Ashmore

Interim Report 2018/19

A strategy for GROWTH through the cycle

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Unaudited interim results for the six months to 31 December 2018

Highlights

Assets under management (AuM) at 31 December 2018

US$76.7bn

30 June 2018: US$73.9bn

AuM outperforming benchmarks over

One year	Three years	Five years
30%	97%	92%
30 June 2018: 73%	94%	89%

Net management fees

£142.3m

(H1 2017/18: £120.5m)

Adjusted EBITDA

£98.8m

(H1 2017/18: £91.2m)

Adjusted EBITDA margin

67%

(H1 2017/18: 67%)

Profit before tax

£93.0m

(H1 2017/18: £99.0m)

Diluted earnings per share

10.1p

(H1 2017/18: 11.3p)

Interim dividend per share

4.55p

To be paid on 4 April 2019

(H1 2017/18: 4.55p)

Non-GAAP alternative performance measures (APMs) are defined and explained on page 10.

After two years of strong investment returns in Emerging Markets, global markets experienced high levels of price volatility in 2018 and sentiment towards Emerging Markets assets weakened. The primary causes of this shift in sentiment were growing trade tension between the US and China, US economic data and policy decisions ahead of the mid-term elections that provided temporary support to the US dollar, and in Emerging Markets a disproportionate interest in two countries, Argentina and Turkey, which faced specific challenges. Towards the end of 2018, however, US economic growth began to slow and the Federal Reserve became less hawkish, removing two of the main pillars supporting the US dollar and creating a more favourable environment for Emerging Markets assets.

Reassuringly, the economic growth and inflation backdrop across a very broad range of emerging nations is robust and underpins the significant absolute and relative value available across both fixed income and equities asset classes at the start of 2019. Sovereign external debt yields are at the highest levels seen since the global financial crisis; Emerging Market corporate debt has better credit fundamentals than the US high yield market and continues to outperform; and Emerging Market equities have superior expected earnings growth yet trade at a significant price/earnings (P/E) discount to US equities, even after the correction in the US market at the end of 2018.

The combination of the value available, low investor allocations to Emerging Markets and a dearth of attractive investment opportunities in Developed Markets means that 2019 should see strong returns from Emerging Markets assets and therefore continued capital inflows.

Ashmore delivered a respectable operating performance in the first half with an 18% increase in net management fee income and 8% growth in adjusted EBITDA. The business model has maintained an adjusted EBITDA margin of 67%.

Diluted EPS was 10% lower than in the prior year period as a result of marking-to-market the Group's seed capital exposures. On an adjusted basis, excluding the effects of foreign exchange translation and seed capital, diluted EPS increased by 6% to 10.9p. The interim dividend has been maintained at 4.55p.

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. Personnel expenses have been adjusted for the variable compensation charge relating to foreign exchange translation gains and losses.

Non-GAAP alternative performance measures (APMs) are defined and explained on page 10.

		Reclassification of			
£m	**H1 2018/19 Statutory**	Seed capital-related items	Foreign exchange translation	**H1 2018/19 Adjusted**	H1 2017/18 Adjusted
Net management fees	**142.3**	–	–	**142.3**	120.5
Performance fees	**1.2**	–	–	**1.2**	14.8
Other revenue	**2.0**	–	–	**2.0**	1.1
Foreign exchange	**6.6**	–	(3.9)	**2.7**	0.3
Net revenue	**152.1**	–	(3.9)	**148.2**	136.7
Investment securities	**(18.6)**	18.6	–	**–**	–
Third-party interests	**7.8**	(7.8)	–	**–**	–
Personnel expenses	**(38.0)**	–	0.8	**(37.2)**	(34.5)
Other expenses excluding depreciation & amortisation	**(13.6)**	1.4	–	**(12.2)**	(11.0)
EBITDA	**89.7**	12.2	(3.1)	**98.8**	91.2
EBITDA margin	***59%***	–	–	***67%***	*67%*
Depreciation and amortisation	**(2.6)**	–	–	**(2.6)**	(2.6)
Operating profit	**87.1**	12.2	(3.1)	**96.2**	88.6
Net finance income/(expense)	**6.3**	(2.5)	–	**3.8**	2.0
Associates and joint ventures	**(0.4)**	–	–	**(0.4)**	(0.3)
Seed capital-related items	**–**	(9.7)	–	**(9.7)**	10.5
Profit before tax excluding FX translation	**93.0**	–	(3.1)	**89.9**	100.8
Foreign exchange translation	**–**	–	3.1	**3.1**	(1.8)
Profit before tax	**93.0**	–	–	**93.0**	99.0

Investment themes

External debt	Local currency	Corporate debt	Blended debt
Invests in debt instruments issued by sovereigns and quasi-sovereigns and denominated in foreign currencies.	Invests in local currencies and local currency-denominated instruments issued by sovereigns, quasi-sovereigns and companies.	Invests in debt instruments issued by public and private sector companies.	Invests in external debt, local currency and corporate debt assets, measured against tailor-made blended indices.
Equities	**Alternatives**	**Multi-asset**	**Overlay/liquidity**
Invests in equity and equity-related instruments including global, regional, country, small cap and frontier opportunities.	Invests in private equity, healthcare, infrastructure, special situations, distressed debt and real estate opportunities.	Specialised and efficient asset allocation across the full Emerging Markets investment universe.	Separates the currency risk of an underlying asset class in order to manage it effectively and efficiently.

Ashmore's eight headline investment themes capture the broad range of investable and scalable investment opportunities available across the diverse Emerging Markets universe. Three factors will drive longer-term growth in the Group's assets under management. First, the Emerging Markets will continue to develop and evolve, with broader, deeper and more accessible capital markets contributing to the range and scale of investment opportunities; second, investor allocations to Emerging Markets will increase from very underweight levels currently; and third, Ashmore will continue to innovate in order to provide access to new investment strategies.

Market review

A notable feature of the half year was continuing volatility in many asset classes globally, with the oil price rallying 10% before ending the period down 33% and the S&P 500 equity index rising by 8% in the first three months before ending the period down 8% after corrections in October and December. The US dollar was also stronger against a range of global currencies, and investor risk aversion increased as markets started to price in the prospect of slower US economic growth.

While emerging economies remain in good health, the mark-to-market price fluctuations resulted in some investors adopting a 'wait and see' attitude as the calendar year end approached.

Returns from Emerging Markets assets over the six months were varied, with fixed income indices performing better than equities and Emerging Markets modestly underperforming Developed Markets. As the period progressed, the factors that have suppressed recent returns in Emerging Markets showed signs of abating. In the final quarter, for example, Emerging Markets currencies rose by more than 2% against the US dollar. Therefore, as discussed in the market outlook below, conditions are favourable for the rally in Emerging Markets assets, which began in early 2016, to resume in 2019.

External debt

Sovereign foreign currency-denominated debt delivered a modest positive return over the six months with the EMBI GD index rising by 1.0%. This is a creditable performance against a backdrop of a weaker oil price and rising US interest rates. The asset class benefits from significant diversity, with 67 countries represented currently and very few vulnerable credits. Performance of the external debt index also benefited from low issuance volumes, and the quarter to 31 December 2018 saw net cash returned to the market by issuers.

Over three years, Ashmore's external debt composite has delivered gross annualised returns of +8.3%, a meaningful level of outperformance against its benchmark index, which has returned +5.2% annualised.

At the period end, the external debt index had a spread of 415bps over the 10-year US Treasury yield, a level that has been surpassed only twice since the global financial crisis: during the Eurozone debt crisis in 2011 and at the trough of the oil price decline in 2015-16. The index offers a yield of nearly 7%, the highest since the global financial crisis a decade ago. The asset class continues to evolve and its appeal increases. In 2019, JP Morgan will include five Gulf Cooperation Council (GCC) countries in its EMBI GD index, to take the total number of countries to 72. Therefore, a specialist and active management approach is required to deliver attractive returns from the broad and diverse range of investment opportunities available.

Local currency

Support for the US dollar reduced as the period developed. Cyclical indicators in the US softened, which, when combined with an equity market correction, led to the Federal Reserve presenting a less hawkish tone and seemingly a greater political desire to strike a trade deal with China. There was also clarity over policy intentions following elections in Brazil and Mexico. Consequently, the GBI-EM GD benchmark index was essentially flat (+0.2%) over the six months.

Ashmore's local currency bonds composite has delivered an annualised gross return of +7.8% over the past three years, ahead of its benchmark index (+5.9%).

Of all the fixed income asset classes, Ashmore's view is that local currency assets offer the highest potential medium-term returns. This view reflects not only the high nominal (6.5%) and real (3%) yields available, but also the likely weakening of the US dollar as markets price in the ongoing correction of the imbalances created by the developed world's quantitative easing that was undertaken in the first half of this decade.

Corporate debt

The CEMBI BD index increased by 1.3% over the six months, echoing the performance of US dollar-denominated sovereign bonds.

While broader market sentiment has affected spreads and weighed on mark-to-market returns, credit fundamentals and the technical backdrop continue to improve. For example, the high yield (HY) default rate of 0.7% is at the lowest level for six years and compares favourably with the US HY default rate of 1.8%. Corporate leverage continues to fall and while issuance was significantly lower compared with the prior year, it was predominantly by investment grade-rated issuers.

Over three years, the Group's corporate debt composite has generated positive gross investment performance of +10.2% annualised. This is significantly ahead of the performance of its benchmark index, which has returned +5.2% annualised over the same period.

There is significant value available in an asset class comprising 50 countries and 645 issuers in the benchmark index, as illustrated by recent spread widening versus the US HY market despite improving credit fundamentals. The diversity of the corporate debt asset class also enables Ashmore to develop specific investment sub-themes. For example, short duration strategies that target higher yielding, shorter maturity bonds have delivered strong absolute and relative performance over the past four years, and have generated strong inflows from a range of clients.

Blended debt

The standard blended debt benchmark (50% EMBI GD, 25% GBI-EM GD and 25% ELMI+ indices) returned +0.6% over the six months.

Ashmore's specialist, active approach and deep knowledge of the range of underlying fixed income asset classes continues to deliver investment outperformance. Over three years, the Group's blended debt strategy has returned +8.9% on a gross annualised basis versus +5.0% for the reference benchmark index.

In the period, blended debt funds accounted for a quarter of Ashmore's net flows, and more than half of these flows were into SICAV and 40 Act blended debt mutual funds. This demonstrates the ongoing demand from both institutional and retail investors for blended debt, many of whom are making their first allocation to Emerging Markets and understand the benefits of active management of a diverse portfolio of Emerging Markets fixed income assets.

