Profit for the period	–	–	46.4	–	–	–	46.4	0.7	47.1
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	–	–	–	13.4	–	–	13.4	0.2	13.6
Net fair value loss on available-for-sale assets including tax	–	–	–	–	0.7	–	0.7	–	0.7
Net gains reclassified from available-for-sale reserve to comprehensive income	–	–	–	–	0.2	–	0.2	–	0.2
Cash flow hedge intrinsic value losses	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Total comprehensive income/(loss)	–	–	46.4	13.4	0.9	(0.4)	60.3	0.9	61.2
Transactions with owners:									
Purchase of own shares	–	–	(14.7)	–	–	–	(14.7)	–	(14.7)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(0.4)	(0.4)
Sale to non-controlling interests	–	–	–	–	–	–	–	0.4	0.4
Share-based payments	–	–	2.0	–	–	–	2.0	0.7	2.7
Dividends to equity holders	–	–	(84.5)	–	–	–	(84.5)	–	(84.5)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(2.5)	(2.5)
Total contributions and distributions	–	–	(97.2)	–	–	–	(97.2)	(1.8)	(99.0)
Unaudited balance at 31 December 2015	–	15.7	598.5	7.8	(2.3)	(0.5)	619.2	13.1	632.3
Profit for the period	–	–	81.4	–	–	–	81.4	0.2	81.6
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	–	–	–	13.3	–	–	13.3	0.6	13.9
Net fair value loss on available-for-sale assets including tax	–	–	–	–	0.4	–	0.4	–	0.4
Net losses reclassified from available-for-sale reserve to comprehensive income	–	–	–	–	0.1	–	0.1	–	0.1
Cash flow hedge intrinsic value losses	–	–	–			(3.5)	(3.5)		(3.5)
Total comprehensive income/(loss)	–	–	81.4	13.3	0.5	(3.5)	91.7	0.8	92.5
Transactions with owners:									
Purchase of own shares	–	–	(7.5)	–	–	–	(7.5)	–	(7.5)
Acquisition of non-controlling interests	–	–	(5.1)	–	–	–	(5.1)	(0.8)	(5.9)
Share-based payments	–	–	9.9	–	–	–	9.9	(8.1)	1.8
Proceeds received on exercise of vested options	–	–	0.1	–	–	–	0.1	–	0.1
Dividends to equity holders	–	–	(31.6)	–	–	–	(31.6)	–	(31.6)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(1.7)	(1.7)
Total contributions and distributions	–	–	(34.2)	–	–	–	(34.2)	(10.6)	(44.8)
Audited balance at 30 June 2016	**–**	**15.7**	**645.7**	**21.1**	**(1.8)**	**(4.0)**	**676.7**	**3.3**	**680.0**
Profit for the period	**–**	**–**	**98.4**	**–**	**–**	**–**	**98.4**	**0.4**	**98.8**
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	**–**	**–**	**–**	**6.3**	**–**	**–**	**6.3**	**(0.1)**	**6.2**
Net fair value gains on available-for-sale assets including tax	**–**	**–**	**–**	**–**	**0.6**	**–**	**0.6**	**–**	**0.6**
Cash flow hedge intrinsic value gains	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**	**–**	**1.0**
Total comprehensive income/(loss)	**–**	**–**	**98.4**	**6.3**	**0.6**	**1.0**	**106.3**	**0.3**	**106.6**
Transactions with owners:									
Purchase of own shares	**–**	**–**	**(11.8)**	**–**	**–**	**–**	**(11.8)**	**–**	**(11.8)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Share-based payments	**–**	**–**	**9.5**	**–**	**–**	**–**	**9.5**	**–**	**9.5**
Dividends to equity holders	**–**	**–**	**(84.9)**	**–**	**–**	**–**	**(84.9)**	**–**	**(84.9)**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.7)**	**(1.7)**
Total contributions and distributions	**–**	**–**	**(87.2)**	**–**	**–**	**–**	**(87.2)**	**(2.1)**	**(89.3)**
Unaudited balance at 31 December 2016	**–**	**15.7**	**656.9**	**27.4**	**(1.2)**	**(3.0)**	**695.8**	**1.5**	**697.3**

The notes on pages 15 to 25 form an integral part of these financial statements.

