Ashmore

Interim Report 2017/18

DELIVERING
Emerging Markets

Contents

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www.ashmoregroup.com

Unaudited interim results for the six months to 31 December 2017

Highlights

Assets under management (AuM) at 31 December 2017

US$69.5bn

30 June 2017: US$58.7bn

AuM outperforming benchmarks over

One year	Three years	Five years
82%	93%	87%
30 June 2017: 91%	86%	87%

Net management fees

£120.5m

(H1 2016/17: £114.9m)

Adjusted EBITDA

£91.2m

(H1 2016/17: £89.7m)

Adjusted EBITDA margin

67%

(H1 2016/17: 66%)

Profit before tax

£99.0m

(H1 2016/17: £121.5m)

Diluted earnings per share

11.3p

(H1 2016/17: 13.9p)

Interim dividend per share

4.55p

To be paid on 4 April 2018
(H1 2016/17: 4.55p)

Non-GAAP alternative performance measures (APMs) are defined and explained on page 9.

Emerging Markets have delivered consistently strong returns over the past two years, and have significantly outperformed developed world asset classes. The fundamental drivers of this performance have been attractive valuations across Emerging Markets asset classes and supportive economic conditions including accelerating GDP growth and stable inflation. Consequently, institutional investors are returning to Emerging Markets after a period of shifting allocations to Developed Markets investments that were supported by quantitative easing. Ashmore expects these positive drivers to continue in 2018.

Ashmore's performance over the six months to 31 December 2017 reflects this favourable environment. Assets under management increased by 18%, principally driven by net inflows, with broad-based investor demand across the range of fixed income, equity and overlay products as investors recognise the value available in Emerging Markets and seek to address their underweight positions. Ashmore's investment processes have continued to deliver strong performance for clients, in absolute terms and against both benchmark indices and their peer groups.

The Group's business model seeks to align the interests of clients, shareholders and employees through market cycles. For clients, Ashmore's specialist focus and active investment processes have delivered strong long-term performance. For example, the Group's first fixed income fund, EMLIP, celebrated its 25-year anniversary in October 2017, and over this period the fund has generated annualised net returns of 14.4%, outperforming its benchmark (+10.6% annualised) as well as equity indices such as the S&P500 (+9.8% annualised).

As Ashmore has generated attractive returns for clients over the past year, leading to strong inflows, it has also delivered positive operating leverage for shareholders, with growth in operating revenues and a reduction in adjusted operating costs leading to an increase in the adjusted EBITDA margin from 66% to 67%. The current margin represents an improvement from the cyclical low of 62% reported in 2016.

As described in the Market review below, the economic and market performance of Emerging Markets has further to run, as financial conditions continue to ease in a wide range of developing economies. Against this positive backdrop, Ashmore is well positioned to continue to benefit from the next phase of Emerging Markets growth.

Summary non-GAAP financial performance

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

Non-GAAP alternative performance measures (APMs) are defined and explained on page 9.

		Reclassification of			
£m	**H1 2017/18 Statutory**	Seed capital-related items	Foreign exchange translation	**H1 2017/18 Adjusted**	H1 2016/17 Adjusted
Net management fees	**120.5**	–	–	**120.5**	114.9
Performance fees	**14.8**	–	–	**14.8**	21.6
Other revenue	**1.1**	–	–	**1.1**	2.2
Foreign exchange	**(2.0)**	–	2.3	**0.3**	(3.0)
Net revenue	**134.4**	–	2.3	**136.7**	135.7
Investment securities	**9.4**	(9.4)	–	**–**	–
Third-party interests	**(4.9)**	4.9	–	**–**	–
Personnel expenses	**(34.0)**	–	(0.5)	**(34.5)**	(34.5)
Other expenses excluding depreciation & amortisation	**(12.1)**	1.1	–	**(11.0)**	(11.5)
EBITDA	**92.8**	(3.4)	1.8	**91.2**	89.7
EBITDA margin	***69%***	–	–	***67%***	*66%*
Depreciation and amortisation	**(2.6)**	–	–	**(2.6)**	(2.7)
Operating profit	**90.2**	(3.4)	1.8	**88.6**	87.0
Net finance income/(expense)	**9.1**	(7.1)	–	**2.0**	1.2
Associates and joint ventures	**(0.3)**	–	–	**(0.3)**	0.8
Seed capital-related items	**–**	10.5	–	**10.5**	25.8
Profit before tax excluding FX translation	**99.0**	–	1.8	**100.8**	114.8
Foreign exchange translation	**–**	–	(1.8)	**(1.8)**	6.7
Profit before tax	**99.0**	–	–	**99.0**	121.5

Market review

Investment themes

External debt	Local currency	Corporate debt	Blended debt
Invests in debt instruments issued by sovereigns (governments) and quasi-sovereigns (government-sponsored), principally denominated in G3 currencies.	Invests in local currencies and local currency-denominated instruments issued by sovereign, quasi-sovereign and corporate issuers.	Invests in debt instruments issued by public and private sector companies, principally denominated in G3 currencies.	Invests in both G3 currency and local currency-denominated assets across sovereigns, quasi-sovereigns and corporates.
Equities	**Alternatives**	**Multi-asset**	**Overlay/liquidity**
Invests in equity and equity-related instruments within the Emerging Markets including global, regional, small cap and frontier opportunities.	Provides access to private equity, healthcare, infrastructure, special situations, distressed debt and real estate investment opportunities.	Specialised, efficient, all-in-one access to a long-term strategic asset allocation across the full Emerging Markets investment universe.	Separates and centralises the currency risk of an underlying Emerging Markets asset class in order to manage it effectively and efficiently.

Emerging Markets performed strongly over the six months, reflecting attractive valuations, high and accelerating GDP growth, and supportive fiscal and monetary conditions.

External debt

The EMBI GD external debt index increased by 3.8% over the six months, and its spread over US Treasuries compressed by 25bps. High yield bonds outperformed investment grade. There is a common misperception that this asset class is vulnerable to higher US interest rates, yet it has delivered significant positive absolute and relative returns since the first rate increase by the Federal Reserve (Fed) in December 2015. So far in this cycle, the Fed has increased rates five times, and over that period the EMBI GD index has produced a total return of +22% with its spread reducing by 139bps. Importantly, only one country (Mozambique) defaulted, resulting in less than 10bps of index loss and with no read-across to the other 66 countries in the benchmark index.

Over three years, Ashmore's external debt composite has delivered gross annualised returns of +10.9%, a meaningful level of outperformance against its benchmark index, which has returned +7.1% annualised.

The diversity of the asset class coupled with attractive yields and spreads versus US Treasuries implies that external debt will continue to deliver good returns for the foreseeable future. Given the range of opportunities available, active management will continue to be critical to achieving these returns.

Local currency

The unhedged GBI-EM GD index increased by 4.4% over the period with good returns from rates and a positive contribution from stronger Emerging Markets currencies against the US dollar.

Ashmore's local currency bonds composite has delivered an annualised gross return of +4.2% over the past three years, ahead of its benchmark index (+2.5%).

From their cyclical peak in 2011, Emerging Market currencies fell 40% against the US dollar and have subsequently rallied only 5%, demonstrating that the recovery in this asset class has only just begun. When combined with high nominal and real yields, the ongoing recovery in currencies means there is the potential for local currency assets to deliver double-digit annualised returns for several more years. The outlook for investor allocations to this asset class is therefore positive.

Corporate debt

Corporate debt generated good returns over the six months with the CEMBI BD index rising 2.8%. High yield credit performed more strongly with a total return of 4.2%, thereby comfortably outperforming JP Morgan's US high yield corporate bond index (+2.9%), and it ended the period with a lower default rate of 2.0% versus 3.6% in the US high yield market.