Equities

The MSCI Emerging Markets index declined by 9.7% over the six months and the weakness was broadly indiscriminate, the main exception being Brazil where the election result led to a strong market rally.

Ashmore has delivered outperformance in its global Emerging Markets and Frontier Markets strategies. For example, over three years the global Emerging Markets all cap strategy and the active equity strategies have both returned more than 14% on a gross annualised basis versus +9.2% for the MSCI EM index, and the Frontier Markets fund has returned +7.0% versus +4.2% for the MSCI Frontier Markets index.

Ashmore's equities investment processes deliver performance through the combination of clear macro views with rigorous company analysis. At the start of 2019 there is significant value available across the asset class, with Emerging Markets companies expected to grow profits by 10% on average, roughly twice the level of growth expected by the S&P500, yet the main Emerging Market equity indices trade at a 30% P/E discount to developed equity markets.

Alternatives

Consistent with the strategic objective of growing AuM in the alternatives theme, in July, Ashmore acquired a 56% stake in a Colombian real estate management business with AuM of approximately US$300 million. The business, Ashmore Avenida, will develop real estate-related investment opportunities in the Andean region and, over time, look to develop a broader Emerging Markets real estate platform.

The management of illiquid assets, for example private equity, infrastructure, real estate and private healthcare assets, represents a potential source of growth for Ashmore as well as providing differentiated returns and financial characteristics compared with the liquid fixed income and equities themes.

Multi-asset

The Group's multi-asset AuM reduced in the period as a fund was split into its constituent elements of external debt and equity. The AuM in this theme principally reflects retail capital raised through intermediaries in Japan.

Overlay/liquidity

The overlay product provides clients with effective foreign exchange hedging for Emerging Markets portfolios, which are not managed by Ashmore. The AuM in this theme therefore fluctuates according to the size of the clients' portfolios and decisions taken with respect to the proportion of the underlying portfolios to hedge, and in this period AuM was essentially unchanged.

Market outlook

The asset price volatility experienced for much of 2018 should be viewed as an interruption in a longer-term trend of Emerging Markets outperformance against developed world assets, driven by the unwinding of the imbalances brought about by quantitative easing (QE) policies implemented in the first half of this decade.

Contrary to the popular belief, QE did not lead to a 'search for yield' but it resulted in the pursuit of capital gains in specific asset classes that would obviously benefit from central bank intervention, the so-called 'QE trades'. The investment returns achieved in US equities, European fixed income and the US dollar were substantial, and these positions were funded by reducing exposure to Emerging Markets. The unwinding of QE should therefore support returns in Emerging Markets over the medium term as investors take profits in their developed markets positions and increase allocations to those markets where they are underweight and can access attractive valuations.

The outlook for Emerging Markets in 2019 is therefore positive, with healthy spreads available in external and corporate debt, and the potential for currency appreciation versus a weaker US dollar to enhance returns from local currency bonds and equities.

There are risks, as in any year, but in a highly diverse set of asset classes they are best addressed through active management. As was the case in 2018, politics will be a source of market uncertainty with, among others, Indonesia, India, South Africa, Argentina and Nigeria holding elections in 2019. The developing state of the US/China trade relationship will remain important in 2019, both for its effect on investor sentiment and the impact on growth in those countries. However, the main sources of price volatility are likely to be the developed economies where markets are overvalued, central bank stimulus is being withdrawn, economic growth is slowing and politics are becoming increasingly populist.

Consistent with this outlook, Ashmore has experienced a positive start to the 2019 calendar year. Emerging Markets have delivered strong returns so far in 2019 and Ashmore's active investment approach is delivering outperformance. After the slight pause in allocation activity towards the end of 2018, as investors took stock of the recent global market volatility and developments in the US economy, capital flows to Emerging Markets are showing renewed momentum.

Strategy/business developments

Business model delivers through market cycles

Ashmore's business model is designed to perform through market cycles. This was evident in the 2013 to 2016 period when profitability remained high despite the 37% peak to trough decline in AuM. The past six months have demonstrated that the model also delivers in the upswing of a market cycle: AuM has increased by 55% since December 2015, leading to a 44% increase in net management fees versus H1 2015/16, 45% growth in adjusted EBITDA and an expansion in the adjusted EBITDA margin from 63% to 67% in H1 2018/19. Over the same period since December 2015, the Group has generated £435m of net cash from operating activities and paid £353m of ordinary dividends to shareholders.

Local markets

The Group's local market businesses in seven emerging countries together manage US$5.1 billion of client assets (30 June 2018: US$4.9 billion). While each business is different and reflects the specific opportunity identified in each country, the common themes are diversification benefits to the Group, increasing AuM, rising profitability and autonomous investment processes that, where appropriate, share knowledge and views with the global fixed income and equities investment teams.

Ashmore continues to pursue opportunities to add scale to the local platforms and to consider additional markets, in order to broaden investment capabilities and to provide further diversification.

Alternatives

In July 2018, Ashmore acquired a 56% stake in Avenida Investments (Real Estate) LLP, a private equity real estate investment business based in Colombia with US$300 million of AuM, and subsequently renamed Ashmore Avenida. Reflecting the illiquid nature of the underlying real estate assets, and consistent with Ashmore's other alternatives funds, the capital is managed in long-term, closed-end fund structures.

The real estate investments are primarily residential, retail and mixed-use projects. The initial focus is on integrating the business and the Group will then provide support to expand the franchise in the Andean region and look to develop a broader Emerging Markets real estate investment platform.

Retail flows

There is strong momentum in the retail business, which delivered net flows throughout the six-month period notwithstanding the broader market return environment. Product preferences remain consistent, with demand for short duration and blended debt strategies in particular. During the period, retail net flows represented 21% of Group flows and as at 31 December 2018, retail AuM is more than US$10 billion or 14% of the Group's total AuM (30 June 2018: 14%).

Brexit

Consistent with the Group's plan to provide continued access to European Union-based institutional clients after the United Kingdom has left the EU, Ashmore established an office in Ireland during the period. While there remains significant uncertainty around the Brexit process, the operational impact on Ashmore is manageable and the financial impact immaterial.

AuM development

As at 31 December 2018, assets under management were US$76.7 billion, an increase of US$2.8 billion during the six months and 10% higher than a year ago. The growth was primarily delivered through net inflows of US$2.4 billion and US$0.3 billion of assets acquired in the Ashmore Avenida transaction. The growth in assets is noteworthy in a period that continued to see high levels of volatility in global markets and despite a more cautious attitude to allocation increases by some investors. This supports the view that investors are seeking to address underweight allocations to Emerging Markets, and are willing to take advantage of periods of market dislocation in order to capture value as they move back towards higher target allocations.

Average AuM of US$75.5 billion was 17% higher than in the same period in the prior year (H1 2017/18: US$64.3 billion).

Gross subscriptions of US$8.5 billion represent 12% of opening AuM (H1 2017/18: US$15.0 billion, 26% of opening AuM), slightly below the long-term average but reflecting a slightly more cautious approach by investors in the second quarter given market volatility and consideration of slowing developed world growth. The subscriptions were balanced across investment themes and by client type, both institutional and retail. For institutional subscriptions there continues to be a bias towards flows from existing clients, with new client wins in local currency, blended debt and equities strategies.

Gross redemptions of US$6.1 billion, or 8% of opening AuM, were 14% lower than in the prior year period (H1 2017/18: US$7.1 billion, 12% of opening AuM), which again supports the view that investors are underweight Emerging Markets.

While there was some profit-taking by institutions in the period, redemptions were principally driven by regular activity in the Group's mutual funds, particularly local currency, short duration and blended debt strategies, together with locally-managed funds, for example in Indonesia.

The Group's client base continues to be predominantly institutional, with 86% of AuM from such clients (30 June 2018: 86%) and the remainder sourced through intermediaries, which provide access to retail investors. Segregated accounts including white-labelled funds represent 68% of AuM (30 June 2018: 68%) and 33% of the Group's AuM has been sourced from clients domiciled in Emerging Markets.

Ashmore's principal mutual fund platforms are in Europe and the US. The European SICAV range comprises 26 funds with AuM of US$14.3 billion (30 June 2018: US$14.2 billion in 26 funds) and the US 40-Act range has eight funds with AuM of US$2.8 billion (30 June 2018: US$2.1 billion in eight funds). In total, these funds represent 22% of Group AuM (30 June 2018: 22%).

Investment performance

The Group's investment performance remains strong with 30% of AuM outperforming over one year, 97% over three years, and 92% over five years (30 June 2018: 73%, 94% and 89%, respectively). The lower proportion of assets outperforming over one year is typical following a period of volatile markets during which Ashmore's investment processes have selectively added risk to portfolios. In many cases the degree of underperformance is modest. As at 31 December 2018, approximately half of the Group's underperforming assets over one year are within 50bps of their respective benchmarks.

The Group's investments are geographically diverse and broadly consistent with recent periods, with 39% in Latin America, 22% in Asia Pacific, 24% in Eastern Europe and 15% 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 2018 US$bn	Gross subscriptions US$bn	Gross redemptions US$bn	Net flows US$bn	Performance US$bn	Other/ reclassification US$bn	**AuM 31 December 2018 US$bn**
External debt	14.5	1.3	(0.7)	0.6	0.1	0.3	15.5
Local currency	17.0	1.4	(1.0)	0.4	0.1	–	17.5
Corporate debt	9.8	2.3	(1.4)	0.9	0.1	–	10.8
Blended debt	19.7	1.5	(0.9)	0.6	0.1	–	20.4
Equities	4.2	0.8	(0.7)	0.1	(0.2)	0.3	4.4
Alternatives	1.5	–	(0.1)	(0.1)	(0.1)	0.3	1.6
Multi-asset	1.0	0.1	(0.1)	–	–	(0.6)	0.4
Overlay/liquidity	6.2	1.1	(1.2)	(0.1)	–	–	6.1
Total	**73.9**	**8.5**	**(6.1)**	**2.4**	**0.1**	**0.3**	**76.7**

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 2018			**AuM at 31 December 2018**		
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	20	38	28.4	**20**	**37**	**28.7**
Local currency	23	29	21.7	**23**	**30**	**23.0**
Corporate debt	13	15	11.0	**14**	**16**	**12.1**
Blended debt	27	–	–	**26**	**–**	**–**
Equities	6	7	4.7	**6**	**6**	**4.6**
Alternatives	2	2	1.6	**2**	**2**	**1.8**
Multi-asset	1	–	–	**1**	**–**	**–**
Overlay/liquidity	8	9	6.5	**8**	**9**	**6.5**
Total	100	100	73.9	**100**	**100**	**76.7**

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 average net management fee margin by investment theme, determined by reference to weighted average assets under management excluding non-fee earning AuM and AuM for which the income is recognised elsewhere in the financial statements, for example associates and joint ventures.