Interim condensed consolidated cash flow statement

For the six months ended 31 December 2016

	Unaudited 6 months to 31 December 2016 £m	Unaudited 6 months to 31 December 2015 £m	Audited 12 months to 30 June 2016 £m
Operating activities			
Operating profit	**94.6**	57.6	137.9
Adjustments for non-cash items:			
Depreciation and amortisation	**2.7**	2.5	5.1
Accrual for variable compensation	**23.4**	17.5	35.6
Unrealised foreign exchange gains	**(8.1)**	(8.0)	(20.4)
Other non-cash items	**(5.1)**	(1.7)	(7.0)
Cash generated from operations before working capital changes	**107.5**	67.9	151.2
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**(32.9)**	2.3	2.9
Increase/(decrease) in derivative financial instruments	**(0.7)**	1.3	4.5
Increase/(decrease) in trade and other payables	**22.7**	(14.6)	(33.4)
Cash generated from operations	**96.6**	56.9	125.2
Taxes paid	**(26.2)**	(14.2)	(26.7)
Net cash from operating activities	**70.4**	42.7	98.5
Investing activities			
Interest received	**5.1**	3.4	6.8
Proceeds on disposal of joint venture	**4.8**	–	–
Purchase of non-current asset investments	**(6.6)**	(1.7)	(3.2)
Purchase of financial assets held-for-sale	**(24.0)**	(7.8)	(42.6)
Purchase of available-for-sale financial assets	**(1.6)**	(0.2)	(0.2)
Purchase of fair value through profit or loss investments	**(6.3)**	(1.0)	(1.4)
Purchase of investment securities	**(12.1)**	(39.6)	(55.7)
Sale of non-current asset investments	**0.5**	–	–
Sale of financial assets held-for-sale	**11.3**	3.9	9.3
Sale of available-for-sale financial assets	**–**	2.9	3.3
Sale of fair value through profit or loss investments	**41.5**	1.4	22.0
Sale of investment securities	**11.3**	27.4	33.5
Net cash flow arising on initial consolidation of seed capital investments	**1.5**	0.3	1.5
Purchase of property, plant and equipment	**–**	(0.1)	(0.6)
Net cash generated/(used) in investing activities	**25.4**	(11.1)	(27.3)

	Unaudited 6 months to 31 December 2016 £m	Unaudited 6 months to 31 December 2015 £m	Audited 12 months to 30 June 2016 £m
Financing activities			
Dividends paid to equity holders	**(84.9)**	(84.5)	(116.1)
Dividends paid to non-controlling interests	**(1.7)**	(2.5)	(4.2)
Third-party subscriptions into consolidated funds	**13.9**	39.0	49.1
Third-party redemptions from consolidated funds	**(2.4)**	(18.3)	(11.0)
Distributions paid by consolidated funds	**(1.6)**	–	(3.5)
Acquisition of interest from non-controlling interests	**(0.4)**	(0.4)	(1.2)
Sale of interest to non-controlling interests	**–**	0.4	0.4
Purchase of own shares	**(11.8)**	(14.7)	(22.2)
Net cash used in financing activities	**(88.9)**	(81.0)	(108.7)
Net increase/(decrease) in cash and cash equivalents	**6.9**	(49.4)	(37.5)
Cash and cash equivalents at beginning of period	**364.0**	380.8	380.8
Effect of exchange rate changes on cash and cash equivalents	**7.2**	10.1	20.7
Cash and cash equivalents at end of period	**378.1**	341.5	364.0
Cash and cash equivalents comprise:			
Cash at bank and in hand	**69.5**	98.6	52.5
Daily dealing liquidity funds	**155.6**	92.5	103.7
Deposits	**153.0**	150.4	207.8
	378.1	341.5	364.0

The notes on pages 15 to 25 form an integral part of these financial statements.

Notes to the interim condensed consolidated financial statements

1) General information

These interim condensed consolidated financial statements of Ashmore Group plc and its subsidiaries (the Group) for the six months ended 31 December 2016 were authorised for issue by the Directors on 8 February 2017.

Ashmore Group plc is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom.

2) Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with Disclosure and Transparency Rules of the Financial Conduct Authority (FCA) and with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union.

These interim condensed consolidated financial statements and accompanying notes are unaudited, do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and do not include all the information and disclosures required in annual statutory financial statements. They should be read in conjunction with the Group's annual report and accounts for the year ended 30 June 2016 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 5 September 2016 and have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified.

New Standards, Interpretations and Amendments adopted by the Group

The accounting policies applied in these interim results are consistent with those applied in the Group's annual statutory financial statements for 2016.

New Standards and Interpretations not yet adopted

As previously described in the Group's annual statutory accounts for the 12 months to 30 June 2016, the Group has performed an initial impact assessment of the following Standards or Interpretations which were in issue but were not required to be implemented as at 31 December 2016:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers; and
- IFRS 16 Leases.

The Group does not expect the implementation of these standards to have a material impact on its reported results or net assets. However, there will be a number of presentational changes required. The Group will update its relevant accounting policies when these standards come into force, as well as making necessary presentational changes on the face of the consolidated statement of comprehensive income and consolidated balance sheet. A detailed impact assessment will be carried out nearer to the effective date of each standard.