Over three years, the Group's corporate debt composite has generated positive gross investment performance of +10.0% annualised. This is significantly ahead of the performance of its benchmark index, which has returned +6.2% annualised over the same period.

Several factors support continued strong corporate debt performance: the economic backdrop remains favourable; increases in US rates appear priced in; and there is the potential for further significant spread tightening in Emerging Markets corporate credit, particularly in the high yield market. With more than 600 issuers in the benchmark index, credit analysis and security selection is critical to deliver outperformance, and Ashmore's value-based active management approach underpins the delivery of a strong long-term investment track record.

Blended debt

The standard blended debt benchmark (50% EMBI GD, 25% GBI-EM GD, 25% ELMI+) increased by 4.0% over the period, with all constituent asset classes delivering positive returns. Stronger economic growth across Emerging Markets will be positive for local markets, but will also improve credit quality with positive implications for bonds. Consistent with the Group's positive outlook for Emerging Markets and the significant value available across each of the underlying asset classes, the blended debt strategy is positioned for further market appreciation, and currently has a bias towards local currency assets.

The Group's blended debt strategy has delivered attractive performance, with gross annualised returns of +9.1% over the past three years compared with +4.8% annualised for the standard benchmark. As described above, each underlying asset class has generated positive returns over the period, and Ashmore has delivered significant outperformance through its proven ability to identify relative value and dynamically allocate across each of its specialised themes.

Ashmore expects ongoing demand for blended debt funds, particularly from investors wanting broad but actively managed exposure to Emerging Markets debt, or those wishing to define bespoke performance benchmarks.

Equities

Emerging Markets equities performed strongly over the six months as economic growth accelerated. The MSCI EM index increased 15.9%, the MSCI Frontier Markets index rose by 14.1% and the MSCI EM small cap index increased by 15.4%.

Ashmore has delivered between 200bps and 300bps of annualised outperformance versus benchmarks over three years for the small cap and frontier markets composites, respectively.

The strong performance across emerging equity markets has been underpinned by a recovery in corporate earnings, meaning valuations remain at attractive levels. For instance, the MSCI EM index currently trades on 12.5x prospective earnings, in line with its long-run average and largely unchanged from its level a year ago despite the 38% price rally in 2017. The market expects double-digit earnings growth in 2018, providing a solid backdrop for further positive investment performance.

Alternatives

AuM in the theme increased slightly through capital raised into thematic funds such as education and infrastructure. Ashmore continues to explore opportunities to grow the alternatives theme, with a particular focus on Latin America and the Middle East and Asia.

Multi-asset

The multi-asset investment theme offers clients exposure to the full range of Ashmore's actively managed Emerging Markets investment themes, thereby increasing diversification and offering potentially higher returns through the cycle. The Group's Emerging Markets multi-asset strategy is performing well, with all funds significantly outperforming their respective benchmarks over three years.

Overlay/liquidity

AuM increased by US$1.5 billion during the period as a result of net inflows to the overlay theme.

Market outlook

Emerging Markets assets have delivered attractive absolute returns over the past two years, and outperformed developed world assets by a wide margin. Importantly, this performance has been justified by improving economic conditions and most investors have only just begun to recognise the value available across a very broad range of Emerging Markets asset classes, countries, currencies and issuers.

GDP growth is accelerating across a large number of Emerging Markets countries, following the significant macro-economic adjustments undertaken between 2011 and 2015. So far, this has principally reflected the effect of cheap currencies on export volumes. Ashmore expects the next phase of economic expansion to be driven by domestic demand, as capital flows into financially-constrained nations lead to easier financial conditions, stimulating investment and production, and consequently raising wages and consumption. This will support growth as domestic demand represents on average more than 70% of emerging nations' GDP.

One consequence of faster economic growth is that inflation is likely to pick up across Emerging Markets, from a low level of around 4%. It is therefore probable that Emerging Markets central banks will tighten monetary policy and eventually lead the global rates cycle, leaving the main Developed Markets central banks to contend with low growth, low inflation, high indebtedness and a lack of reforms. This has important positive implications for Emerging Markets currencies, and therefore will be supportive for further capital flows and an extension of the economic and business cycles.

There are several important elections in Emerging Markets in 2018, such as in Brazil and Mexico, and these typically provide opportunities for active managers to generate alpha as markets misprice assets based on unlikely implied outcomes. Another important political factor is the pursuit of reforms, as these can underpin or enhance GDP growth expectations. This is most obviously the case in China, but also relevant to other large developing nations such as India, Brazil and Argentina.

This positive outlook for Emerging Markets is set against a background of continued challenges facing Developed Markets. In the developed world, economic growth is relatively slow, high leverage constrains central banks' ability to raise interest rates, there is little occurring by way of reform, and valuations appear stretched in both equity and fixed income markets. The opportunity cost of being overweight Developed Markets and underweight Emerging Markets is high and rising as the latter enter a third consecutive year of outperformance.

Beyond the country-specific and isolated risks that occur every year, the main risks to the positive outlook for Emerging Markets relate to growth scenarios for the United States. While a low probability, there is a chance that productivity growth forces the Fed to raise rates significantly faster than currently expected by the market, thereby strengthening the US dollar. This would undermine the arguments in favour of flows into local currency markets. Conversely, a weaker growth scenario, potentially including a recession, would have mixed implications for Emerging Markets: it would be negative for certain Emerging Markets equities, but with the probability of lower rates and a weaker US dollar, local currency bonds would stand to benefit.

However, the resilience shown by Emerging Markets in the 2011 to 2015 period in the face of challenges that originated primarily in the developed world, suggest that the asset classes are able to continue to deliver appreciable absolute and relative returns and attract significant investor flows over the medium term. The fact that investors remain underweight Emerging Markets adds further support to the view that the cyclical recovery has only just begun. As a specialist, active manager delivering outperformance from a scalable platform, Ashmore is well-positioned to benefit from the structural growth opportunities in Emerging Markets.

Strategy/business developments

Ashmore continues to invest in its future growth. During the period, the Group's global and specialist equities capabilities were enhanced through the recruitment of a number of senior investment professionals in London. Over the medium term, the Group's goal is to increase the level and proportion of the Group's AuM managed in equity strategies from 6% today.

The Group continues to manage its seed capital programme actively. During the six months, new investments of £27.7 million were made across a range of funds, and successful recycling of previous seed capital investments totalled £18.7 million.

The Group's local market businesses are performing well. Together, the five businesses in Colombia, Saudi Arabia, Dubai, India and Indonesia manage US$4.3 billion, or 6% of the Group's total AuM, and are increasingly profitable.

With consistently good performance across Emerging Markets, Ashmore's intermediary retail AuM increased by 20% to US$8.1 billion over the six months. The majority of the growth has been delivered through net inflows, which at US$1.1 billion for the period are equivalent to the total retail net flows achieved in the whole of the preceding financial year.

There is ongoing demand for blended debt and short duration products from retail clients in Asia, Europe and the US, and particular interest in specialist equity strategies, such as frontier markets. There was also a significant increase in Europe and US client flows into local currency funds during the period. By intermediary type, the Group has seen strong flow momentum from Asian and European private banks, and good net inflows from European and US wealth managers and platforms, as well as US registered investment advisers (RIAs) and wirehouses.

With regards to the process for the UK to leave the European Union (Brexit), there has been no new information relevant to the Group since it published its annual report in September 2017. Ashmore remains of the view that the operational implications of Brexit will be manageable.

AuM development

As at 31 December 2017, assets under management were US$69.5 billion, an increase of US$10.8 billion, or 18%, during the six months. A significant proportion of this resulted from net inflows of US$7.9 billion over the six months, continuing the positive trend experienced in the prior financial year.

The strong net flow performance is consistent with this stage in the cycle, as there is inevitably a lag between consistently good market performance and institutional investors taking action, which in many cases is dependent on manager selection, asset allocation and mandate funding processes that can play out over several months or quarters.