	Net management fees		Performance fees		Net management fee margin	
Investment theme	**H1 2018/19 £m**	H1 2017/18 £m	**H1 2018/19 £m**	H1 2017/18 £m	**H1 2018/19 £m**	H1 2017/18 bps
External debt	**27.2**	24.4	**0.5**	1.7	**46**	45
Local currency	**26.0**	21.4	**–**	7.3	**39**	43
Corporate debt	**23.5**	16.3	**0.2**	0.8	**58**	61
Blended debt	**39.2**	34.1	**0.2**	4.9	**50**	50
Equities	**12.7**	10.8	**–**	0.1	**80**	79
Alternatives	**7.5**	6.6	**0.3**	–	**131**	137
Multi-asset	**2.6**	3.3	**–**	–	**70**	76
Overlay/liquidity	**3.6**	3.6	**–**	–	**16**	17
Total	**142.3**	120.5	**1.2**	14.8	**49**	50

Revenues

Statutory net revenue increased 13% to £152.1 million (H1 2017/18: £134.4 million) driven by higher net management fee income. On an adjusted basis, excluding foreign-exchange translation, net revenue increased 8% to £148.2 million (H1 2017/18: £136.7 million).

The Group's management fee income, net of distribution costs, increased 18% to £142.3 million (H1 2017/18: £120.5 million). This reflects an increase of 17% in average AuM to US$75.5 billion (H1 2017/18: US$64.3 billion), a slightly weaker average GBP:USD rate of 1.2948 (H1 2017/18: 1.3259) and a net management fee margin of 49bps (H1 2017/18: 50bps; H2 2017/18: 48bps). At constant exchange rates, net management fees increased by 15%.

The increase in the net management fee margin compared with the preceding six-month period reflects the Group's strategy with growth in higher net margin retail assets, the Ashmore Avenida acquisition in the alternatives theme, and continuing development of the local market franchises all adding to the recurring management fee streams.

Performance fees of £1.2 million (H1 2017/18: £14.8 million) were generated in the period. The lower level compared with the prior year period reflects weaker global markets throughout much of the 2018 calendar year.

At 31 December 2018, 14% of the Group's AuM was eligible to earn performance fees (30 June 2018: 13%), of which a substantial 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 £3.9 million (H1 2017/18: £2.3 million loss), reflecting a weaker GBP:USD dollar rate. The net realised and unrealised gain on the Group's foreign exchange hedges was £2.7 million (H1 2017/18: £0.3 million gain).

Operating costs

Total operating costs of £54.2 million (H1 2017/18: £48.7 million) include £1.4 million of expenses incurred by seeded funds that are required to be consolidated (H1 2017/18: £1.1 million), as disclosed in note 14.

The Group's headcount increased from 253 to 300 employees over the six-month period, of which 281 are involved in investment management-related activities, and the average headcount was 15% higher than in the prior year period. The principal reason for the increase was the acquisition of Ashmore Avenida, which employs 42 people of whom 23 are involved in the investment management operations and 19 are employed in roles relating to the various aspects of real estate project management. The nature of the acquired business means that the Group's fixed staff costs of £13.2 million increased by only 7% compared with the prior year period (H1 2017/18: £12.3 million).

Excluding Ashmore Avenida, the Group's headcount increased by five employees, reflecting the establishment of the operations in Ireland together with continued expansion of local platforms, for example in Indonesia and Saudi Arabia.

While there are incremental operating costs associated with the Ashmore Avenida acquisition and the Ireland office, both initiatives will make a positive contribution to Ashmore's post-tax profits in the current financial year.

As is usual at the half-year stage, the variable compensation accrual is 20% of earnings before variable compensation, interest and tax, resulting in a charge of £24.8 million (H1 2017/18: £21.7 million).

Other operating costs, excluding consolidated fund expenses and depreciation and amortisation, increased by £1.2 million to £12.2 million (H1 2017/18: £11.0 million). The increase is principally the result of the acquisition of Ashmore Avenida, together with the operational impact of MiFID II and costs relating to the establishment of the Group's Dublin office. The increase in like-for-like operating costs compared with the prior year period was £0.5 million, or 2%, of which £0.3 million is the result of the weaker average GBP:USD rate.

The combined depreciation and amortisation charges for the period were £2.6 million (H1 2017/18: £2.6 million).

Adjusted EBITDA

Adjusted EBITDA increased by 8% from £91.2 million to £98.8 million, consistent with the 8% growth in adjusted net revenue, and resulted in a stable adjusted EBITDA margin of 67%.

Finance income

Net finance income of £6.3 million (H1 2017/18: £9.1 million) includes items relating to seed capital investments, which are described in more detail below. Excluding these items, net interest income for the period was £3.8 million (H1 2017/18: £2.0 million), with the increase attributable to a higher proportion of cash held in US dollars with higher prevailing money market rates compared with Sterling markets.

Profit before tax

Statutory profit before tax of £93.0 million is 6% lower than in the prior year period (H1 2017/18: £99.0 million) due to lower contributions from performance fees and the marking-to-market of seed capital investments.

Taxation

The majority of the Group's profit is subject to UK taxation; of the total current tax charge for the six-month period of £17.9 million (H1 2017/18: £18.9 million), £13.0 million relates to UK corporation tax (H1 2017/18: £14.3 million).

The Group's effective tax rate for the six-month period is 20.4% (H1 2017/18: 18.0%), which is higher than the prevailing UK corporation tax rate of 19.0% (H1 2017/18: 19.0%). This reflects disallowable mark-to-market seed capital losses recognised in the period. The Group's ongoing effective tax rate, based on its current geographic mix of profits, is approximately 19.7%. Note nine to the interim condensed financial statements provides a full reconciliation of this difference compared to the UK corporation tax rate.

Earnings per share

Basic earnings per share for the period declined by 10% to 10.8 pence (H1 2017/18: 12.0 pence) and diluted earnings per share declined by 10% from 11.3 pence to 10.1 pence. The movement is principally explained by the mark-to-market seed capital impact, which in the current half year is a loss of £9.7 million compared with a gain of £10.5 million in the prior year. Excluding this factor and foreign exchange translation gains, diluted EPS increased by 6% to 10.9p, consistent with the operational performance of the business as represented by the 8% growth in adjusted EBITDA.

Balance sheet, cash flow and foreign exchange

Ashmore's policy is to maintain a strong balance sheet through market cycles in order to meet regulatory capital requirements, to support the commercial demands of current and prospective investors, and to fund strategic development opportunities across the business.

As at 31 December 2018, total equity attributable to shareholders of the parent was £756.6 million (31 December 2017: £704.9 million, 30 June 2018: £759.2 million). Capital resources available to the Group totalled £643.2 million as at 31 December 2018, equivalent to 90 pence per share, and significantly exceeded the Group's regulatory capital requirement of £119.5 million, equivalent to 17 pence per share. The Group has no debt.

Ashmore currently forecasts that the adoption of IFRS 16 Leases for its financial year ending 30 June 2020 will have an immaterial effect on its regulatory capital requirement.

Cash

Ashmore's business model continues to deliver a high conversion rate of operating profits to cash. Based on operating profit of £87.1 million for the period (H1 2017/18: £90.2 million), the Group generated £83.3 million of cash from operations (H1 2017/18: £72.7 million). The operating cash flows after excluding consolidated funds represent 86% of the adjusted EBITDA for the period of £98.8 million (H1 2017/18: 81%).

Cash and cash equivalents by currency

	31 December 2018 £m	30 June 2018 £m
Sterling	**175.9**	77.2
US dollar	**229.8**	322.9
Other	**19.7**	32.9
Total	**425.4**	433.0

As is typical in the first half of the financial year, the Group's cash balance declined. The Group distributed the final ordinary dividend to shareholders and paid cash variable remuneration to employees, both of which relate to the prior financial year. The lower proportion and level of US dollars held at the period end reflects actions taken in order to realise gains when the US dollar strengthened against Sterling.

Seed capital investments

The Group's actively managed seed capital programme has delivered growth in third-party AuM with more than US$11 billion of AuM in funds that have been seeded, representing 15% of total Group AuM.

During the six-month period, the Group made new investments of £30.7 million and realised £42.0 million from previous investments. Together with negative market movements of £3.6 million, the value of the Group's seed capital investments declined from £228.3 million as at 30 June 2018 to £213.4 million as at 31 December 2018. Ashmore has also made seed capital commitments to funds of £24.9 million that were undrawn at the period end, giving a total committed value for the Group's seed capital programme of approximately £238 million.

As at 31 December 2018, the original cost of the Group's current seed capital investments was £191.7 million, representing 29% of Group net tangible equity. Approximately half 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.

New investments were made to support growth in the local markets businesses and into a number of funds in the alternatives theme. Redemptions were primarily out of alternatives funds as capital was returned to investors.

The table below summarises the principal line items to assist in the understanding of the financial impact of the Group's seed capital programme. Over the six months, the programme generated a realised gain of £1.0 million, which was offset by mark-to-market losses, to give an overall loss before tax of £9.7 million (H1 2017/18: £10.5 million gain). This comprises a £6.4 million loss in respect of consolidated funds, including £5.8 million of finance income, and a £3.3 million loss in respect of unconsolidated funds that is reported in finance income.

Seed capital market value by currency

	31 December 2018 £m	30 June 2018 £m
US dollar	**188.0**	203.9
Colombian peso	**13.1**	13.6
Other	**12.3**	10.8
Total market value	**213.4**	228.3

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 budgeted foreign currency-denominated net management fees, using either forward or option foreign exchange contracts. The Group's Foreign Exchange Management Committee determines the proportion of budgeted fee income to hedge or sell by regular reference to expected non-US dollar, and principally Sterling, cash requirements. The proportion of fee income received in foreign currency and held as cash or cash equivalents is marked to market at the period end exchange rate through the statement of comprehensive income.

The translation of the Group's non-Sterling denominated balance sheet resulted in a foreign exchange gain of £3.9 million (H1 2017/87: £2.3 million loss), primarily the effect of Sterling weakness against the US dollar. A net realised and unrealised hedging gain of £2.7 million (H1 2017/18: £0.3 million gain) was recognised for the period.