No other Standards or Interpretations issued and not yet effective are expected to have an impact on the Group's condensed consolidated financial statements.

Going concern

After making enquiries, the Directors believe that the Group has considerable financial resources and is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

3) Accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual report and accounts for the year ended 30 June 2016.

4) Segmental information

Key management information, including revenues, margins, investment performance, distribution costs and AuM flows, which is relevant to the operation of the Group, continues to be reported to and reviewed by the Board on the basis of the investment management business as a whole and the Group's management considers that the Group's services and its operations are not run on a discrete geographic basis and comprise one business segment (being the provision of investment management services).

The location of the Group's non-current assets at the end of the period other than financial instruments, deferred tax assets and post-employment benefit assets are shown in the table below. Disclosures relating to revenue are in note 5.

Analysis of non-current assets by geography

	As at 31 December 2016 £m	As at 31 December 2015 £m	As at 30 June 2016 £m
United Kingdom	**8.0**	11.2	12.1
United States	**81.9**	73.3	78.8
Other	**0.4**	0.5	0.5
Total non-current assets	**90.3**	85.0	91.4

5) Revenue

Management fees are accrued throughout the period in line with prevailing levels of assets under management and performance fees are recognised when they can be estimated reliably and it is probable that they will crystallise. The Group is not considered to be reliant on any single source of revenue. None of the Group's funds provided more than 10.0% of total revenue in the period (H1 2015/16: none; FY2015/16: none) when considering management fees and performance fees on a combined basis.

Analysis of revenue by geography

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
United Kingdom revenue	**129.1**	101.7	194.0
United States revenue	**4.3**	4.8	9.2
Other	**7.2**	3.5	8.4
Total revenue	**140.6**	110.0	211.6

6) Foreign exchange

The foreign exchange rates which had a material impact on the Group's results are the US dollar, the Euro and Indonesian rupiah.

£1	**Closing rate as at 31 December 2016**	Closing rate as at 31 December 2015	Closing rate as at 30 June 2016	**Average rate 6 months ended 31 December 2016**	Average rate 6 months ended 31 December 2015	Average rate 12 months ended 30 June 2016
US dollar	**1.2340**	1.4736	1.3234	**1.2809**	1.5291	1.4759
Euro	**1.1731**	1.3566	1.1970	**1.1689**	1.3909	1.3359
Indonesian rupiah	**16,535**	20,462	17,482	**16,922**	21,171	20,172

Foreign exchange gains and losses are shown below.

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
Net realised and unrealised hedging gains/(losses)	**(3.0)**	(1.0)	1.1
Translation gains on non-Sterling denominated monetary assets and liabilities	**8.4**	8.0	21.0
Total foreign exchange gains/(losses)	**5.4**	7.0	22.1

7) Finance income and expense

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
Finance income			
Interest and income in consolidated funds	**5.2**	11.4	6.7
Net realised gains on seed capital investments measured at fair value	**7.9**	–	1.4
Net unrealised gains on seed capital investments measured at fair value	**13.0**	–	23.4
Total finance income	**26.1**	11.4	31.5
Finance expense			
Net realised losses on disposal of available-for-sale financial assets	**–**	(0.2)	(0.2)
Net realised losses on disposal of seed capital investments measured at fair value	**–**	(1.7)	–
Net unrealised losses on seed capital investments measured at fair value	**–**	(3.4)	–
Total finance expense	**–**	(5.3)	(0.2)
Net finance income	**26.1**	6.1	31.3

8) Profit on disposal of joint ventures and subsidiaries

Joint ventures

During August 2016, Ashmore obtained final regulatory approval to reduce its interest in Ashmore-CCSC Fund Management Company Limited (ACCSC) to 15% for a cash consideration of £4.8 million resulting in a profit of £1.8 million in the period. ACCSC was renamed to Taiping Fund Management Company Limited after the transaction.

Subsidiaries

During December 2016, Ashmore disposed of its entire interest in Ashmore Portfoy Yonetimi Anonim Sirketi for a cash consideration of £0.4 million resulting in a loss on disposal of £0.2 million. At the time of sale, associated seed capital positions were redeemed crystallising gains in the period of £0.3 million which are presented within finance income.

9) Share-based payments

The total share-based payments-related cost recognised by the Group in the interim condensed consolidated statement of comprehensive income is shown below:

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
Omnibus Plan	**11.1**	9.3	25.8
Ashmore Equities Investment Management (US) LLC (AEIM) operating agreement	**–**	0.1	0.1
Phantom Bonus Plan	**0.1**	(0.2)	0.2
Total related to compensation awards	**11.2**	9.2	26.1
Related to acquisition of AEIM	**–**	1.0	(15.4)
Total share-based payments expense	**11.2**	10.2	10.7

The total expense recognised for the period in respect of equity-settled share-based payment transactions was £12.4 million (H1 2015/16: £10.3 million; FY2015/16: £10.5 million).