Investment performance contributed US$3.2 billion and average AuM of US$64.3 billion was 21% higher than in the same period in the prior year (H1 2016/17: US$53.3 billion).

Gross subscriptions increased significantly to US$15.0 billion, or 26% of opening AuM (H1 2016/17: US$5.5 billion, 10% of opening AuM), with broad-based demand across client categories and geographies. The stronger sales performance reflects both higher allocations from existing institutional clients and new segregated mandates, and an acceleration of flows through retail intermediary channels.

Gross redemptions were similar to last year at US$7.1 billion, or 12% of opening AuM (H1 2016/17: US$6.2 billion, 12% of opening AuM). Redemptions were slightly higher in the second quarter, as some clients took the opportunity to realise profits towards the end of the calendar year.

During the first quarter of the financial year, assets totalling US$2.2 billion were reclassified into the blended debt theme as a result of, for example, changes to performance benchmarks or investment guidelines. The majority of the assets (US$2.0 billion) were previously in the local currency theme, with the remainder in the external debt theme.

The Group's client base is predominantly institutional, with 88% of AuM from such clients (30 June 2017: 88%) and the remainder sourced through intermediaries, which provide access to retail investors. Segregated accounts represent 64% of AuM (30 June 2017: 67%).

Ashmore's principal mutual fund platforms are in Europe and the US, which together account for 20% of AuM (30 June 2017: 19%). The European SICAV range comprises 26 funds with AuM of US$12.1 billion (30 June 2017: US$9.3 billion in 26 funds) and the US 40-Act range has eight funds with AuM of US$2.0 billion (30 June 2017: US$1.7 billion in 10 funds).

Investment performance

The Group's investment performance remains strong with 82% of AuM outperforming over one year, 93% over three years, and 87% over five years (30 June 2017: 91%, 86% and 87%, respectively). As at 31 December 2017, the majority of the Group's fixed income and specialist equity products are in the first or second performance quartile when compared with peers, over one, three and five years.

EMLIP's 25-year track record is an important factor in illustrating to clients not only the potential returns available in Emerging Markets, but also the virtues of active management and the success across numerous market cycles of Ashmore's rigorous and consistent investment processes.

The Group's investments are geographically diverse and consistent with recent periods, with 37% in Latin America, 23% in Asia Pacific, 27% in Eastern Europe and 13% in the Middle East and Africa.

AuM movements by investment theme as classified by mandate

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

Investment theme	AuM 30 June 2017 US$bn	Gross subscriptions US$bn	Gross redemptions US$bn	Net flows US$bn	Performance US$bn	Other/ reclassification US$bn	**AuM 31 December 2017 US$bn**
External debt	13.3	2.4	(1.1)	1.3	0.6	(0.2)	15.0
Local currency	13.7	4.1	(1.7)	2.4	0.8	(2.0)	14.9
Corporate debt	6.3	2.6	(1.5)	1.1	0.4	–	7.8
Blended debt	14.6	2.6	(1.4)	1.2	0.8	2.2	18.8
Equities	3.4	1.1	(0.9)	0.2	0.3	–	3.9
Alternatives	1.5	0.1	–	0.1	–	–	1.6
Multi-asset	1.1	–	(0.1)	(0.1)	0.2	–	1.2
Overlay/liquidity	4.8	2.1	(0.4)	1.7	0.1	(0.3)	6.3
Total	**58.7**	**15.0**	**(7.1)**	**7.9**	**3.2**	**(0.3)**	**69.5**

In August 2017, Ashmore's equity interest in Taiping Fund Management Company Limited reduced from 15% to 8.5%, resulting in a US$0.3 billion reduction in AuM in the overlay/liquidity investment theme.

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 2017			**AuM at 31 December 2017**		
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	23	39	22.5	**22**	**38**	**26.5**
Local currency	23	30	17.8	**21**	**30**	**20.8**
Corporate debt	11	13	7.8	**11**	**14**	**9.4**
Blended debt	25	–	–	**27**	**–**	**–**
Equities	6	7	3.9	**6**	**6**	**4.5**
Alternatives	2	3	1.8	**2**	**3**	**1.8**
Multi-asset	2	–	–	**2**	**–**	**–**
Overlay/liquidity	8	8	4.9	**9**	**9**	**6.5**
Total	100	100	58.7	**100**	**100**	**69.5**

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.

	Net management fees		Performance fees		Net management fee margin	
Investment theme	**H1 2017/18 £m**	H1 2016/17 £m	**H1 2017/18 £m**	H1 2016/17 £m	**H1 2017/18 bps**	H1 2016/17 bps
External debt	**24.4**	23.6	**1.7**	8.3	**45**	51
Local currency	**21.4**	22.7	**7.3**	10.8	**43**	43
Corporate debt	**16.3**	12.7	**0.8**	–	**61**	61
Blended debt	**34.1**	30.8	**4.9**	2.5	**50**	53
Equities	**10.8**	11.4	**0.1**	–	**79**	96
Alternatives	**6.6**	7.9	**–**	–	**137**	141
Multi-asset	**3.3**	3.8	**–**	–	**76**	82
Overlay/liquidity	**3.6**	2.0	**–**	–	**17**	16
Total	**120.5**	114.9	**14.8**	21.6	**50**	54

Revenues

Higher net management fee income of £120.5 million was partially offset by a lower contribution from performance fees, leading to a 1% increase in operating revenues to £136.7 million (H1 2016/17: £135.7 million). On a statutory basis, including foreign exchange translation, net revenues were £134.4 million (H1 2016/17: £144.1 million).

The Group's management fee income, net of distribution costs, increased 5% to £120.5 million (H1 2016/17: £114.9 million). Growth in AuM outweighed the 4% increase in the average GBP:USD rate, from 1.2809 to 1.3259, and a year-on-year reduction in the average net management fee margin from 54bps to 50bps. The movement in the margin is attributable to the impact of large mandate wins (2bps), investment theme mix (1.5bps), and other effects (0.5bps). Compared with H2 2016/17, the net management fee margin was unchanged.

Performance fees of £14.8 million (H1 2016/17: £21.6 million) were generated in the period across a range of funds and investment themes.

At 31 December 2017, 12% of the Group's AuM was eligible to earn performance fees (30 June 2017: 12%), 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 loss of £2.3 million (H1 2016/17: £8.4 million gain), reflecting Sterling strength against the US dollar over the period. The net realised and unrealised gain on the Group's foreign exchange hedges was £0.3 million (H1 2016/17: £3.0 million loss).

Operating costs

The Group continues to exercise strict control over its discretionary expenditure. Consequently, total operating costs were reduced by 6% to £48.7 million (H1 2016/17: £51.8 million), with both personnel and other operating costs lower than in the prior year period.

Excluding variable compensation, operating costs fell by 5% to £27.0 million (H1 2016/17: £28.5 million). This includes £1.1 million of operating costs borne by consolidated funds (H1 2016/17: £1.4 million). Excluding variable compensation, consolidated fund expenses and currency effects, operating costs were reduced by 3% versus the same period in the prior year.

Fixed staff costs of £12.3 million decreased by 5% compared with the prior year (H1 2016/17: £12.9 million), reflecting 3% lower average headcount and the effect of actions taken a year ago such as the sale of the Turkish business and restructuring of the Group's operations in the United States.

The Group's headcount increased by 2% over the six-month period from 252 to 257 employees, due to recruitment centred on the equities investment team as well as increases in local offices such as Dubai and Indonesia.

Other operating costs, excluding depreciation and amortisation, fell by £0.8 million to £12.1 million. Excluding the effects of consolidated funds, other operating expenses declined 4% to £11.0 million.