Financial impact of seed capital investments

	H1 2018/19 £m	H1 2017/18 £m
Consolidated funds (note 14):		
Gains/(losses) on investment securities	**(18.6)**	9.4
Change in third-party interests in consolidated funds	**7.8**	(4.9)
Operating costs	**(1.4)**	(1.1)
Finance income	**5.8**	2.7
Sub-total: consolidated funds	**(6.4)**	6.1
Unconsolidated funds (note 7):		
Market return	**(2.9)**	7.4
Foreign exchange	**(0.4)**	(3.0)
Sub-total: unconsolidated funds	**(3.3)**	4.4
Total seed capital profit/(loss)	**(9.7)**	10.5

Goodwill and intangible assets

At 31 December 2018, goodwill and intangible assets on the Group's balance sheet totalled £89.3 million (30 June 2018: £74.2 million). The movement in the period is the result of an amortisation charge of £2.3 million (H1 2017/18: £2.2 million), a foreign exchange revaluation gain through reserves of £3.6 million (H1 2017/18: £3.0 million loss), and goodwill and intangible assets arising on the Ashmore Avenida acquisition of £13.8 million.

Own shares held

The Group purchases and holds shares through an Employee Benefit Trust (EBT) in anticipation of the vesting of employee share awards. During the period, the EBT purchased ordinary shares worth £21.9 million and as at 31 December 2018, the EBT owned 40,501,941 ordinary shares (30 June 2018: 36,679,643) representing 5.7% of the Group's issued share capital.

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. Furthermore, over time the Board wishes to re-establish dividend cover of at least 1.5x, with reference to statutory diluted earnings per share and being mindful of the constituent elements of earnings in the period.

Consistent with this policy, the Board has determined that an interim dividend of 4.55 pence per share (H1 2017/18: 4.55 pence per share) will be paid on 4 April 2019 to all shareholders on the register on 8 March 2019.

Shareholding

It has become increasingly apparent that the level of my equity ownership, currently c.39%, could restrict Ashmore's future success and that it would be prudent to prevent the size of my shareholding becoming a more significant issue over time. I have therefore agreed a transparent approach with the Board to reduce my shareholding to a more appropriate level over the medium term by selling up to 4% of Ashmore stock in the market each year, while maintaining a significant stake to ensure continued strong alignment with other shareholders including my Ashmore colleagues. I continue to be fully committed to Ashmore in my current role.

A reduction of my shareholding over time to less than 30% will remove the need for the Company to apply for and explain a very specific waiver from Rule 9 of the Takeover Code (Rule 9) annually at the Company's AGM. Rule 9 is designed to protect shareholders in the event that a significant shareholder (i.e. one owning more than 29.99% of a company) seeks to gain creeping control of a company. This waiver is necessary in order for Ashmore to be able to buy back shares as a capital management tool without the resulting pro rata increase in my shareholding triggering a mandatory takeover offer. While it should be evident from my actions over 13 years of the Company being in public ownership that it is not my intention to gain control of Ashmore, given that my shareholding has reduced over time, there apparently remains an in-principle opposition to the waiver from proxy advisers and dedicated corporate governance departments. Consequently, the annual waiver application process at the AGM has created increasing amounts of negative commentary from these sources, which in turn presents a growing risk of damage to existing and prospective client relationships.

Furthermore, a reduction in my shareholding not only increases the market liquidity of Ashmore's shares, but also facilitates my continued participation in the Group's remuneration policy on the same terms as other Ashmore employees. Historically, the combination of my shareholding level, Rule 9 and the emphasis of Ashmore's remuneration policy on long-term equity awards for all staff has required an annual reduction in my shareholding in order for me to be eligible for a performance-related award while not triggering a mandatory offer for the Company. This has been achieved by donations to charity rather than by selling shares in the market and is clearly neither the intention nor the spirit of Ashmore's remuneration policy.

Today's announcement provides confirmation that I am committed as a significant executive shareholder, have no intention of seeking creeping control of Ashmore, wish to remain part of the Company's remuneration scheme like everyone else and will seek to ensure the continued successful development of the shareholder base as Ashmore's business grows.

Mark Coombs
Chief Executive Officer

13 February 2019

Alternative performance measures

Ashmore discloses non-GAAP financial alternative performance measures in order to assist shareholders' understanding of the operational performance of the Group during the accounting period. The calculation of APMs is consistent with the prior year period and the financial year ending 30 June 2018 and unless otherwise stated reconciliations to statutory IFRS results are provided in the Chief Executive's report. Historical reconciliations of APMs to statutory IFRS results can be found in the respective interim financial reports and annual reports and accounts.

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. The charge for variable compensation is a component of personnel expenses and is described in the *Operating costs* section of the Chief Executive's report.

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, none of which is used to determine the profits available for employee variable compensation awards.

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 operating performance of the business before certain non-cash items, financing income and charges, and taxation.

Adjusted net revenue, adjusted operating costs and adjusted EBITDA

Adjusted figures exclude 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 adjusted net revenue, both of which are defined above. This is a measure of the Group's operational efficiency and its ability to generate returns for shareholders.

Conversion of operating profits to cash

This compares adjusted EBITDA to cash generated from operations excluding consolidated funds, and is a measure of the effectiveness of the Group's operations at converting profits to cash.

Interim condensed consolidated statement of comprehensive income

For the six months ended 31 December 2018

	Notes	**Unaudited 6 months to 31 December 2018 £m**	Unaudited 6 months to 31 December 2017 £m	Audited 12 months to 30 June 2018 £m
Management fees		**148.3**	124.4	259.7
Performance fees		**1.2**	14.8	21.9
Other revenue		**2.0**	1.1	4.1
Total revenue	5	**151.5**	140.3	285.7
Distribution costs		**(6.0)**	(3.9)	(9.2)
Foreign exchange	6	**6.6**	(2.0)	(0.2)
Net revenue		**152.1**	134.4	276.3
Gains/(losses) on investment securities	14	**(18.6)**	9.4	3.0
Change in third-party interests in consolidated funds	14	**7.8**	(4.9)	(2.4)
Personnel expenses		**(38.0)**	(34.0)	(72.8)
Other expenses		**(16.2)**	(14.7)	(27.6)
Operating profit		**87.1**	90.2	176.5
Finance income	7	**6.3**	9.1	15.2
Share of losses from associates and joint ventures		**(0.4)**	(0.3)	(0.4)
Profit before tax		**93.0**	99.0	191.3
Tax expense	9	**(19.0)**	(17.8)	(37.8)
Profit for the period		**74.0**	81.2	153.5
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		**15.9**	(18.9)	(4.5)
Fair value reserve (available-for-sale financial assets):				
Net change in fair value		**–**	2.4	2.6
Net amount transferred to profit or loss		**–**	–	(3.3)
Cash flow hedge intrinsic value gains		**–**	0.8	0.2
Other comprehensive income, net of related tax effect		**15.9**	(15.7)	(5.0)
Total comprehensive income for the period		**89.9**	65.5	148.5
Profit attributable to:				
Equity holders of the parent		**72.4**	80.2	151.4
Non-controlling interests		**1.6**	1.0	2.1
Profit for the period		**74.0**	81.2	153.5
Total comprehensive income attributable to:				
Equity holders of the parent		**88.2**	64.5	146.6
Non-controlling interests		**1.7**	1.0	1.9
Total comprehensive income for the period		**89.9**	65.5	148.5
Earnings per share				
Basic	10	**10.75p**	11.96p	22.59p
Diluted	10	**10.13p**	11.28p	21.30p

The notes on pages 16 to 30 form an integral part of these financial statements.

Interim condensed consolidated balance sheet

As at 31 December 2018

	Notes	**Unaudited 31 December 2018 £m**	Unaudited 31 December 2017 £m	Audited 30 June 2018 £m
Assets				
Non-current assets				
Goodwill and intangible assets	12	**89.3**	74.7	74.2
Property, plant and equipment		**1.4**	1.3	1.1
Investment in associates and joint ventures		**1.8**	1.8	1.7
Non-current asset investments	14	**40.1**	24.9	43.9
Other receivables		**–**	0.1	–
Deferred acquisition costs		**0.8**	0.5	0.9
Deferred tax assets		**25.4**	26.3	26.2
		158.8	129.6	148.0
Current assets				
Investment securities	14	**207.2**	250.5	219.1
Available-for-sale financial assets		**–**	13.6	5.6
Fair value through profit or loss investments	14	**24.4**	24.5	23.5
Trade and other receivables		**75.7**	82.9	71.2
Derivative financial instruments		**–**	0.9	–
Cash and cash equivalents		**425.4**	368.7	433.0
		732.7	741.1	752.4
Non-current assets held-for-sale	14	**4.3**	24.5	7.6
Total assets		**895.8**	895.2	908.0
Equity and liabilities				
Capital and reserves – attributable to equity holders of the parent				
Issued capital	16	**–**	–	–
Share premium		**15.7**	15.7	15.7
Retained earnings		**724.8**	699.4	742.8
Foreign exchange reserve		**16.1**	(14.3)	0.3
Available-for-sale fair value reserve		**–**	3.5	0.4
Cash flow hedging reserve		**–**	0.6	–
		756.6	704.9	759.2
Non-controlling interests		**11.5**	1.7	1.3
Total equity		**768.1**	706.6	760.5
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**7.9**	7.1	7.7
		7.9	7.1	7.7
Current liabilities				
Current tax		**10.2**	13.6	5.5
Third-party interests in consolidated funds	14	**71.3**	113.4	76.1
Derivative financial instruments		**1.2**	–	0.1
Trade and other payables		**37.1**	45.2	57.3
		119.8	172.2	139.0
Non-current liabilities held-for-sale	14	**–**	9.3	0.8
Total liabilities		**127.7**	188.6	147.5
Total equity and liabilities		**895.8**	895.2	908.0

The notes on pages 16 to 30 form an integral part of these financial statements.