The Executive Omnibus Incentive Plan (Omnibus Plan)

Share awards outstanding under the Omnibus Plan were as follows:

	6 months to 31 December 2016 Number of shares subject to awards	6 months to 31 December 2015 Number of shares subject to awards	12 months to 30 June 2016 Number of shares subject to awards
Equity-settled awards			
At the beginning of the period	**39,805,764**	35,333,782	35,333,782
Granted	**7,523,609**	12,156,409	12,422,254
Vested	**(5,971,865)**	(5,278,564)	(5,954,694)
Forfeited	**(2,129,853)**	(1,927,123)	(1,995,578)
Outstanding at the end of the period	**39,227,655**	40,284,504	39,805,764
Cash-settled awards			
At the beginning of the period	**650,906**	1,348,818	1,348,818
Granted	**50,760**	50,862	50,862
Vested	**(121,852)**	(212,458)	(243,913)
Forfeited	**(284,322)**	(482,928)	(504,861)
Outstanding at the end of the period	**295,492**	704,294	650,906
Total awards			
At the beginning of the period	**40,456,670**	36,682,600	36,682,600
Granted	**7,574,369**	12,207,271	12,473,116
Vested	**(6,093,717)**	(5,491,022)	(6,198,607)
Forfeited	**(2,414,175)**	(2,410,051)	(2,500,439)
Outstanding at the end of the period	**39,523,147**	40,988,798	40,456,670

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

The liability arising from cash-settled awards under the Omnibus Plan at the end of the period and reported within trade and other payables in the interim condensed consolidated balance sheet is £0.3 million (H1 2015/16: £0.6 million; FY2015/16: £0.6 million) of which £nil (H1 2015/16: £nil; FY2015/16: £nil) relates to vested awards.

10) Taxation

Analysis of tax charge for the period

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
Current tax			
UK corporation tax on profits for the period	**17.4**	13.2	31.4
Overseas corporation tax charge	**4.7**	0.8	4.8
Adjustments in respect of prior periods	**–**	–	0.7
	22.1	14.0	36.9
Deferred tax			
Origination and reversal of temporary differences	**0.6**	1.6	1.0
Effect of changes in corporation tax rates	**–**	–	0.9
Tax expense for the period	**22.7**	15.6	38.8

Factors affecting tax charge for the period

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
Profit before tax	**121.5**	62.7	167.5
Profit on ordinary activities multiplied by the blended UK tax rate for the financial year of 19.75% (H1 2015/16: 20.0%; FY2015/16: 20.0%)	**24.0**	12.5	33.5
Effects of:			
Non-deductible expenses	**0.9**	3.4	4.7
Deduction in respect of vested shares/exercised options (Part 12, Corporation Tax Act 2009)	**(1.0)**	(2.7)	(2.8)
Different rate of taxes on overseas profits	**(0.3)**	(0.5)	1.5
Non-taxable income	**(1.2)**	–	–
Disallowed deferred tax assets	**0.3**	–	–
Tax relief on amortisation and impairment of goodwill and intangibles	**–**	(0.5)	(1.2)
Deferred tax arising from origination and reversal of temporary differences	**–**	0.8	–
Effect on deferred tax balance from changes in the UK corporation tax rate	**–**	–	0.9
Other items	**–**	2.6	1.5
Adjustments in respect of prior periods	**–**	–	0.7
Tax expense for the period	**22.7**	15.6	38.8

Reductions in the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted in Finance (No. 2) Act 2015 and Finance Act 2016 respectively. These reductions have been taken into account in the calculation of the Group's UK deferred tax assets and liabilities.

11) Earnings per share

Basic earnings per share at 31 December 2016 of 14.72 pence (H1 2015/16: 6.89 pence; FY2015/16: 19.13 pence) is calculated by dividing the profit after tax for the financial period attributable to equity holders of the parent of £98.4 million (H1 2015/16: £46.4 million; FY2015/16: £127.8 million) by the weighted average number of ordinary shares in issue during the period, excluding own shares.

Diluted earnings per share is calculated based on basic earnings per share adjusted for all dilutive potential ordinary shares. There is no difference between the profit for the year attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

Reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is shown below.

	6 months to 31 December 2016 Number of ordinary shares	6 months to 31 December 2015 Number of ordinary shares	12 months to 30 June 2016 Number of ordinary shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**668,479,616**	673,307,875	667,777,465
Effect of dilutive potential ordinary shares – share awards	**38,020,304**	37,857,715	38,958,842
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**706,499,920**	711,165,590	706,736,307

12) Dividends

Dividends paid

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
Final dividend for FY2015/16: 12.10p (FY2014/15: 12.10p)	**84.9**	84.5	84.5
Interim dividend for FY2015/16: 4.55p	**–**	–	31.6
	84.9	84.5	116.1

In addition, the Group paid £1.7 million (H1 2015/16: £2.5 million; FY2015/16: £4.2 million) of dividends to non-controlling interests.