From January 2018, the cost of third-party investment research will be borne by the Group. This is not expected to have a material impact on operating costs given the nature of the Group's investment processes, with a heavy emphasis on well-established in-house capabilities, and the bias towards fixed income markets in the Group's AuM mix.

As is usual at the half-year stage, variable compensation has been accrued at 20% of earnings before variable compensation, interest and tax, resulting in a charge of £21.7 million (H1 2016/17: £23.3 million).

The combined depreciation and amortisation charge for the period was £2.6 million (H1 2016/17: £2.7 million).

Adjusted EBITDA

Adjusted EBITDA, which reclassifies items relating to seed capital investments and foreign exchange translation effects, increased by 2% from £89.7 million to £91.2 million. This positive operating leverage was achieved through 1% growth in operating revenues and a 1% reduction in adjusted operating costs excluding depreciation and amortisation.

The adjusted EBITDA margin, which reflects the Group's underlying operating performance, increased from 66% to 67%.

Finance income

Net finance income of £9.1 million (H1 2016/17: £26.1 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 £2.0 million (H1 2016/17: £1.2 million).

Profit before tax

Statutory profit before tax of £99.0 million is lower than in the prior year period (H1 2016/17: £121.5 million) due to the impact of foreign exchange translation, and lower contributions from performance fees and 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 £18.9 million (H1 2016/17: £22.1 million), £14.3 million relates to UK corporation tax (H1 2016/17: £17.4 million).

There is a £19.2 million net deferred tax asset on the Group's balance sheet as at 31 December 2017 (31 December 2016: £13.9 million), which arises principally as a result of timing differences in the recognition of the accounting expense and actual tax deduction in connection with i) share-based payments and ii) goodwill and intangibles arising on the acquisition of Ashmore's equity business.

The Group's effective tax rate for the six-month period is 18.0% (H1 2016/17: 18.7%), which is lower than the prevailing UK corporation tax rate of 19.0% (H1 2016/17: 19.75%). This predominantly reflects the blend of the varying rates that apply across the territories in which the Group operates. Note 9 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 18% to 12.0 pence (H1 2016/17: 14.7 pence) and diluted earnings per share declined by 19% from 13.9 pence to 11.3 pence.

Balance sheet, cash flow and foreign exchange

It is the Group's policy to maintain a strong balance sheet in order to meet regulatory capital requirements, to support the commercial demands of current and prospective investors, and to fund strategic development opportunities across the business. These include establishing distribution offices and local asset management ventures, seeding and investing in funds and other assets, and other strategic initiatives.

As at 31 December 2017, total equity attributable to shareholders of the parent was £704.9 million (31 December 2016: £695.8 million, 30 June 2017: £724.4 million). Capital resources available to the Group totalled £596.2 million as at 31 December 2017, equivalent to 84 pence per share, and significantly exceeded the Group's regulatory capital requirement of £111.1 million, equivalent to 16 pence per share. The Group has no debt.

Cash

Ashmore's business model delivers a high conversion rate of profits to cash. Based on operating profit of £90.2 million for the period (H1 2016/17: £94.6 million), the Group generated £72.7 million of cash from operations (H1 2016/17: £96.6 million). The operating cash flows after excluding consolidated funds represent 81% of the adjusted EBITDA for the period of £91.2 million (H1 2016/17: 109%).

Cash and cash equivalents by currency

	31 December 2017 £m	30 June 2017 £m
Sterling	**51.7**	149.7
US dollar	**296.3**	253.8
Other	**20.7**	29.0
Total	**368.7**	432.5

The Group's cash balance declined over the six months. In the first half of the financial year, the Group distributes the final ordinary dividend to shareholders, makes corporation tax payments, and pays cash variable remuneration to employees, all of which relate to the prior financial year.

Seed capital investments

The Group's actively managed seed capital programme has delivered growth in third-party AuM with approximately 13% of Group AuM in funds that have been seeded.

During the six-month period, the Group made new investments of £27.7 million and realised £18.7 million from previous investments. Together with positive market movements of £7.1 million, the value of the Group's seed capital investments increased from £210.2 million as at 30 June 2017 to £226.3 million as at 31 December 2017. The Group has also committed £35.8 million that was undrawn at the period end.

As at 31 December 2017, the original cost of the Group's current seed capital investments was £184.0 million, representing 29% of Group net tangible equity. The majority of the Group's seed capital by market value is held in liquid funds with better than one-month dealing frequency, such as SICAV or US 40-Act mutual funds.

New investments were principally made into mutual funds in the equities investment theme, consistent with the strategic growth initiatives for this theme, and into alternatives products.

The Group redeemed seed capital from a range of funds, including frontier equity funds and funds managed by the local platform in Indonesia, as these strategies saw growth in third-party assets under management.

Seed capital activities generated a profit before tax of £10.5 million (H1 2016/17: £25.8 million), comprising positive market and other movements of £13.5 million and a foreign exchange translation loss of £3.0 million (H1 2016/17: £10.9 million gain and £14.9 million gain, respectively).

Seed capital market value by currency

	31 December 2017 £m	30 June 2017 £m
US dollar	**205.7**	188.3
Colombian peso	**12.4**	9.6
Other	**8.2**	12.3
Total market value	**226.3**	210.2

The table below summarises the principal IFRS line items to assist in the understanding of the financial impact of the Group's seed capital programme.

Own shares held

The Group uses an Employee Benefit Trust (EBT) to purchase and hold shares in anticipation of the vesting of share awards. During the period, the EBT purchased shares worth £10.3 million (H1 2016/17: £11.8 million) and as at 31 December 2017, the EBT owned 34,953,460 (30 June 2017: 38,701,321) ordinary shares.

Foreign exchange

The majority of the Group's fee income is received in US dollars and it is the Group's policy to hedge up to two-thirds of the notional value of 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 loss of £2.3 million (H1 2016/17: £8.4 million gain), primarily the effect of Sterling strength against the US dollar. Net realised and unrealised hedging gains of £0.3 million (H1 2016/17: £3.0 million loss) were recognised for the period.

Financial impact of seed capital investments

	H1 2017/18 £m	H1 2016/17 £m
Consolidated funds (note 14):		
Gains/(losses) on investment securities	**9.4**	6.7
Change in third-party interests in consolidated funds	**(4.9)**	(4.4)
Operating costs	**(1.1)**	(1.4)
Finance income	**2.7**	4.0
Sub-total: consolidated funds	**6.1**	4.9
Unconsolidated funds (note 7):		
Market return	**7.4**	6.0
Foreign exchange	**(3.0)**	14.9
Sub-total: unconsolidated funds	**4.4**	20.9
Total seed capital profit/(loss)	**10.5**	25.8
– realised	**–**	7.9
– unrealised	**10.5**	17.9

Dividend

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

In the light of the dividend policy and considering both the cash-generative nature of the Group's business model and its strong and liquid balance sheet, the Board has determined that an interim dividend of 4.55 pence per share (H1 2016/17: 4.55 pence per share) will be paid on 4 April 2018 to all shareholders on the register on 9 March 2018.

Mark Coombs
Chief Executive Officer

7 February 2018

Alternative performance measures

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

Net revenue

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

Variable compensation ratio

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

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

EBITDA

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

Adjusted EBITDA, adjusted operating costs, and operating revenues

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. Operating revenues are defined on the same basis, that is, excluding foreign exchange translation.