Interim condensed consolidated statement of changes in equity

For the six months ended 31 December 2018

	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 2017	–	15.7	703.2	4.6	1.1	(0.2)	724.4	2.3	726.7
Profit for the period	–	–	80.2	–	–	–	80.2	1.0	81.2
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	–	–	–	(18.9)	–	–	(18.9)	–	(18.9)
Net fair value gains on available-for-sale assets including tax	–	–	–	–	2.4	–	2.4	–	2.4
Cash flow hedge intrinsic value gains	–	–	–	–	–	0.8	0.8	–	0.8
Total comprehensive income/(loss)	–	–	80.2	(18.9)	2.4	0.8	64.5	1.0	65.5
Transactions with owners:									
Purchase of own shares	–	–	(10.3)	–	–	–	(10.3)	–	(10.3)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(0.4)	(0.4)
Share-based payments	–	–	11.7	–	–	–	11.7	–	11.7
Dividends to equity holders	–	–	(85.4)	–	–	–	(85.4)	–	(85.4)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(1.2)	(1.2)
Total contributions and distributions	–	–	(84.0)	–	–	–	(84.0)	(1.6)	(85.6)
Unaudited balance at 31 December 2017	–	15.7	699.4	(14.3)	3.5	0.6	704.9	1.7	706.6
Profit for the period	–	–	71.2	–	–	–	71.2	1.1	72.3
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	–	–	–	14.6	–	–	14.6	(0.2)	14.4
Net fair value losses on available-for-sale assets including tax	–	–	–	–	(3.1)	–	(3.1)	–	(3.1)
Cash flow hedge intrinsic value losses	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
Total comprehensive income/(loss)	–	–	71.2	14.6	(3.1)	(0.6)	82.1	0.9	83.0
Transactions with owners:									
Purchase of own shares	–	–	(7.7)	–	–	–	(7.7)	–	(7.7)
Share-based payments	–	–	11.9	–	–	–	11.9	–	11.9
Dividends to equity holders	–	–	(32.0)	–	–	–	(32.0)	–	(32.0)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(1.3)	(1.3)
Total contributions and distributions	–	–	(27.8)	–	–	–	(27.8)	(1.3)	(29.1)
Audited balance at 30 June 2018	–	15.7	742.8	0.3	0.4	–	759.2	1.3	760.5
Adjustment on application of IFRS 9 (note 3)	**–**	**–**	**0.4**	**–**	**(0.4)**	**–**	**–**	**–**	**–**
Adjusted balance at 1 July 2018	**–**	**15.7**	**743.2**	**0.3**	**–**	**–**	**759.2**	**1.3**	**760.5**
Profit for the period	**–**	**–**	**72.4**	**–**	**–**	**–**	**72.4**	**1.6**	**74.0**
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	**–**	**–**	**–**	**15.8**	**–**	**–**	**15.8**	**0.1**	**15.9**
Total comprehensive income/(loss)	**–**	**–**	**72.4**	**15.8**	**–**	**–**	**88.2**	**1.7**	**89.9**
Transactions with owners:									
Purchase of own shares	**–**	**–**	**(21.9)**	**–**	**–**	**–**	**(21.9)**	**–**	**(21.9)**
Acquisition of subsidiary with non-controlling interest (note 20)	**–**	**–**	**5.2**	**–**	**–**	**–**	**5.2**	**9.0**	**14.2**
Share-based payments	**–**	**–**	**11.9**	**–**	**–**	**–**	**11.9**	**–**	**11.9**
Dividends to equity holders	**–**	**–**	**(86.0)**	**–**	**–**	**–**	**(86.0)**	**–**	**(86.0)**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Total contributions and distributions	**–**	**–**	**(90.8)**	**–**	**–**	**–**	**(90.8)**	**8.5**	**(82.3)**
Unaudited balance at 31 December 2018	**–**	**15.7**	**724.8**	**16.1**	**–**	**–**	**756.6**	**11.5**	**768.1**

The notes on pages 16 to 30 form an integral part of these financial statements.

Interim condensed consolidated cash flow statement
For the six months ended 31 December 2018

	Unaudited 6 months to 31 December 2018 £m	Unaudited 6 months to 31 December 2017 £m	Audited 12 months to 30 June 2018 £m
Operating activities			
Operating profit	**87.1**	90.2	176.5
Adjustments for non-cash items:			
Depreciation and amortisation	**2.6**	2.6	5.0
Accrual for variable compensation	**12.3**	13.9	28.0
Unrealised foreign exchange losses/(gains)	**(3.1)**	2.1	1.4
Other non-cash items	**8.0**	(4.5)	2.6
Cash generated from operations before working capital changes	**106.9**	104.3	213.5
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**(4.5)**	(12.0)	(0.3)
Increase/(decrease) in derivative financial instruments	**1.1**	(0.6)	0.3
Increase/(decrease) in trade and other payables	**(20.2)**	(19.0)	(6.9)
Cash generated from operations	**83.3**	72.7	206.6
Taxes paid	**(13.8)**	(20.3)	(47.3)
Net cash from operating activities	**69.5**	52.4	159.3
Investing activities			
Interest and investment income received	**8.6**	4.9	9.6
Dividends received	**–**	0.1	0.2
Acquisition of subsidiary, net of cash acquired (note 20)	**(4.9)**	–	–
Purchase of non-current asset investments	**(3.0)**	(2.1)	(19.2)
Purchase of financial assets held-for-sale	**(3.8)**	(14.4)	(14.4)
Purchase of available-for-sale financial assets	**–**	(0.1)	(0.1)
Purchase of investment securities	**–**	(21.0)	–
Sale of non-current asset investments	**11.4**	–	0.4
Sale of available-for-sale financial assets	**–**	0.3	8.4
Sale of fair value through profit or loss investments	**3.5**	13.2	22.1
Sale of investment securities	**8.4**	–	15.8
Net cash flow arising on initial consolidation of seed capital investments	**0.1**	1.0	0.1
Purchase of property, plant and equipment	**(0.1)**	–	(0.2)
Net cash generated/(used) in investing activities	**20.2**	(18.1)	22.7

	Unaudited 6 months to 31 December 2018 £m	Unaudited 6 months to 31 December 2017 £m	Audited 12 months to 30 June 2018 £m
Financing activities			
Dividends paid to equity holders	**(86.0)**	(85.3)	(117.4)
Dividends paid to non-controlling interests	**(0.5)**	(1.2)	(2.5)
Third-party subscriptions into consolidated funds	**5.4**	12.2	19.4
Third-party redemptions from consolidated funds	**(5.8)**	–	(47.4)
Distributions paid by consolidated funds	**(0.7)**	(1.0)	(1.7)
Acquisition of interest from non-controlling interests	**–**	(0.4)	(0.4)
Purchase of own shares	**(21.9)**	(10.3)	(18.0)
Net cash used in financing activities	**(109.5)**	(86.0)	(168.0)
Net increase/(decrease) in cash and cash equivalents	**(19.8)**	(51.7)	14.0
Cash and cash equivalents at beginning of period	**433.0**	432.5	432.5
Effect of exchange rate changes on cash and cash equivalents	**12.2**	(12.1)	(13.5)
Cash and cash equivalents at end of period	**425.4**	368.7	433.0
Cash and cash equivalents comprise:			
Cash at bank and in hand	**60.1**	76.9	68.6
Daily dealing liquidity funds	**208.5**	264.9	300.3
Deposits	**156.8**	26.9	64.1
	425.4	368.7	433.0

The notes on pages 16 to 30 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 2018 were authorised for issue by the Directors on 13 February 2019.

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 2018 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 6 September 2018 and have been filed with Companies House. 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 2018. The Group has applied the following standards for the first time for its annual reporting period commencing on 1 July 2018:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15).

The impact of the adoption of these standards and the changes to the Group's accounting policies are disclosed in note 3.

New standards and interpretations not yet adopted

As previously described in the Group's annual statutory accounts for the 12 months to 30 June 2018, the Group has completed an impact assessment of IFRS 16 Leases (IFRS 16), which is effective for financial years commencing on or after 1 January 2019. The first annual report published in accordance with IFRS 16 will be the 30 June 2020 report. The Group plans to adopt a modified retrospective approach from 1 July 2019 and comparative information will not be restated.

Based on a review of operating leases likely to be in place on 1 July 2019, the Group has estimated that approximately £12.0 million will be recognised as a right-of-use asset with a corresponding lease liability of £12.0 million under IFRS 16. The impact represents less than 2% of the consolidated total assets and approximately 9% of consolidated total liabilities. The impact on the Group's regulatory capital requirement is immaterial.

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) Changes in accounting policies

The Group adopted IFRS 9 and IFRS 15 with effect from 1 July 2019. The application of these standards has had no material impact on the Group's results, net assets, reserves, or basic earnings per share for the six months ended 31 December 2018. The impact of the new standards on the Group's interim condensed consolidated financial statements and associated disclosures is explained below.

Except for the first application of IFRS 9 and IFRS 15, 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 2018.

Impact of applying IFRS 9

The Group adopted IFRS 9 without restating comparative information. The reclassification adjustments arising on first application of the standard have been recognised in the opening reserves as at 1 July 2018. The impact of applying IFRS 9 is an increase of £0.4m to the opening balance of retained earnings and a corresponding decrease of £0.4m to the available-for-sale reserve, as a result of reclassifying available-for-sale financial assets to the fair value through profit and loss (FVTPL) category.

The Group made the following assessments on the basis of the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation of available-for-sale financial assets as measured at FVTPL;
- the assessment of expected credit loss allowances under the new expected credit loss (ECL) model; and
- the assessment of whether hedging relationships designated under IAS 39 at 30 June 2018 met the criteria for hedge accounting under IFRS 9 at 1 July 2018.

The nature and effect of the changes on the Group's accounting policies are further explained below.

3) Changes in accounting policies continued

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale.

Under IFRS 9, the Group classifies its financial assets into two measurement categories: amortised cost and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost are measured at FVTPL.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the reclassification of available-for-sale assets valued at £5.6m into the FVTPL category. The financial assets reclassified are seed capital investments that the Group manages on a fair value basis that are now mandatorily measured at FVTPL under IFRS 9.

The Group classifies its financial liabilities at amortised cost or derivative liabilities measured as FVTPL. The classification of financial liabilities has remained largely unchanged from IAS 39. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments that the Group uses as hedging instruments.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to the Group's financial assets measured at amortised cost. Under the ECL impairment approach it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Group is required to account for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses. Under IFRS 9, loss allowances are measured on either of the following bases:

– 12-month expected credit losses that result from possible default events within the 12 months after the reporting date; or

– lifetime expected credit losses that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime expected credit losses. Expected credit loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The Group's financial assets subject to impairment assessment under the ECL model comprise cash deposits held with banks and trade receivables. The Group's trade receivables arise from management fees due, performance fees due and expense recoveries from funds managed, are generally short term and do not contain significant financing components.