Dividends declared/proposed

Company	**6 months to 31 December 2016 pence**	6 months to 31 December 2015 pence	12 months to 30 June 2016 pence
Interim dividend declared per share	**4.55**	4.55	4.55
Final dividend proposed per share	**–**	–	12.10
	4.55	4.55	16.65

The Board has approved an interim dividend for the six months to 31 December 2016 of 4.55 pence per share (six months to 31 December 2015: 4.55 pence per share; final dividend for the year to 30 June 2016: 12.10 pence per share) payable on 7 April 2017 to shareholders on the register on 10 March 2017.

13) Goodwill and intangible assets

	Goodwill £m	Fund management relationships £m	Total £m
Cost (at original exchange rate)			
At 31 December 2016, 31 December 2015 and 30 June 2016	**57.5**	**39.5**	**97.0**
Accumulated amortisation and impairment			
At 30 June 2015	–	(27.2)	(27.2)
Amortisation charge for the period	–	(1.9)	(1.9)
At 31 December 2015	–	(29.1)	(29.1)
Amortisation charge for the period	–	(2.0)	(2.0)
At 30 June 2016	–	(31.1)	(31.1)
Amortisation charge for the period	**–**	**(2.2)**	**(2.2)**
At 31 December 2016	**–**	**(33.3)**	**(33.3)**
Net book value			
At 30 June 2015	60.0	14.1	74.1
Accumulated amortisation for the period	–	(1.9)	(1.9)
FX revaluation through reserves*	3.6	0.8	4.4
At 31 December 2015	63.6	13.0	76.6
Accumulated amortisation for the period	–	(2.0)	(2.0)
FX revaluation through reserves*	6.5	1.4	7.9
At 30 June 2016	70.1	12.4	82.5
Accumulated amortisation for the period	**–**	**(2.2)**	**(2.2)**
FX revaluation through reserves*	**4.7**	**0.8**	**5.5**
At 31 December 2016	**74.8**	**11.0**	**85.8**

* FX revaluation through reserves is a result of the retranslation of US dollar-denominated intangibles and goodwill.

13) Goodwill and intangible assets continued

Goodwill

The Group's goodwill balance relates principally to the acquisition of AEIM in May 2011.

The Group manages its business as a single unit, with asset allocations, research and other such operational practices reflecting the commonality of approach across all fund themes. The Group therefore considers itself to have one cash-generating unit to which goodwill is allocated.

Goodwill 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. The key assumptions used to determine the recoverable amount were disclosed in the annual report and accounts for the year ended 30 June 2016.

During the period to 31 December 2016, no factors indicating potential impairment of goodwill were noted.

Based on management's assessment of recoverable value at 31 December 2016, which calculates fair value less costs to sell using the Company's share price, the recoverable amount was in excess of the carrying value of goodwill and no impairment was implied.

Fund management relationships

Intangible assets comprise fund management relationships related to profit expected to be earned from clients of AEIM.

During the period to 31 December 2016, there was a review process to identify factors indicating whether the Group's fund management relationships were impaired. None was identified and as a consequence there was no impairment charge included within the Group's other expenses in the consolidated statement of comprehensive income in the period (H1 2015/16: £nil; FY2015/16: £nil).

The remaining amortisation period for fund management relationships is two and a half years (31 December 2015: three and a half years; 30 June 2016: three years).

14) Fair value of financial instruments

The accounting policies relating to the estimation of fair values are consistent with those applied in the preparation of the Group's annual report and accounts for the year ended 30 June 2016.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that has overall responsibility for all significant fair value measurements. It regularly reviews significant inputs and valuation adjustments. If third-party information is used to measure fair value, then the team assesses and documents the evidence obtained from the third parties to support such valuations. There are no material differences between the carrying amounts of financial assets and liabilities and their fair values at the balance sheet date.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements.