Adjusted EBITDA margin

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

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 2017

	Notes	**Unaudited 6 months to 31 December 2017 £m**	Unaudited 6 months to 31 December 2016 £m	Audited 12 months to 30 June 2017 £m
Management fees		**124.4**	116.8	226.2
Performance fees		**14.8**	21.6	28.3
Other revenue		**1.1**	2.2	2.7
Total revenue	5	**140.3**	140.6	257.2
Distribution costs		**(3.9)**	(1.9)	(4.6)
Foreign exchange	6	**(2.0)**	5.4	5.0
Net revenue		**134.4**	144.1	257.6
Gains on investment securities	14	**9.4**	6.7	22.4
Change in third-party interests in consolidated funds	14	**(4.9)**	(4.4)	(12.5)
Personnel expenses		**(34.0)**	(36.2)	(67.8)
Other expenses		**(14.7)**	(15.6)	(32.9)
Operating profit		**90.2**	94.6	166.8
Finance income	7	**9.1**	26.1	38.6
Profit on disposal of joint ventures and subsidiaries		**–**	1.6	1.6
Share of losses from associates and joint ventures		**(0.3)**	(0.8)	(0.8)
Profit before tax		**99.0**	121.5	206.2
Tax expense	9	**(17.8)**	(22.7)	(36.7)
Profit for the period		**81.2**	98.8	169.5
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		**(18.9)**	6.2	(16.7)
Fair value reserve (available-for-sale financial assets):				
Net change in fair value		**2.4**	0.6	2.9
Cash flow hedge intrinsic value gains		**0.8**	1.0	3.8
Other comprehensive income, net of related tax effect		**(15.7)**	7.8	(10.0)
Total comprehensive income for the period		**65.5**	106.6	159.5
Profit attributable to:				
Equity holders of the parent		**80.2**	98.4	167.6
Non-controlling interests		**1.0**	0.4	1.9
Profit for the period		**81.2**	98.8	169.5
Total comprehensive income attributable to:				
Equity holders of the parent		**64.5**	106.3	157.8
Non-controlling interests		**1.0**	0.3	1.7
Total comprehensive income for the period		**65.5**	106.6	159.5
Earnings per share				
Basic	10	**11.96p**	14.72p	25.07p
Diluted	10	**11.28p**	13.93p	23.71p

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

Interim condensed consolidated balance sheet

As at 31 December 2017

	Notes	**Unaudited 31 December 2017 £m**	Unaudited 31 December 2016 £m	Audited 30 June 2017 £m
Assets				
Non-current assets				
Goodwill and intangible assets	12	**74.7**	85.8	79.9
Property, plant and equipment		**1.3**	1.8	1.6
Investment in associates and joint ventures		**1.8**	2.3	2.3
Non-current asset investments	14	**24.9**	21.1	22.5
Other receivables		**0.1**	0.1	0.1
Deferred acquisition costs		**0.5**	0.4	0.6
Deferred tax assets		**26.3**	21.4	27.4
		129.6	132.9	134.4
Current assets				
Investment securities	14	**250.5**	178.2	231.2
Available-for-sale financial assets	14	**13.6**	9.0	11.3
Fair value through profit or loss investments	14	**24.5**	63.5	36.0
Trade and other receivables		**82.9**	94.1	70.9
Derivative financial instruments		**0.9**	–	0.3
Cash and cash equivalents		**368.7**	378.1	432.5
		741.1	722.9	782.2
Non-current assets held-for-sale	14	**24.5**	53.0	7.1
Total assets		**895.2**	908.8	923.7
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		**699.4**	656.9	703.2
Foreign exchange reserve		**(14.3)**	27.4	4.6
Available-for-sale fair value reserve		**3.5**	(1.2)	1.1
Cash flow hedging reserve		**0.6**	(3.0)	(0.2)
		704.9	695.8	724.4
Non-controlling interests		**1.7**	1.5	2.3
Total equity		**706.6**	697.3	726.7
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**7.1**	7.5	9.2
		7.1	7.5	9.2
Current liabilities				
Current tax		**13.6**	20.4	14.7
Third-party interests in consolidated funds	14	**113.4**	101.4	108.9
Derivative financial instruments		**–**	3.8	–
Trade and other payables		**45.2**	78.1	64.2
		172.2	203.7	187.8
Non-current liabilities held-for-sale	14	**9.3**	0.3	–
Total liabilities		**188.6**	211.5	197.0
Total equity and liabilities		**895.2**	908.8	923.7

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

Interim condensed consolidated statement of changes in equity

For the six months ended 31 December 2017

	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 2016	–	15.7	645.7	21.1	(1.8)	(4.0)	676.7	3.3	680.0
Profit for the period	–	–	98.4	–	–	–	98.4	0.4	98.8
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	–	–	–	6.3	–	–	6.3	(0.1)	6.2
Net fair value gains on available-for-sale assets including tax	–	–	–	–	0.6	–	0.6	–	0.6
Cash flow hedge intrinsic value gains	–	–	–	–	–	1.0	1.0	–	1.0
Total comprehensive income/(loss)	–	–	98.4	6.3	0.6	1.0	106.3	0.3	106.6
Transactions with owners:									
Purchase of own shares	–	–	(11.8)	–	–	–	(11.8)	–	(11.8)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(0.4)	(0.4)
Share-based payments	–	–	9.5	–	–	–	9.5	–	9.5
Dividends to equity holders	–	–	(84.9)	–	–	–	(84.9)	–	(84.9)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(1.7)	(1.7)
Total contributions and distributions	–	–	(87.2)	–	–	–	(87.2)	(2.1)	(89.3)
Unaudited balance at 31 December 2016	–	15.7	656.9	27.4	(1.2)	(3.0)	695.8	1.5	697.3
Profit for the period	–	–	69.2	–	–	–	69.2	1.5	70.7
Other comprehensive income/(loss):									
Foreign currency translation differences arising on foreign operations	–	–	–	(22.8)	–	–	(22.8)	(0.1)	(22.9)
Net fair value gains on available-for-sale assets including tax	–	–	–	–	2.3	–	2.3	–	2.3
Cash flow hedge intrinsic value gains	–	–	–	–	–	2.8	2.8	–	2.8
Total comprehensive income/(loss)	–	–	69.2	(22.8)	2.3	2.8	51.5	1.4	52.9
Transactions with owners:									
Share-based payments	–	–	8.8	–	–	–	8.8	–	8.8
Dividends to equity holders	–	–	(31.7)	–	–	–	(31.7)	–	(31.7)
Dividends to non-controlling interests	–	–	–	–	–	–	–	(0.6)	(0.6)
Total contributions and distributions	–	–	(22.9)	–	–	–	(22.9)	(0.6)	(23.5)
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**

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

Interim condensed consolidated cash flow statement

For the six months ended 31 December 2017

	Unaudited 6 months to 31 December 2017 £m	Unaudited 6 months to 31 December 2016 £m	Audited 12 months to 30 June 2017 £m
Operating activities			
Operating profit	**90.2**	94.6	166.8
Adjustments for non-cash items:			
Depreciation and amortisation	**2.6**	2.7	5.5
Accrual for variable compensation	**13.9**	23.4	24.4
Unrealised foreign exchange gains	**2.1**	(8.1)	(8.7)
Other non-cash items	**(4.5)**	(5.1)	(11.0)
Cash generated from operations before working capital changes	**104.3**	107.5	177.0
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**(12.0)**	(32.9)	(9.7)
Increase/(decrease) in derivative financial instruments	**(0.6)**	(0.7)	(4.8)
Increase/(decrease) in trade and other payables	**(19.0)**	22.7	8.8
Cash generated from operations	**72.7**	96.6	171.3
Taxes paid	**(20.3)**	(26.2)	(48.0)
Net cash from operating activities	**52.4**	70.4	123.3
Investing activities			
Interest received	**4.9**	5.1	8.8
Dividends received	**0.1**	–	0.4
Proceeds on disposal of joint ventures and subsidiaries	**–**	4.8	4.8
Purchase of non-current asset investments	**(2.1)**	(6.6)	(8.8)
Purchase of financial assets held-for-sale	**(14.4)**	(24.0)	(26.9)
Purchase of available-for-sale financial assets	**(0.1)**	(1.6)	–
Purchase of fair value through profit or loss investments	**–**	(6.3)	(14.0)
Purchase of investment securities	**(21.0)**	(12.1)	(17.0)
Sale of non-current asset investments	**–**	0.5	0.5
Sale of financial assets held-for-sale	**–**	11.3	47.9
Sale of available-for-sale financial assets	**0.3**	–	–
Sale of fair value through profit or loss investments	**13.2**	41.5	43.2
Sale of investment securities	**–**	11.3	28.1
Net cash flow arising on initial consolidation of seed capital investments	**1.0**	1.5	8.1
Purchase of property, plant and equipment	**–**	–	(0.4)
Net cash generated/(used) in investing activities	**(18.1)**	25.4	74.7