In assessing the impairment of financial assets under the ECL model, the Group assesses whether the risk of default has increased significantly since initial recognition, by considering both quantitative and qualitative information, and the analysis is based on the Group's historical experience of credit default, including forward-looking information.

For cash deposits held with banks, externally derived credit ratings have been identified as representing the best available determinant of counterparty credit risk. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

For trade receivables, the Group has applied a practical expedient by using a provision matrix to calculate lifetime expected credit losses based on historical observed default rates, adjusted by forward-looking estimates regarding the economic conditions within the next year.

The application of the IFRS 9 impairment requirements has not resulted in a material impact on the Group's estimated allowance for credit losses.

Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward and option contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to management fee revenues. The Group designates only the change in fair value of the spot element of the forward and option contracts as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

The Group's hedging relationships that were designated as cash flows hedges under IAS 39 at 30 June 2018 met the criteria for hedge accounting under IFRS 9 at 1 July 2018 and are therefore regarded as continuing cash flows hedging relationships.

3) Changes in accounting policies continued

Impact of applying IFRS 15

The Group has adopted IFRS 15 from 1 July 2018 which resulted in changes in the revenue recognition policies and disclosures. In accordance with the transition provisions in IFRS 15, the Group has adopted a modified retrospective approach from 1 July 2018 with no comparatives to be restated.

The Group has reviewed the terms and conditions of customer contracts across its business lines in order to determine, using the five-step model, the Group's performance obligations and the associated timing of each performance obligation. The review concluded that, while the basis of assessing revenue recognition is different to that used under IAS 18, the point at which revenue is recognised and measured has remained consistent. Based on this assessment, the implementation of IFRS 15 does not have an impact on the Group's reported revenues, financial position or performance.

Expanded revenue recognition policy disclosures will be provided in the annual report for the year ended 30 June 2019, to clarify how the Group's revenues are identified and the point at which the revenue is recognised.

4) Segmental information

The Group's operations are reported to and reviewed by the Board on the basis of the investment management business as a whole, hence the Group is treated as a single reportable segment. The key management information considered is adjusted EBITDA which is £98.8 million for the period as reconciled on page 2 (H1 2017/18: adjusted EBITDA of £91.2 million was derived by adjusting operating profit by £2.6 million of depreciation and amortisation expense, £3.4 million of expense related to seed capital and £1.8 million of foreign exchange gains). The additional disclosures below provide the location of the Group's non-current assets at year end other than financial instruments, deferred tax assets and post-employment benefit assets. Disclosures relating to revenue by location are provided in note 5.

Analysis of non-current assets by geography

	As at 31 December 2018 £m	As at 31 December 2017 £m	As at 30 June 2018 £m
United Kingdom	**6.9**	7.0	7.3
United States	**71.0**	70.8	70.1
Other*	**15.4**	0.5	0.5
Total non-current assets	**93.3**	78.3	77.9

* The balance at 31 December 2018 includes non-current assets totalling £14.8 million recognised on the acquisition of Ashmore Avenida, see note 20.

5) Revenue

Management fees are accrued throughout the period in line with prevailing levels of assets under management and performance fees are recognised when the specific assessment criteria have been met and it is highly probable that a significant income reversal will not subsequently occur. 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 2017/18: none; FY2017/18: none) when considering management fees and performance fees on a combined basis.

Analysis of revenue by geography

	6 months to 31 December 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
United Kingdom	**129.8**	120.1	245.2
United States	**9.4**	11.6	16.7
Other	**12.3**	8.6	23.8
Total revenue	**151.5**	140.3	285.7

6) Foreign exchange

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

£1	**Closing rate as at 31 December 2018**	Closing rate as at 31 December 2017	Closing rate as at 30 June 2018	**Average rate 6 months ended 31 December 2018**	Average rate 6 months ended 31 December 2017	Average rate 12 months ended 30 June 2018
US dollar	**1.2736**	1.3513	1.3200	**1.2948**	1.3259	1.3464
Euro	**1.1141**	1.1260	1.1303	**1.1231**	1.1258	1.1306
Indonesian rupiah	**18,314**	18,311	18,843	**18,912**	17,776	18,329
Colombian peso	**4,136**	4,035	3.872	**3,981**	3,973	3,943

Foreign exchange gains and losses are shown below.

	6 months to 31 December 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
Net realised and unrealised hedging gains	**2.7**	0.3	1.8
Translation gains/(losses) on non-Sterling denominated monetary assets and liabilities	**3.9**	(2.3)	(2.0)
Total foreign exchange gains/(losses)	**6.6**	(2.0)	(0.2)

7) Finance income

	6 months to 31 December 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
Finance income			
Interest and investment income	**9.6**	4.7	9.7
Net realised gains on disposal of available-for-sale financial assets	**–**	–	3.3
Net realised gains on seed capital investments measured at fair value	**1.0**	–	1.7
Net unrealised gains/(losses) on seed capital investments measured at fair value	**(4.3)**	4.4	0.5
Net finance income	**6.3**	9.1	15.2

Included within interest and investment income are gains of £5.8 million from investment securities on consolidated funds (note 14c).

Included within net realised and unrealised gains/(losses) on seed capital investments measured at fair value are £0.4 million gains in relation to held-for-sale investments (note 14a), £0.7 million losses on FVTPL investments (note 14b) and £0.6 million losses on non-current asset investments (note 14d).

8) Share-based payments

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

	6 months to 31 December 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
Omnibus Plan	**12.2**	14.0	27.4
Phantom Bonus Plan	**0.1**	(0.1)	0.6
Total share-based payments expense	**12.3**	13.9	28.0

The total expense recognised for the period in respect of equity-settled share-based payment awards was £11.4 million (H1 2017/18: £11.2 million; FY2017/18: £25.8 million).

The Executive Omnibus Incentive Plan (Omnibus Plan)

Share awards outstanding under the Omnibus Plan were as follows:

	6 months to 31 December 2018 Number of shares subject to awards	6 months to 31 December 2017 Number of shares subject to awards	12 months to 30 June 2018 Number of shares subject to awards
Equity-settled awards			
At the beginning of the period	**40,470,000**	38,579,871	38,579,871
Granted	**9,493,131**	10,237,825	10,237,825
Vested	**(7,762,847)**	(6,762,746)	(7,036,563)
Forfeited	**(827,519)**	(953,065)	(1,311,133)
Outstanding at the end of the period	**41,372,765**	41,101,885	40,470,000
Cash-settled awards			
At the beginning of the period	**316,888**	295,492	295,492
Granted	**56,104**	112,509	112,509
Vested	**(60,047)**	(27,334)	(27,334)
Forfeited	**(57,323)**	(63,779)	(63,779)
Outstanding at the end of the period	**255,622**	316,888	316,888
Total awards			
At the beginning of the period	**40,786,888**	38,875,363	38,875,363
Granted	**9,549,235**	10,350,334	10,350,334
Vested	**(7,822,894)**	(6,790,080)	(7,063,897)
Forfeited	**(884,842)**	(1,016,844)	(1,374,912)
Outstanding at the end of the period	**41,628,387**	41,418,773	40,786,888

The weighted average share price of awards granted to employees under the Omnibus Plan during the period was £3.33 (H1 2017/18: £3.25; FY2017/18: £3.25), as 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 £0.4 million (H1 2017/18: £0.4 million; FY2017/18: £0.6 million) of which £nil relates to vested awards.

9) Taxation

Analysis of tax charge for the period

	6 months to 31 December 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
Current tax			
UK corporation tax on profits for the period	**13.0**	14.3	30.3
Overseas corporation tax charge	**4.9**	4.6	8.5
Adjustments in respect of prior periods	**–**	–	(0.6)
	17.9	18.9	38.2
Deferred tax			
Origination and reversal of temporary differences	**1.1**	(3.2)	(1.7)
Effect of changes in corporation tax rates	**–**	2.1	1.3
Tax expense for the period	**19.0**	17.8	37.8

Factors affecting tax charge for the period

	6 months to 31 December 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
Profit before tax	**93.0**	99.0	191.3
Profit on ordinary activities multiplied by the blended UK tax rate for the financial year of 19.00% (H1 2017/18: 19.00%; FY2017/18: 19.00%)	**17.7**	18.8	36.3
Effects of:			
Non-deductible expenses	**0.1**	0.1	0.1
Deduction in respect of vested shares/exercised options (Part 12, Corporation Tax Act 2009)	**(1.9)**	(3.0)	(0.3)
Different rate of taxes on overseas profits	**1.2**	(0.5)	1.2
Non-deductible expenses/(non-taxable income) in foreign operations	**2.1**	(0.5)	(1.0)
Effect on deferred tax balance from changes in the US Federal tax rate	**–**	2.1	2.0
Non-deductible loss on associates	**–**	0.3	–
Other items	**(0.2)**	0.5	0.1
Adjustments in respect of prior periods	**–**	–	(0.6)
Tax expense for the period	**19.0**	17.8	37.8

10) Earnings per share

Basic earnings per share at 31 December 2018 of 10.75 pence (H1 2017/18: 11.96 pence; FY2017/18: 22.59 pence) is calculated by dividing the profit after tax for the financial period attributable to equity holders of the parent of £72.4 million (H1 2017/18: £80.2 million; FY2017/18: £151.4 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 2018 Number of ordinary shares	6 months to 31 December 2017 Number of ordinary shares	12 months to 30 June 2018 Number of ordinary shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**672,150,906**	670,651,535	671,063,954
Effect of dilutive potential ordinary shares – share awards	**41,175,121**	40,377,421	40,645,005
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**713,326,027**	711,028,956	711,708,959

11) Dividends

Dividends paid

	6 months to 31 December 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
Final dividend for FY2017/18: 12.10p (FY2016/17: 12.10p)	**86.0**	85.4	85.4
Interim dividend for FY2017/18: 4.55p	**–**	–	32.0
	86.0	85.4	117.4

In addition, the Group paid £0.5 million (H1 2017/18: £1.2 million; FY2017/18: £2.5 million) in dividends to non-controlling interests.

Dividends declared/proposed

Company	**6 months to 31 December 2018 pence**	6 months to 31 December 2017 pence	12 months to 30 June 2018 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 2018 of 4.55 pence per share (six months to 31 December 2017: 4.55 pence per share; final dividend for the year to 30 June 2018: 12.10 pence per share) payable on 4 April 2019 to shareholders on the register on 8 March 2019.