- Level 1: Valuation is based upon a quoted market price in an active market for an identical instrument. This fair value measure relates to the valuation of quoted and exchange traded equity and debt securities.
- Level 2: Valuation techniques are based upon observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This fair value measure relates to the valuation of quoted equity securities in inactive markets or in interests in unlisted funds whose net asset values are referenced to the fair values of the listed or exchange traded securities held by those funds.
- Level 3: Valuation techniques use significant unobservable inputs.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

14) Fair value of financial instruments continued

The fair value hierarchy of financial instruments which are carried at fair value is summarised below:

	At 31 December 2016				At 31 December 2015				At 30 June 2016			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets												
Investment securities	**51.1**	**76.1**	**51.0**	**178.2**	29.6	53.9	57.0	140.5	27.2	69.6	46.9	143.7
Non-current financial assets held-for-sale	**–**	**23.6**	**29.4**	**53.0**	–	22.5	–	22.5	–	78.6	28.1	106.7
Available-for-sale financial assets	**0.5**	**0.1**	**8.4**	**9.0**	0.5	0.4	7.9	8.8	0.4	0.4	8.0	8.8
Fair value through profit or loss investments	**–**	**63.5**	**–**	**63.5**	–	67.0	–	67.0	–	68.2	–	68.2
Non-current asset investments	**–**	**4.6**	**16.5**	**21.1**	–	–	8.8	8.8	–	–	11.7	11.7
	51.6	**167.9**	**105.3**	**324.8**	30.1	143.8	73.7	247.6	27.6	216.8	94.7	339.1
Financial liabilities												
Third-party interests in consolidated funds	**29.6**	**40.1**	**31.7**	**101.4**	12.3	22.4	23.8	58.5	11.0	36.2	28.4	75.6
Derivative financial instruments	**–**	**3.8**	**–**	**3.8**	–	1.3	–	1.3	–	4.5	–	4.5
Non-current financial liabilities held-for-sale	**–**	**0.3**	**–**	**0.3**	–	5.9	–	5.9	–	29.8	–	29.8
	29.6	**44.2**	**31.7**	**105.5**	12.3	29.6	23.8	65.7	11.0	70.5	28.4	109.9

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period.

Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis

	Investment securities £m	**Non-current financial assets held-for-sale £m**	**Available-for-sale financial assets £m**	**Non-current asset investments £m**	**Third-party interests in consolidated funds £m**
At 1 January 2016	57.0	–	7.9	8.8	23.8
Net additions/(disposals)	(4.1)	26.0	–	–	4.0
Gains/(losses) recognised in consolidated comprehensive income within finance income	(6.0)	2.1	0.1	2.9	0.6
At 30 June 2016	**46.9**	**28.1**	**8.0**	**11.7**	**28.4**
Net additions/(disposals)	**–**	**–**	**–**	**2.3**	**3.3**
Gains/(losses) recognised in consolidated comprehensive income within finance income	**4.1**	**1.3**	**0.4**	**2.5**	**–**
At 31 December 2016	**51.0**	**29.4**	**8.4**	**16.5**	**31.7**

Valuation of Level 3 financial liabilities recognised at fair value on a recurring basis

The measurement of investment securities and third-party interests in consolidated funds classified within Level 3 relates to investments in closed-end private equity funds that are neither listed on any stock exchange nor traded on any regulated markets. The Group considered it is more appropriate to classify these investments within Level 3 as the valuation is based on valuation techniques as reflected within the net asset values of the funds as provided by the administrator.

Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value include cash and cash equivalents, trade and other receivables, and trade and other payables. The carrying value of financial assets and financial liabilities not measured at fair value is considered a reasonable approximation of fair value as at 31 December 2016, 31 December 2015 and 30 June 2016.

15) Seed capital investments

The Group considers itself a sponsor of an investment fund when it facilitates the establishment of the fund in which the Group is the investment manager. The Group ordinarily provides seed capital in order to provide initial scale and facilitate marketing of the funds to third-party investors. The fund is then financed through the issue of units to investors. Aggregate interests held by the Group include seed capital, management fees and performance fees. The Group generates management and performance fee income from managing the assets on behalf of third-party investors.

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

Where Group companies invest seed capital into funds operated and controlled by the Group and the Group is actively seeking to reduce its investment, and it is considered highly probable that it will relinquish control within a year, the interests in the funds are treated as held-for-sale and are recognised as financial assets and liabilities held-for-sale. During the period, two funds (H1 2015/16: three; FY2015/16: five) were seeded in this manner and met the above criteria, and consequently the assets and liabilities of these funds were initially classified as held-for-sale.

The non-current assets and liabilities held-for-sale at 31 December 2016 were as follows:

	31 December 2016 £m	31 December 2015 £m	30 June 2016 £m
Non-current financial assets held-for-sale	**53.0**	22.5	106.7
Non-current financial liabilities held-for-sale	**(0.3)**	(5.9)	(29.8)
Seed capital investments classified as held-for-sale	**52.7**	16.6	76.9

Investments 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 classified as financial assets designated as FVTPL. During the period, one fund (H1 2015/16: none; FY2015/16: none) was transferred to FVTPL category.

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 after it is assessed that the Group controls the investment fund in accordance with the requirements of IFRS 10. During the period, one such fund (H1 2015/16: two; FY2015/16: seven) with an aggregate carrying amount of £4.3 million (H1 2015/16: £7.7 million; FY2015/16: £15.8 million) was transferred to consolidated funds. There was no impact on net assets or total comprehensive income as a result of the transfer.