	Unaudited 6 months to 31 December 2017 £m	Unaudited 6 months to 31 December 2016 £m	Audited 12 months to 30 June 2017 £m
Financing activities			
Dividends paid to equity holders	**(85.3)**	(84.9)	(116.6)
Dividends paid to non-controlling interests	**(1.2)**	(1.7)	(2.3)
Third-party subscriptions into consolidated funds	**12.2**	13.9	18.7
Third-party redemptions from consolidated funds	**–**	(2.4)	(8.6)
Distributions paid by consolidated funds	**(1.0)**	(1.6)	(3.1)
Acquisition of interest from non-controlling interests	**(0.4)**	(0.4)	(0.4)
Purchase of own shares	**(10.3)**	(11.8)	(11.8)
Net cash used in financing activities	**(86.0)**	(88.9)	(124.1)
Net increase/(decrease) in cash and cash equivalents	**(51.7)**	6.9	73.9
Cash and cash equivalents at beginning of period	**432.5**	364.0	364.0
Effect of exchange rate changes on cash and cash equivalents	**(12.1)**	7.2	(5.4)
Cash and cash equivalents at end of period	**368.7**	378.1	432.5
Cash and cash equivalents comprise:			
Cash at bank and in hand	**76.9**	69.5	71.1
Daily dealing liquidity funds	**264.9**	155.6	216.5
Deposits	**26.9**	153.0	144.9
	368.7	378.1	432.5

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

Notes to the interim condensed consolidated financial statements

1) General information

These interim condensed consolidated financial statements of Ashmore Group plc and its subsidiaries (the Group) for the six months ended 31 December 2017 were authorised for issue by the Directors on 7 February 2018.

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 2017 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 6 September 2017 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 2017.

New Standards and Interpretations not yet adopted

As previously described in the Group's annual statutory accounts for the 12 months to 30 June 2017, the Group has completed an impact assessment of the following Standards or Interpretations which were in issue but were not required to be implemented as at 31 December 2017:

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

The Group expects to implement IFRS 9 and IFRS 15 on 1 July 2018. The Group does not anticipate the implementation of these Standards to have a material impact on its reported results or net assets. The estimated likely impact on implementing these Standards is approximately 1% of the Group's net assets. However, there will be a number of presentational changes required on the face of the consolidated statement of comprehensive income and consolidated balance sheet. The Group continues to assess the impact of IFRS 16, which becomes effective from 1 July 2019.

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

Going concern

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

3) Accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual report and accounts for the year ended 30 June 2017.

4) Segmental information

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

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

Analysis of non-current assets by geography

	As at 31 December 2017 £m	As at 31 December 2016 £m	As at 30 June 2017 £m
United Kingdom	**7.0**	8.0	7.8
United States	**70.8**	81.9	76.1
Other	**0.5**	0.4	0.5
Total non-current assets	**78.3**	90.3	84.4

5) Revenue

Management fees are accrued throughout the period in line with prevailing levels of assets under management and performance fees are recognised when they can be estimated reliably and it is probable that they will crystallise. The Group is not considered to be reliant on any single source of revenue. None of the Group's funds provided more than 10.0% of total revenue in the period (H1 2016/17: none; FY2015/17: none) when considering management fees and performance fees on a combined basis.

Analysis of revenue by geography

	6 months to 31 December 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
United Kingdom revenue	**128.0**	129.1	232.8
United States revenue	**3.7**	4.3	8.7
Other	**8.6**	7.2	15.7
Total revenue	**140.3**	140.6	257.2

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 2017**	Closing rate as at 31 December 2016	Closing rate as at 30 June 2017	**Average rate 6 months ended 31 December 2017**	Average rate 6 months ended 31 December 2016	Average rate 12 months ended 30 June 2017
US dollar	**1.3513**	1.2340	1.2946	**1.3259**	1.2809	1.2766
Euro	**1.1260**	1.1731	1.1426	**1.1258**	1.1689	1.1671
Indonesian rupiah	**18,311**	16,535	17,340	**17,776**	16,922	16,918
Colombian peso	**4,035**	3,706	3,965	**3,973**	3,829	3,788

Foreign exchange gains and losses are shown below.

	6 months to 31 December 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
Net realised and unrealised hedging gains/(losses)	**0.3**	(3.0)	(2.8)
Translation gains/(losses) on non-Sterling denominated monetary assets and liabilities	**(2.3)**	8.4	7.8
Total foreign exchange gains/(losses)	**(2.0)**	5.4	5.0

7) Finance income and expense

	6 months to 31 December 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
Finance income			
Interest and income in consolidated funds	**4.7**	5.2	10.4
Net realised gains on seed capital investments measured at fair value	**–**	7.9	20.8
Net unrealised gains on seed capital investments measured at fair value	**4.4**	13.0	7.4
Total finance income	**9.1**	26.1	38.6

8) Share-based payments

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

	6 months to 31 December 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
Omnibus Plan	**14.0**	11.1	24.2
Phantom Bonus Plan	**(0.1)**	0.1	0.2
Total share-based payments expense	**13.9**	11.2	24.4

The total expense recognised for the period in respect of equity-settled share-based payment awards was £11.2 million (H1 2016/17: £12.4 million; FY2016/17: £21.3 million).

The Executive Omnibus Incentive Plan (Omnibus Plan)

Share awards outstanding under the Omnibus Plan were as follows:

	6 months to 31 December 2017 Number of shares subject to awards	6 months to 31 December 2016 Number of shares subject to awards	12 months to 30 June 2017 Number of shares subject to awards
Equity-settled awards			
At the beginning of the period	**38,579,871**	39,805,764	39,805,764
Granted	**10,237,825**	7,523,609	7,523,609
Vested	**(6,762,746)**	(5,971,865)	(6,281,971)
Forfeited	**(953,065)**	(2,129,853)	(2,467,531)
Outstanding at the end of the period	**41,101,885**	39,227,655	38,579,871
Cash-settled awards			
At the beginning of the period	**295,492**	650,906	650,906
Granted	**112,509**	50,760	50,760
Vested	**(27,334)**	(121,852)	(121,852)
Forfeited	**(63,779)**	(284,322)	(284,322)
Outstanding at the end of the period	**316,888**	295,492	295,492
Total awards			
At the beginning of the period	**38,875,363**	40,456,670	40,456,670
Granted	**10,350,334**	7,574,369	7,574,369
Vested	**(6,790,080)**	(6,093,717)	(6,403,823)
Forfeited	**(1,016,844)**	(2,414,175)	(2,751,853)
Outstanding at the end of the period	**41,418,773**	39,523,147	38,875,363

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

The liability arising from cash-settled awards under the Omnibus Plan at the end of the period and reported within trade and other payables in the interim condensed consolidated balance sheet is £0.4 million (H1 2016/17: £0.3 million; FY2016/17: £0.4 million) of which £nil (H1 2016/17: £nil; FY2016/17: £nil) relates to vested awards.