12) Goodwill and intangible assets

The intangible assets held by the Group increased primarily as a result of the acquisition of Ashmore Avenida, see note 20 for further information.

	Goodwill £m	Fund management contracts £m	Total £m
Cost (at original exchange rate)			
At 31 December 2017 and 30 June 2018	**57.5**	**39.5**	**97.0**
Acquisition of subsidiary (note 20)	**12.9**	**0.9**	**13.8**
At 31 December 2018	**70.4**	**40.4**	**110.8**
Accumulated amortisation and impairment			
At 30 June 2017	–	(35.6)	(35.6)
Amortisation charge for the period	–	(2.2)	(2.2)
At 31 December 2017	–	(37.8)	(37.8)
Amortisation charge for the period	–	(2.1)	(2.1)
At 30 June 2018	–	(39.9)	(39.9)
Amortisation charge for the period	**–**	**(2.3)**	**(2.3)**
At 31 December 2018	**–**	**(42.2)**	**(42.2)**
Net book value			
At 30 June 2017	71.6	8.3	79.9
Accumulated amortisation for the period	–	(2.2)	(2.2)
FX revaluation through reserves*	(2.7)	(0.3)	(3.0)
At 31 December 2017	68.9	5.8	74.7
Accumulated amortisation for the period	–	(2.1)	(2.1)
FX revaluation through reserves*	1.4	0.2	1.6
At 30 June 2018	70.3	3.9	74.2
Acquisition of subsidiary (note 20)	**12.9**	**0.9**	**13.8**
Accumulated amortisation for the period	**–**	**(2.3)**	**(2.3)**
FX revaluation through reserves*	**3.4**	**0.2**	**3.6**
At 31 December 2018	**86.6**	**2.7**	**89.3**

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

12) Goodwill and intangible assets continued

Goodwill

The Group's goodwill balance relates to the acquisition of subsidiaries. In July 2018, the Group acquired a 56% controlling interest in a Colombian real estate investment management firm, Avenida Investments (Real Estate) LLP, subsequently renamed Ashmore Avenida. The Group recognised goodwill valued at £12.9 million as at the date of acquisition (see note 20).

During the period to 31 December 2018, no factors indicating potential impairment of goodwill were noted.

The Group consists of a single cash-generating unit for the purpose of assessing impairment on the carrying value of goodwill. 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 is based on a fair value less costs to sell calculation using the Company's market share price. Based on management's assessment as at 31 December 2018, the recoverable amount was in excess of the carrying value of goodwill and no impairment was implied.

Fund management contracts

Intangible assets comprise fund management contracts and contractually agreed share of carried interest recognised by the Group on business combinations. During the period the Group recognised additional fund management contracts valued at £0.9 million arising on the acquisition of Ashmore Avenida (see note 20).

During the period to 31 December 2018, a review process was undertaken to identify factors indicating whether the Group's fund management contracts intangible assets were impaired. None were identified and as a consequence, no impairment charge has been recognised (H1 2017/18: £nil; FY2017/18: £nil).

The remaining amortisation period for fund management contracts ranges from six months to seven years (31 December 2017: one and a half years; 30 June 2018: one year).

13) 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 2018.

The Group has an established control framework with respect to the measurement of fair values. This framework includes committees that have overall responsibility for all significant fair value measurements. Each committee regularly reviews significant inputs and valuation adjustments. If third-party information is used to measure fair value, 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 reassessing 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.

13) 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 2018				At 31 December 2017				At 30 June 2018			
	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	**79.1**	**57.2**	**70.9**	**208.0**	79.5	83.3	87.7	250.5	110.6	38.8	69.7	219.1
Non-current financial assets held-for-sale	**–**	**4.3**	**–**	**4.3**	–	24.5	–	24.5	–	7.6		7.6
Available-for-sale financial assets	**–**	**–**	**–**	**–**	–	–	13.6	13.6	–	–	5.6	5.6
Fair value through profit or loss investments	**–**	**21.4**	**3.0**	**24.4**	8.1	16.4	–	24.5	–	23.5	–	23.5
Non-current asset investments	**–**	**9.3**	**30.8**	**40.1**	–	4.4	20.5	24.9	–	20.0	23.9	43.9
Derivative financial instruments	**–**	**–**	**–**	**–**	–	0.9	–	0.9	–	–	–	–
	79.1	**92.2**	**104.7**	**276.0**	87.6	129.5	121.8	338.9	110.6	89.9	99.2	299.7
Financial liabilities												
Third-party interests in consolidated funds	**31.8**	**15.1**	**24.4**	**71.3**	36.8	43.8	32.8	113.4	25.8	17.6	32.7	76.1
Derivative financial instruments	**–**	**1.2**	**–**	**1.2**	–	–	–	–	–	0.1	–	0.1
Non-current financial liabilities held-for-sale	**–**	**–**	**–**	**–**	–	9.3	–	9.3	–	0.8	–	0.8
	31.8	**16.3**	**24.4**	**72.5**	36.8	53.1	32.8	122.7	25.8	18.5	32.7	77.0

Available-for-sale financial assets with a carrying value of £5.6m were reclassified to the FVTPL category on the application of IFRS 9 with effect from 1 July 2018. The available-for-sale category is no longer allowable under IFRS 9.

The Group recognises transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. At 31 December 2018, the Group reclassified listed equity securities with a carrying value of £16.5 million from level 3 into level 1 as the fair value was determined based on quoted market price without adjustment.

There were no transfers between 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	**Available-for-sale financial assets £m**	**Fair value through profit or loss investments £m**	**Non-current asset investments £m**	**Third-party interests in consolidated funds £m**
At 31 December 2017	87.7	13.6	–	20.5	32.8
Net additions/(disposals)	(16.4)	(4.9)	–	2.0	0.9
Unrealised gains/(losses) recognised in finance income	(3.2)	–	–	1.4	(1.0)
Unrealised gains/(losses) recognised in other comprehensive income	1.6	(3.1)	–	–	–
At 30 June 2018	69.7	5.6	–	23.9	32.7
Reclassification on application of IFRS 9 (note 3)	**–**	**(5.6)**	**5.6**	**–**	**–**
Transfer to level 1	**(16.5)**	**–**	**–**	**–**	**–**
Net additions/(disposals)	**12.6**	**–**	**(2.0)**	**8.0**	**(7.0)**
Unrealised losses recognised in finance income	**(1.0)**	**–**	**(0.6)**	**(1.1)**	**(1.3)**
Unrealised gains recognised in other comprehensive income	**6.1**	**–**	**–**	**–**	**–**
At 31 December 2018	**70.9**	**–**	**3.0**	**30.8**	**24.4**

13) Fair value of financial instruments continued

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

Investments valued using valuation techniques include financial investments which, by their nature, do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions e.g. market illiquidity. The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and, if applicable, enterprise valuation. The valuation techniques used in 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 2018.

The total value of level 3 financial assets valued using valuation techniques is £61.7 million as at 31 December 2018 (30 June 2018: £69.4 million). The remaining level 3 investments are valued using third-party pricing information without adjustment.

The following tables show the valuation techniques and the key unobservable inputs used in the determination of fair value for the level 3 investments:

Asset class	Fair value at 31 December 2018 £m	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	The estimated fair value would increase if:
Unlisted securities	23.3	Market approach using comparable traded multiples	EBITDA multiple	5x-10x	EBITDA multiple is higher
			Marketability adjustment	10%-30%	Marketability adjustment is lower
	22.4	Market multiple, Discounted cash flows (75:25)	Weighted average cost of capital (WACC)	10%-20%	WACC is lower
			Multiples	5x-10x	Multiple is higher
	13.5	Market multiple, Price of recent investment (70:30)	Multiples	5x-10x	Multiple is higher
	2.5	Adjusted value, Broker quotes	Marketability adjustment	20%-35%	Marketability adjustment is lower
Total	**61.7**				

Asset class	Fair value at 30 June 2018 £m	Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	The estimated fair value would increase if:
Listed securities	15.4	Adjusted market value	Marketability adjustment	10%-30%	Marketability adjustment is lower
Unlisted securities	23.4	Market approach using comparable traded multiples	EBITDA multiple	5x-10x	EBITDA multiple is higher
			Marketability adjustment	10%-30%	Marketability adjustment is lower
	27.4	Recent transaction, Market multiple, Discounted cash flows (40:30:30)	Weighted average cost of capital (WACC)	10%-20%	WACC is lower
			Multiples	5x-10x	Multiple is higher
	3.2	Adjusted value, Broker quotes	Marketability adjustment	20%-35%	Marketability adjustment is lower
Total	**69.4**				

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 2018, 31 December 2017 and 30 June 2018.

14) 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 invests seed capital in order to provide initial scale and facilitate the marketing of funds to third-party investors. Aggregate interests held by the Group include seed capital, management fees and performance fees.

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, one fund (H1 2017/18: one fund; FY2017/18: two funds) was 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 2018 were as follows:

	31 December 2018 £m	31 December 2017 £m	30 June 2018 £m
Non-current financial assets held-for-sale	**4.3**	24.5	7.6
Non-current financial liabilities held-for-sale	**–**	(9.3)	(0.8)
Seed capital investments classified as held-for-sale	**4.3**	15.2	6.8

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, no fund (H1 2017/18: none; FY2017/18: 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 and it is assessed that the Group controls the investment fund in accordance with the requirements of IFRS 10, it will cease to be classified as held-for-sale and will be consolidated line by line. During the period, one fund (H1 2017/18: one fund; FY2017/18: two funds) with an aggregate carrying amount of £6.3 million (H1 2017/18: £7.2 million; FY2017/18: £15.1 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 £0.4 million (H1 2017/18: net gains of £0.7 million; FY2017/18: net gains of £0.4 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) Fair value through profit or loss investments

FVTPL investments at 31 December 2018 comprise shares held in debt and equity funds as follows:

	31 December 2018 £m	31 December 2017 £m	30 June 2018 £m
Equity funds	**15.4**	23.5	14.5
Debt funds	**9.0**	1.0	9.0
Seed capital classified as FVTPL investments	**24.4**	24.5	23.5

Included within finance income are net losses of £0.7 million (H1 2017/18: net gains of £2.0 million; FY2017/18: net gains of £1.3 million) on the Group's FVTPL investments.