Included within finance income are net gains of £6.4 million (H1 2015/16: net losses of £0.2 million; FY2015/16: net gains of £4.2 million) in relation to held-for-sale investments (refer to note 7).

As the Group considers itself to have one business segment (refer to note 4), no additional segmental disclosure of held-for-sale assets or liabilities is applicable.

b) Available-for-sale financial assets

Available-for-sale financial assets held at fair value at 31 December 2016 comprise equities held as follows:

	31 December 2016 £m	31 December 2015 £m	30 June 2016 £m
Equities listed on stock exchange	**0.5**	0.5	0.4
Equity funds	**8.5**	8.3	8.4
Seed capital classified as available-for-sale	**9.0**	8.8	8.8

Included within other comprehensive income are net gains of £0.6 million (H1 2015/16: net gains of £ 0.7 million; FY2015/16: net gains of £1.1 million) in relation to available-for-sale investments.

c) Fair value through profit or loss investments

Fair value through profit or loss investments at 31 December 2016 comprise shares held in debt and equity funds as follows:

	31 December 2016 £m	31 December 2015 £m	30 June 2016 £m
Equity funds	**20.3**	31.5	46.6
Debt funds	**43.2**	35.5	21.6
Seed capital classified as fair value through profit or loss investments	**63.5**	67.0	68.2

Included within finance income are net gains of £12.3 million (H1 2015/16: net gains of £0.2 million; FY2015/16: net gains of £16.3 million) on the Group's fair value through profit or loss investments.

15) Seed capital investments continued

d) Consolidated funds

The Group has consolidated 11 investment funds as at 31 December 2016 (31 December 2015: 12 investments funds; 30 June 2016: 14 investment funds), over which the Group is deemed to have control. 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 in accordance with IFRS 10. Consolidated fund assets and liabilities are presented line by line after intercompany eliminations. The table below sets out an analysis of the carrying amounts of interests held by the Group in consolidated investment funds.

	31 December 2016 £m	31 December 2015 £m	30 June 2016 £m
Investment securities	**178.2**	140.5	143.7
Cash and cash equivalents	**9.9**	11.8	5.6
Other	**0.4**	0.2	(0.8)
Third-party interests in consolidated funds	**(101.4)**	(58.5)	(75.6)
Consolidated seed capital investments	**87.1**	94.0	72.9

Investment securities are designated as FVTPL and include listed and unlisted equities and debt securities. Other includes trade receivables, trade payables and accruals.

The maximum exposure to loss is the carrying amount of the assets held. The Group has not provided financial support or otherwise agreed to be responsible for supporting any consolidated fund financially.

Included within the interim condensed consolidated statement of comprehensive income are net gains of £4.9 million (H1 2015/16: net losses of £3.9 million; FY2015/16: £nil) relating to the Group's share of the results of the individual statements of comprehensive income for each of the consolidated funds, as follows:

	31 December 2016 £m	31 December 2015 £m	30 June 2016 £m
Finance income	**4.0**	10.4	4.7
Gains/(losses) on investment securities	**6.7**	(19.5)	(5.7)
Change in third-party interests in consolidated funds	**(4.4)**	7.0	3.4
Other expenses	**(1.4)**	(1.8)	(2.4)
Net gains/(losses) on consolidated funds	**4.9**	(3.9)	–

As of 31 December 2016, the Group's consolidated funds were domiciled in Indonesia, Luxembourg and the United States.

e) Non-current asset investments

Non-current asset investments relate to the Group's holding in closed-end funds and are designated as FVTPL. 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.

	31 December 2016 £m	31 December 2015 £m	30 June 2016 £m
Non-current asset investments at fair value	**21.1**	8.8	11.7

Included within finance income are net gains of £3.3 million (H1 2015/16: net losses of £1.7 million; FY2015/16: net losses of £0.4 million) on the Group's non-current asset investments.

16) Financial risk management

The Group is subject to strategic, business, client, investment, operational and treasury risks throughout its business as discussed in the Risk management section of the Group's annual report for the year ended 30 June 2016, which provides further detail on the Group's exposure to and the management of risks derived from the financial instruments it uses.

Those risks and the risk management policies have not changed significantly during the six months to 31 December 2016.