9) Taxation

Analysis of tax charge for the period

	6 months to 31 December 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
Current tax			
UK corporation tax on profits for the period	**14.3**	17.4	31.3
Overseas corporation tax charge	**4.6**	4.7	7.9
Adjustments in respect of prior periods	**–**	–	1.5
	18.9	22.1	40.7
Deferred tax			
Origination and reversal of temporary differences	**(3.2)**	0.6	(3.2)
Effect of changes in corporation tax rates	**2.1**	–	(0.8)
Tax expense for the period	**17.8**	22.7	36.7

Factors affecting tax charge for the period

	6 months to 31 December 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
Profit before tax	**99.0**	121.5	206.2
Profit on ordinary activities multiplied by the blended UK tax rate for the financial year of 19.00% (H1 2016/17: 19.75%; FY2016/17: 19.75%)	**18.8**	24.0	40.7
Effects of:			
Non-deductible expenses	**0.1**	0.9	0.2
Deduction in respect of vested shares/exercised options (Part 12, Corporation Tax Act 2009)	**(3.0)**	(1.0)	(2.8)
Different rate of taxes on overseas profits	**(0.5)**	(0.3)	1.4
Non-taxable income	**(0.5)**	(1.2)	(4.1)
Disallowed deferred tax assets	**–**	0.3	–
Effect on deferred tax balance from changes in the US Federal tax rate*	**2.1**	–	(0.8)
Non-deductible loss on associates	**0.3**	–	–
Other items	**0.5**	–	0.5
Adjustments in respect of prior periods	**–**	–	1.6
Tax expense for the period	**17.8**	22.7	36.7

* The US Federal tax rate reduced to 21% with effect from 1 January 2018. This reduction has been taken into account in the calculation of current and deferred tax for the Group's US subsidiaries.

10) Earnings per share

Basic earnings per share at 31 December 2017 of 11.96 pence (H1 2016/17: 14.72 pence; FY2016/17: 25.07 pence) is calculated by dividing the profit after tax for the financial period attributable to equity holders of the parent of £80.2 million (H1 2016/17: £98.4 million; FY2016/17: £167.6 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 2017 Number of ordinary shares	6 months to 31 December 2016 Number of ordinary shares	12 months to 30 June 2017 Number of ordinary shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**670,651,535**	668,479,616	668,488,046
Effect of dilutive potential ordinary shares – share awards	**40,377,421**	38,020,304	38,451,642
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**711,028,956**	706,499,920	706,939,688

11) Dividends

Dividends paid

	6 months to 31 December 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
Final dividend for FY2016/17: 12.10p (FY2015/16: 12.10p)	**85.4**	84.9	84.9
Interim dividend for FY2016/17: 4.55p	**–**	–	31.7
	85.4	84.9	116.6

In addition, the Group paid £1.2 million (H1 2016/17: £1.7 million; FY2016/17: £2.3 million) of dividends to non-controlling interests.

Dividends declared/proposed

Company	6 months to 31 December 2017 pence	6 months to 31 December 2016 pence	12 months to 30 June 2017 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 2017 of 4.55 pence per share (six months to 31 December 2016: 4.55 pence per share; final dividend for the year to 30 June 2017: 12.10 pence per share) payable on 4 April 2018 to shareholders on the register on 9 March 2018.

12) Goodwill and intangible assets

	Goodwill £m	Fund management relationships £m	Total £m
Cost (at original exchange rate)			
At 31 December 2017, 31 December 2016 and 30 June 2017	**57.5**	**39.5**	**97.0**
Accumulated amortisation and impairment			
At 30 June 2016	–	(31.1)	(31.1)
Amortisation charge for the period	–	(2.2)	(2.2)
At 31 December 2016	–	(33.3)	(33.3)
Amortisation charge for the period	–	(2.3)	(2.3)
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)**
Net book value			
At 30 June 2016	70.1	12.4	82.5
Accumulated amortisation for the period	–	(2.2)	(2.2)
FX revaluation through reserves*	4.7	0.8	5.5
At 31 December 2016	74.8	11.0	85.8
Accumulated amortisation for the period	–	(2.3)	(2.3)
FX revaluation through reserves*	(3.2)	(0.4)	(3.6)
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**

* 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 principally to the acquisition of the equities business in May 2011.

During the period to 31 December 2017, no factors indicating potential impairment of goodwill were noted.

Goodwill is tested for impairment annually or whenever there is an indication that the carrying amount may not be recoverable based on management's judgements regarding the future prospects of the business, estimates of future cash flows and discount rates. The key assumptions used to determine the recoverable amount were disclosed in the annual report and accounts for the year ended 30 June 2017. Based on management's assessment as at 31 December 2017, the recoverable amount was in excess of the carrying value of goodwill and no impairment was implied.

Fund management relationships

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

During the period to 31 December 2017, there was a review process to identify factors indicating whether the Group's fund management relationships were impaired. None was identified and as a consequence, no impairment charge has been included within the Group's other expenses in the consolidated statement of comprehensive income in the period (H1 2016/17: £nil; FY2016/17: £nil).

The remaining amortisation period for fund management relationships is one and a half years (31 December 2016: two and a half years; 30 June 2017: two years).

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 2017.

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 2017				At 31 December 2016				At 30 June 2017			
	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	**79.5**	**83.3**	**87.7**	**250.5**	51.1	76.1	51.0	178.2	60.8	85.5	84.9	231.2
Non-current financial assets held-for-sale	**–**	**24.5**	**–**	**24.5**	–	23.6	29.4	53.0	–	7.1	–	7.1
Available-for-sale financial assets	**–**	**–**	**13.6**	**13.6**	0.5	0.1	8.4	9.0	–	0.1	11.2	11.3
Fair value through profit or loss investments	**8.1**	**16.4**	**–**	**24.5**	–	63.5	–	63.5	–	36.0	–	36.0
Non-current asset investments	**–**	**4.4**	**20.5**	**24.9**	–	4.6	16.5	21.1	–	4.5	18.0	22.5
Derivative financial instruments	**–**	**0.9**	**–**	**0.9**	–	–	–	–	–	0.3	–	0.3
	87.6	**129.5**	**121.8**	**338.9**	51.6	167.9	105.3	324.8	60.8	133.5	114.1	308.4
Financial liabilities												
Third-party interests in consolidated funds	**36.8**	**43.8**	**32.8**	**113.4**	29.6	40.1	31.7	101.4	30.9	42.4	35.6	108.9
Derivative financial instruments	**–**	**–**	**–**	**–**	–	3.8	–	3.8	–	–	–	–
Non-current financial liabilities held-for-sale	**–**	**9.3**	**–**	**9.3**	–	0.3	–	0.3	–	–	–	–
	36.8	**53.1**	**32.8**	**122.7**	29.6	44.2	31.7	105.5	30.9	42.4	35.6	108.9

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

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

	Investment securities £m	**Non-current financial assets held-for-sale £m**	**Available-for-sale financial assets £m**	**Non-current asset investments £m**	**Third-party interests in consolidated funds £m**
At 31 December 2016	51.0	29.4	8.4	16.5	31.7
Net additions/(disposals)	–	–	–	1.9	–
Reclassification from HFS investments to consolidated funds	28.1	(28.1)	–	–	–
Unrealised gains/(losses) recognised in finance income	5.8	(1.3)	–	(0.4)	3.9
Unrealised gains/(losses) recognised in other comprehensive income	–	–	2.8	–	–
At 30 June 2017	84.9	**–**	11.2	18.0	35.6
Net additions/(disposals)	**3.4**	**–**	**–**	**2.1**	**(1.5)**
Unrealised gains/(losses) recognised in finance income	**1.9**	**–**	**–**	**0.4**	**(1.3)**
Unrealised gains/(losses) recognised in other comprehensive income	**(2.5)**	**–**	**2.4**	**–**	**–**
At 31 December 2017	**87.7**	**–**	**13.6**	**20.5**	**32.8**

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 2017.

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 2017, 31 December 2016 and 30 June 2017.