14) Seed capital investments continued

c) Consolidated funds

The Group has consolidated 12 investment funds as at 31 December 2018 (31 December 2017: 12 investments funds; 30 June 2018: 11 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 2018 £m	31 December 2017 £m	30 June 2018 £m
Investment securities	**207.2**	250.5	219.1
Cash and cash equivalents	**9.3**	11.2	6.2
Trade and other liabilities	**(0.5)**	(0.1)	(0.7)
Third-party interests in consolidated funds	**(71.3)**	(113.4)	(76.1)
Consolidated seed capital investments	**144.7**	148.2	148.5

Investment securities represent trading securities held by consolidated investment funds and are designated as at FVTPL. Further detailed information at the security level is available in the individual fund financial statements. Trade and other includes trade payables and accruals, net of trade receivables.

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 losses of £6.4 million (H1 2017/18: net gains of £6.1 million; FY2017/18: net gains of £4.6 million) 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 2018 £m	31 December 2017 £m	30 June 2018 £m
Finance income	**5.8**	2.7	5.1
Gains/(losses) on investment securities	**(18.6)**	9.4	3.0
Change in third-party interests in consolidated funds	**7.8**	(4.9)	(2.4)
Other expenses	**(1.4)**	(1.1)	(1.1)
Net gains/(losses) on consolidated funds	**(6.4)**	6.1	4.6

Included in the Group's cash generated from operations is £1.6 million cash utilised in operations (H1 2017/18: £0.8 million cash utilised in operations; FY2017/18: £3.5 million cash generated from operations) relating to consolidated funds.

As at 31 December 2018, the Group's consolidated funds were domiciled in Guernsey, Indonesia, Luxembourg, Saudi Arabia and the United States.

d) 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 2018 £m	31 December 2017 £m	30 June 2018 £m
Non-current asset investments at fair value	**40.1**	24.9	43.9

Included within finance income are net losses of £0.6 million (H1 2017/18: net gains of £0.4 million; FY2017/18: net gains of £2.8 million) on the Group's non-current asset investments.

15) 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 2018, 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 2018.

16) Share capital

Authorised share capital

	Number of shares	Nominal value £'000
Ordinary shares of 0.01p each at 31 December 2018, 30 June 2018 and 31 December 2017	**900,000,000**	**90**

Issued share capital – allotted and fully paid

	As at 31 December 2018 Number of shares	**As at 31 December 2018 Nominal value £'000**	As at 31 December 2017 Number of shares	As at 31 December 2017 Nominal value £'000	As at 30 June 2018 Number of shares	As at 30 June 2018 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.

As at 31 December 2018, there were equity-settled share awards issued under the Omnibus Plan totalling 41,101,885 shares (31 December 2017: 41,101,885 shares; 30 June 2018: 40,470,000 shares) that have release dates ranging from March 2019 to September 2023.

17) 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 2018, the EBT owned 40,501,941 (31 December 2017: 34,953,460; 30 June 2018: 36,679,643) ordinary shares of 0.01p with a nominal value of £4,050 (31 December 2017: £3,495; 30 June 2018: £3,668) and shareholders' funds are reduced by £118.9 million (31 December 2017: £105.5 million; 30 June 2018: £112.4 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.

18) 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 2018 £m	6 months to 31 December 2017 £m	12 months to 30 June 2018 £m
Short-term employee benefits	**0.1**	0.1	1.7
Defined contribution pension costs	**–**	–	–
Share-based payment benefits	**–**	–	1.2
	0.1	0.1	2.9

Short-term benefits include salary and fees, benefits and cash bonus. 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 2017/18 and FY2017/18: none). Aggregate key management personnel interests in consolidated funds at 31 December 2018 were £42.7 million (31 December 2017: £37.9 million; 30 June 2018: £37.8 million).

Transactions with Ashmore funds

During the period, the Group received £80.5 million of gross management fees and performance fees (H1 2017/18: £62.8 million; FY2017/18: £133.0 million) from the 103 funds (H1 2017/18: 87 funds; FY2017/18: 91 funds) it manages and which are classified as related parties. As at 31 December 2018, the Group had receivables due from funds of £5.5.8 million (31 December 2017: £5.1 million; 30 June 2018: £5.5 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. As at 31 December 2018, the loan outstanding was £114.1 million (31 December 2017: £104.3 million; 30 June 2018: £102.7 million). The EBT is consolidated within the Group and therefore, the loan balance is eliminated on the interim condensed consolidated balance sheet.

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 £70,500 to the Foundation during the period (H1 2017/18: £20,000; FY2017/18: £50,100).

19) Commitments

Undrawn investment commitments

	As at 31 December 2018 £m	As at 31 December 2017 £m	As at 30 June 2018 £m
AA Development Capital India Fund 1 LLC	**1.2**	1.1	1.2
Ashmore Andean Fund II, LP	**0.9**	1.9	1.4
Ashmore Emerging Markets Corporate Private Debt Fund	**0.3**	0.3	0.3
Ashmore I – CAF Colombian Infrastructure Senior Debt Fund	**13.6**	13.8	13.8
Ashmore Special Opportunities Fund LP	**7.7**	10.5	9.0
Everbright Ashmore China Real Estate Fund	**–**	1.4	1.4
KCH Healthcare LLC	**0.6**	3.2	1.8
VTBC-Ashmore Real Estate Partners I, LP	**–**	3.6	3.6
Avenida Colombia Real Estate Fund I (Cayman) LP	**0.6**	–	–
Total undrawn investment commitments	**24.9**	35.8	32.5

20) Acquisition of subsidiary

On 18 July 2018 the Group acquired a 56% controlling interest in Avenida Investments (Real Estate) LLP (renamed Ashmore Avenida), the holding company of a Colombian real estate investment management firm, for a total consideration of £11.0 million.

The acquisition of Ashmore Avenida has enhanced the Group's local presence in Latin America and contributed additional AuM of US$300 million as at the acquisition date. The acquisition has provided Ashmore with the track record, commercial network and expertise necessary to develop the Group's real estate products across Latin America by creating a regional real estate platform with a focus in key markets in Colombia, Peru, Chile and Central America. Over time, the Group plans to develop additional real estate operations in other Emerging Markets.

Since completion of the acquisition, the business has contributed net revenue of £2.1 million and net profit of £0.7 million to the Group results.

Consideration transferred

The total purchase consideration paid on acquisition is summarised below:

	£m
Purchase consideration	
Cash paid	**5.2**
Ordinary shares of Ashmore Group plc	**5.2**
Contingent consideration	**0.6**
Total purchase consideration	**11.0**
Less: Contingent consideration not materialised	**(0.6)**
Total consideration transferred	**10.4**

The Group allotted 1.4 million ordinary shares of Ashmore Group plc to former owners of Ashmore Avenida as part settlement of the purchase consideration. The fair value of the ordinary shares was based on the average closing share price of Ashmore Group plc for the five business days to 18 July 2018 of £3.58 per share.

In addition, the Group agreed to pay the former owners contingent consideration of £0.6 million, which represents its fair value as at the date of acquisition, to be settled upon meeting certain fund raising performance criteria within 120 days post transaction close. As at 31 October 2018, the contingent consideration did not crystallise and was accordingly, derecognised as an adjustment to the purchase consideration.

Purchase consideration – cash outflow

Below is the reconciliation of the outflow of cash to acquire the subsidiary, net of cash acquired.

	£m
Cash consideration	**5.2**
Less: Cash balances acquired	**(0.3)**
Net outflow of cash – investing activities	**4.9**

Acquisition-related costs

The Group incurred acquisition-related costs of £0.6 million on legal fees and due diligence on the transaction that have been expensed to profit and loss, of which £0.3 million is included in the current period results within other expenses.

20) Acquisition of subsidiary continued

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	£m
Property, plant and equipment	**0.1**
Intangible assets	**0.9**
Net investment in joint venture	**0.4**
Financial assets	**4.5**
Trade and other receivables	**0.3**
Cash and cash equivalents	**0.3**
Trade and other payables	**(0.8)**
Total identifiable net assets acquired	**5.7**

The valuation techniques used for measuring the fair value of material identifiable assets acquired are as follows:

- Intangible assets reflect the discounted value of management contracts in relation to closed-end funds and projects, and a contractually agreed share of carried interest expected to be received from the funds. The discounted cash flow model takes account of expected revenues based on contractual rates and net asset value of the funds managed as at the date of acquisition. Carried interest cash flow estimates are based on an assessment of the stage of the fund life cycle, fund term, and projected returns based on historical experience of exited portfolio assets, as well as taking into account forward-looking information regarding the prospects of the remaining portfolio assets. The discount rate applied is based on the Group's weighted average cost of capital, adjusted for risk factors such as country risk, foreign exchange and the nature of the specific cash flows.
- Net investment in joint venture represents the fair value of Ashmore Avenida's investment in Mesa Capital Advisors LLC, a 50% joint venture in a capital raising and placement business. Fair value is determined as the recoverable value of the investment as at the date of acquisition, based on selling price in the ordinary course of business less estimated selling costs.
- Financial assets represent the fair value of the acquired seed capital investments in two closed-end funds managed by Ashmore Avenida as at the date of acquisition. Fair value is estimated with reference to the proportionate net asset value of the fund as at the date of acquisition. Net asset value is calculated with reference to valuations carried out by independent valuation experts.

Goodwill

Goodwill arising from the acquisition of Ashmore Avenida has been recognised as follows:

	£m
Consideration transferred	**10.4**
Non-controlling interest, based on fair value	**8.2**
Fair value of identifiable net assets	**(5.7)**
Goodwill	**12.9**

The goodwill is primarily attributed to the future economic benefits expected from other assets acquired that are not individually identified and separately recognised under the recognition principles of IFRS 3 Business Combinations. The value of these assets has been subsumed into goodwill and include the workforce, the founders' commercial network and track record, expertise in Latin America real estate investment management, and the growth potential expected to be achieved by integrating Ashmore Avenida's operations into the Group's existing platform. The Group plans to expand its real estate capabilities from utilising Ashmore Avenida's local presence and expertise in Latin America, together with benefiting from its well-established processes on origination, due diligence, underwriting, structuring, ESG framework, and capital raising and project management capabilities.

Non-controlling interests (NCI)

The Group recognises NCI in an acquired entity either at fair value or at the NCI's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis and the Group elected to recognise the NCI in Ashmore Avenida at fair value.

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, except for valuation estimates described in note 20, 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 for the year ended 30 June 2018.

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

13 February 2019

Independent Review Report to Ashmore Group plc

Conclusion

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 2018 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.

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 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

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

13 February 2019

Ashmore Group plc
61 Aldwych
London WC2B 4AE
United Kingdom

www.ashmoregroup.com