17) Share capital

Authorised share capital

	Number of shares	Nominal value £'000
Ordinary shares of 0.01p each at 31 December 2016, 30 June 2016 and 31 December 2015	**900,000,000**	**90**

Issued share capital – allotted and fully paid

	As at 31 December 2016 Number of shares	**As at 31 December 2016 Nominal value £'000**	As at 31 December 2015 Number of shares	As at 31 December 2015 Nominal value £'000	As at 30 June 2016 Number of shares	As at 30 June 2016 Nominal value £'000
Ordinary shares of 0.01p each	**712,740,804**	**71**	712,740,804	71	712,740,804	71

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

At 31 December 2016, there were equity-settled share awards issued under the Omnibus Plan totalling 39,227,655 shares (31 December 2015: 39,910,745 shares; 30 June 2016: 39,805,764 shares) that have release dates ranging from April 2017 to December 2021.

18) Own shares

The Ashmore 2004 Employee Benefit Trust (EBT) acts as an agent to acquire and hold shares in Ashmore Group plc with a view to facilitating the recruitment and motivation of employees. As at 31 December 2016, the EBT owned 39,009,575 (31 December 2015: 38,108,258; 30 June 2016: 41,173,968) ordinary shares of 0.01p with a nominal value of £3,901 (31 December 2014: £3,811; 30 June 2015: £4,117) and shareholders' funds are reduced by £116.3 million (31 December 2015: £115.4 million; 30 June 2016: £122.3 million) in this respect. It is the intention of the Directors to make these shares available to employees through the share-based compensation plans. The EBT is periodically funded by the Company for these purposes.

19) Related party transactions

Related parties of the Group include key management personnel, close family members of key management personnel, subsidiaries, associates, joint ventures, Ashmore funds, the EBT and the Ashmore Foundation.

Key management personnel

The compensation paid to or payable to key management for employee services is shown below:

	6 months to 31 December 2016 £m	6 months to 31 December 2015 £m	12 months to 30 June 2016 £m
Short-term employee benefits	**0.1**	0.1	0.9
Defined contribution pension costs	**–**	–	–
Share-based payment benefits	**–**	–	2.2
	0.1	0.1	3.1

Share-based payment benefits represent the fair value charge to the interim condensed consolidated statement of comprehensive income of share awards.

During the period, there were no other transactions entered into with key management personnel (H1 2015/16 and FY2015/16: none). Aggregate key management personnel interests in consolidated funds at 31 December 2016 were £37.9 million (31 December 2015: £16.4 million; 30 June 2016: £28.5 million).

Transactions with Ashmore Funds

During the period, the Group received £58.3 million of gross management fees and performance fees (H1 2015/16: £50.9 million; FY2015/16: £89.4 million) from the 85 funds (H1 2015/16: 85 funds; FY2015/16: 91 funds) it manages and which are classified as related parties. As at 31 December 2016, the Group had receivables due from funds of £5.6 million (31 December 2015: £23.1 million; 30 June 2016: £1.5 million).

Transactions with the EBT

The EBT has been provided with a loan facility to allow it to acquire Ashmore shares in order to satisfy outstanding unvested share awards. The EBT is included within the results of the Group. As at 31 December 2016, the loan outstanding was £114.0 million (31 December 2015: £115.4 million; 30 June 2016: £112.6 million).

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 countries in which Ashmore invests and/or operates with a view to giving back into the countries and communities. The Group made donations of £40,000 to the Foundation during the period (H1 2015/16: £59,000; FY2015/16: £65,000).

20) Commitments

Undrawn investment commitments

	As at 31 December 2016 £m	As at 31 December 2015 £m	As at 30 June 2016 £m
AA Development Capital India Fund 1 LLC	**1.3**	1.1	1.2
Ashmore Andean Fund II, LP	**1.7**	–	–
Ashmore Emerging Markets Corporate Private Debt Fund	**0.5**	1.2	1.0
Ashmore I – CAF Colombian Infrastructure Senior Debt Fund	**16.1**	13.7	15.2
Ashmore I – FCP Colombia Infrastructure Fund	**0.3**	1.4	0.8
Ashmore Special Opportunities Fund LP	**1.7**	3.8	3.2
Everbright Ashmore China Real Estate Fund	**1.5**	1.3	1.4
KCH Healthcare LLC	**5.3**	5.1	5.2
VTBC-Ashmore Real Estate Partners I, LP	**3.5**	3.0	3.4
Total undrawn investment commitments	**31.9**	30.6	31.4

21) Post-balance sheet events

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

22) Accounting estimates and judgements

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were substantially the same as those that applied to the annual report and accounts as at and for the year ended 30 June 2016.

Cautionary statement regarding forward looking statements

It is possible that this document could or may contain forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning.

Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward looking statements. There are several factors that could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

– the interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union; and

– 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 financial 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.

By order of the Board

Mark Coombs
Chief Executive Officer

8 February 2017

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 2016 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 Conduct Authority (the UK FCA). 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 FCA.

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 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Tom Brown
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

8 February 2017

Ashmore Group plc
61 Aldwych
London WC2B 4AE
United Kingdom

www.ashmoregroup.com