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 new funds to third-party investors. These funds are then financed through the issue of units to investors. Aggregate interests held by the Group include seed capital, management fees and performance fees. The Group generates management and performance fee income from managing the assets on behalf of third-party investors.

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

Where Group companies invest seed capital into funds operated and controlled by the Group and the Group is actively seeking to reduce its investment, and it is considered highly probable that it will relinquish control within a year, the interests in the funds are treated as held-for-sale and are recognised as financial assets and liabilities held-for-sale. During the period, one fund (H1 2016/17: two funds; FY2016/17: three 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 2017 were as follows:

	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Non-current financial assets held-for-sale	**24.5**	53.0	7.1
Non-current financial liabilities held-for-sale	**(9.3)**	(0.3)	–
Seed capital investments classified as held-for-sale	**15.2**	52.7	7.1

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 2016/17: one fund; FY2016/17: one fund) 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 2016/17: one fund; FY2016/17: two funds) with an aggregate carrying amount of £7.2 million (H1 2016/17: £4.3 million; FY2016/17: £12.5 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 £0.7 million (H1 2016/17: net gains of £6.4 million; FY2016/17: net gains of £9.3 million) in relation to held-for-sale investments (refer to note 7).

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

b) Available-for-sale financial assets

Available-for-sale financial assets held at fair value at 31 December 2017 comprise equities held as follows:

	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Equities listed on stock exchange	**–**	0.5	–
Equity funds	**13.6**	8.5	11.3
Seed capital classified as available-for-sale	**13.6**	9.0	11.3

Included within other comprehensive income are net gains of £2.4 million (H1 2016/17: net gains of £0.6 million; FY2016/17: net gains of £2.5 million) in relation to available-for-sale investments.

c) Fair value through profit or loss investments

FVTPL investments at 31 December 2017 comprise shares held in debt and equity funds as follows:

	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Equity funds	**23.5**	20.3	30.2
Debt funds	**1.0**	43.2	5.8
Seed capital classified as FVTPL investments	**24.5**	63.5	36.0

Included within finance income are net gains of £2.0 million (H1 2016/17: net gains of £12.3 million; FY2016/17: net gains of £9.6 million) on the Group's FVTPL investments.

14) Seed capital investments continued

d) Consolidated funds

The Group has consolidated 12 investment funds as at 31 December 2017 (31 December 2016: 11 investments funds; 30 June 2017: 13 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 2017 £m	31 December 2016 £m	30 June 2017 £m
Investment securities	**250.5**	178.2	231.2
Cash and cash equivalents	**11.2**	9.9	12.4
Other	**(0.1)**	0.4	(1.4)
Third-party interests in consolidated funds	**(113.4)**	(101.4)	(108.9)
Consolidated seed capital investments	**148.2**	87.1	133.3

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

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

Included within the interim condensed consolidated statement of comprehensive income are net gains of £6.1 million (H1 2016/17: net gains of £4.9 million; FY2016/17: net gains of £12.8 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 2017 £m	31 December 2016 £m	30 June 2017 £m
Finance income	**2.7**	4.0	7.8
Gains/(losses) on investment securities	**9.4**	6.7	22.4
Change in third-party interests in consolidated funds	**(4.9)**	(4.4)	(12.5)
Other expenses	**(1.1)**	(1.4)	(4.9)
Net gains/(losses) on consolidated funds	**6.1**	4.9	12.8

Included in the Group's cash generated from operations is £0.8 million cash utilised in operations (H1 2016/17: £1.4 million cash utilised in operations; FY2016/17: £3.5 million cash utilised in operations) relating to consolidated funds.

As at 31 December 2017, the Group's consolidated funds were domiciled in Guernsey, Indonesia, Luxembourg and the United States.

e) Non-current asset investments

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

	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
Non-current asset investments at fair value	**24.9**	21.1	22.5

Included within finance income are net gains of £0.4 million (H1 2016/17: net gains of £3.3 million; FY2016/17: net gains of £2.5 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 2017, 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 2017.

16) Share capital

Authorised share capital

	Number of shares	Nominal value £'000
Ordinary shares of 0.01p each at 31 December 2017, 30 June 2017 and 31 December 2016	**900,000,000**	**90**

Issued share capital – allotted and fully paid

	As at 31 December 2017 Number of shares	**As at 31 December 2017 Nominal value £'000**	As at 31 December 2016 Number of shares	As at 31 December 2016 Nominal value £'000	As at 30 June 2017 Number of shares	As at 30 June 2017 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 2017, there were equity-settled share awards issued under the Omnibus Plan totalling 41,101,885 shares (31 December 2016: 39,227,655 shares; 30 June 2017: 38,579,871 shares) that have release dates ranging from September 2018 to December 2022.

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 2017, the EBT owned 34,953,460 (31 December 2016: 39,009,575; 30 June 2017: 38,701,321) ordinary shares of 0.01p with a nominal value of £3,495 (31 December 2016: £3,901; 30 June 2017: £3,870) and shareholders' funds are reduced by £105.5 million (31 December 2016: £116.3 million; 30 June 2017: £115.4 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 2017 £m	6 months to 31 December 2016 £m	12 months to 30 June 2017 £m
Short-term employee benefits	**0.1**	0.1	1.4
Defined contribution pension costs	**–**	–	–
Share-based payment benefits	**–**	–	4.8
	0.1	0.1	6.2

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 2016/17 and FY2016/17: none). Aggregate key management personnel interests in consolidated funds at 31 December 2017 were £37.9 million (31 December 2016: £37.9 million; 30 June 2017: £42.4 million).

Transactions with Ashmore funds

During the period, the Group received £62.8 million of gross management fees and performance fees (H1 2016/17: £58.3 million; FY2016/17: £111.6 million) from the 87 funds (H1 2016/17: 85 funds; FY2016/17: 86 funds) it manages and which are classified as related parties. As at 31 December 2017, the Group had receivables due from funds of £5.1 million (31 December 2016: £5.6 million; 30 June 2017: £5.1 million).

Transactions with the EBT

The EBT has been provided with a loan facility to allow it to acquire Ashmore shares in order to satisfy outstanding unvested share awards. The EBT is included within the results of the Group. As at 31 December 2017, the loan outstanding was £104.3 million (31 December 2016: £114.0 million; 30 June 2017: £103.5 million).

Transactions with the Ashmore Foundation

The Ashmore Foundation is a related party to the Group. The Foundation was set up to provide financial grants to worthwhile causes within the Emerging Markets countries in which Ashmore invests and/or operates with a view to giving back into the countries and communities. The Group made donations of £20,000 to the Foundation during the period (H1 2016/17: £40,000; FY2016/17: £50,000).

19) Commitments

Undrawn investment commitments

	As at 31 December 2017 £m	As at 31 December 2016 £m	As at 30 June 2017 £m
AA Development Capital India Fund 1 LLC	**1.1**	1.3	1.2
Ashmore Andean Fund II, LP	**1.9**	1.7	1.8
Ashmore Emerging Markets Corporate Private Debt Fund	**0.3**	0.5	0.3
Ashmore I – CAF Colombian Infrastructure Senior Debt Fund	**13.8**	16.1	15.0
Ashmore I – FCP Colombia Infrastructure Fund	**–**	0.3	0.1
Ashmore Special Opportunities Fund LP	**10.5**	1.7	1.6
Everbright Ashmore China Real Estate Fund	**1.4**	1.5	1.4
KCH Healthcare LLC	**3.2**	5.3	4.5
VTBC-Ashmore Real Estate Partners I, LP	**3.6**	3.5	3.5
Total undrawn investment commitments	**35.8**	31.9	29.4

20) Post-balance sheet events

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

21) Accounting estimates and judgements

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were substantially the same as those that applied to the annual report and accounts as at and for the year ended 30 June 2017.

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

7 February 2018

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 2017 which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 2017 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.

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

7 February 2018

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