Ashmore Group plc
3 September 2021

RESULTS FOR YEAR ENDING 30 JUNE 2021

Ashmore Group plc (Ashmore, the Group), the specialist Emerging Markets asset manager, today announces its audited results for the year ending 30 June 2021.

- Assets under management (AuM) increased 13% to US$94.4 billion
  - Investment performance of US$9.6 billion and net inflows of US$1.2 billion

- Strong outperformance through active management
  - 96% of AuM outperforming benchmarks over one year, 57% over three years and 79% over five years

- Efficient business model delivering diversified profit growth and strong cash flow
  - Investment performance delivered performance fees of £11.9 million and seed capital gains of £92.5 million
  - Adjusted net revenue of £296.6 million, 9% lower YoY reflecting stage in the recovery cycle and impact of mix effects on net management fee margin
  - Strict cost management reduced non-VC operating costs by 6% and delivered adjusted EBITDA margin of 66%
  - Adjusted EBITDA declined by 12% to £195.7 million
  - Profit before tax increased 28% to £282.5 million
  - Operating cash flow of £213.1 million and well-capitalised, liquid balance sheet maintained
  - Diluted EPS increased 33% to 34.2 pence and adjusted diluted EPS fell by 11% to 23.3 pence
  - Proposed final dividend per share of 12.1 pence to give total dividends of 16.9 pence for the year

- Growth and diversification from strategic initiatives
  - Equities AuM increased by 61% YoY to US$7.4 billion, reflecting strong investment performance and net inflows
  - Local platforms delivered AuM growth of 44% YoY to more than US$7 billion

- Significant progress made with consistent and comprehensive approach to sustainability
  - ESG factors integrated across all asset classes
  - Launched dedicated ESG strategies in external debt and corporate debt
  - Joined the Net Zero Asset Managers and Climate Action 100+ industry initiatives

- Positive outlook for Emerging Markets reflects superior growth, stronger economic fundamentals and attractive valuations

Commenting on the Group's results, Mark Coombs, Chief Executive Officer, Ashmore Group said:

"Ashmore has made significant progress against its strategic objectives over the past year, generated outperformance for clients, and the Group's robust business model has delivered a financial performance that reflects the early stages of a cyclical recovery.

"As vaccination rates increase across the world and governments ease social restrictions, economic activity is picking up and reinforcing the Emerging Markets growth premium, and hawkish central banks in many emerging countries are acting to contain inflation. This environment provides attractive opportunities for investors to increase allocations with heavily discounted equity valuations in Emerging Markets and high real yields compared with the negative rates in Developed Markets.

"Against this positive backdrop, Ashmore's investment performance track record positions the firm well to capitalise on the significant opportunities available across the diversified Emerging Markets."

Analysts briefing

There will be an online presentation for analysts at 9.30am on 3 September 2021. A copy of the presentation will be made available on the Group's website at www.ashmoregroup.com.

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CHIEF EXECUTIVE'S REVIEW

The Group's established business model has operated as expected over the past 12 months and delivered strong investment performance, higher performance fees and a return to net inflows in the second half of the year. While there was strong growth in statutory profits, lower adjusted profits reflect the stage of the recovery cycle.

Strong investment performance

Ashmore's active management of client portfolios has delivered exceptionally strong performance across all investment themes over the past 12 months, resulting in 96% of AuM outperforming benchmarks over one year. The longer-term track records are also robust with 57% of AuM outperforming over three years and 79% over five years.

As anticipated, this represents a significant improvement from a year ago, when the initial impact of the COVID-19 pandemic led to severe risk aversion and market dislocations and consequently some underperformance (30 June 2020: 9% AuM outperforming benchmarks over one year; 17% over three years; and 74% over five years). Notwithstanding that this cycle has its own distinctive features, Ashmore's experienced investment teams ensured that the investment processes followed a consistent approach in identifying oversold assets, subsequently adding risk to portfolios, and maintaining a diligent focus on liquidity.

The pace and scale of the market recovery has to some extent mirrored the sharp market drawdown in early 2020, but, as described in the Market review, the combination of a positive macro-economic outlook and attractive valuations across both fixed income and equity markets means that investors should expect further outperformance by Emerging Markets assets. While the trajectory of the recovery is unlikely to be linear and there will inevitably be periods of price volatility, Ashmore will continue to exploit these market opportunities to add value to portfolios and underpin its successful long-term investment track records.

Robust business model

With the notable exception of a period of remote working, discussed further below, Ashmore's business model has remained unchanged through this cycle and has continued to deliver significant benefits for its stakeholders, including clients, employees and shareholders.

The conservative financial model, with an emphasis on balance sheet strength and operating cost flexibility, has ensured stability in the operating platform, with uninterrupted operating processes, high levels of employee retention, strong profit growth, and continued investment in the business to support the achievement of strategic objectives.

- Well-capitalised, liquid balance sheet with over £750 million of financial resources and a Pillar II capital requirement of £156 million
- Adjusted operating costs reduced by 2%
- Operating profitability maintained, with an adjusted EBITDA margin of 66%
- Unplanned employee turnover of less than 7%
- Profit before tax increased by 28% and diluted EPS increased by 33% to 34.2 pence per share
- On an adjusted basis, diluted EPS fell by 11% to 23.3 pence per share

The strength of Ashmore's team-based culture has served it well over the past 18 months, a period during which remote working has been the norm for most of the Group's employees, but the culture is ultimately reinforced by employees working together in close-knit teams in an office environment. Therefore, as governments around the world review and ease social restrictions over the coming months, Ashmore hopes to re-open its office network and steadily return to previously established operating practices. Undoubtedly, some of the working practices developed during the remote working period will persist, particularly the intelligent use of communications technology that may allow for greater efficiency. However, the Ashmore investment processes, distribution model and other functions will still place a heavy emphasis on establishing and developing long-term relationships and knowledge that is best achieved through physical meetings.

Continued growth in equities

The equities business has good momentum, with AuM growth of +61% or US$2.8 billion over the past 12 months. Excellent investment performance has been delivered across all strategies over the past 12 months with absolute returns of 41% to 66%, and nearly 1,700 basis points of outperformance in the All Cap strategy. This track record is delivering decent client flows, with net inflows of US$0.9 billion over the past 12 months and eight consecutive quarters of net inflows to the Group's equity strategies.

Ashmore's equity investment committee and the teams it oversees operate independently of the fixed income investment process, providing diversification benefits, but there is collaboration and sharing of investment research and insights between the two asset classes. For example, the equity teams have the ability to draw upon long-standing, specialist expertise in Emerging Markets macro-economic and political analysis if required.

Continued growth in equity assets under management is a strategic priority for Ashmore, consistent with its objective to diversify its business in order to provide multiple independent sources of fee income. With just under 10% of Group AuM invested in equity strategies, and no capacity constraints in terms of investment capabilities, operational processes, or market size, there is significant growth opportunity in this business and over the medium term it should represent two to three times the current proportion of AuM.

Strategic opportunity in intermediary retail

Similar to the strategic opportunity in equities, the Group intends to increase the proportion of assets managed for intermediary retail clients, to provide diversification alongside its institutional client base. While there is no single type of intermediary client, in the same way that institutional investors all vary in their objectives and behaviour, it is observable that intermediary retail clients tend to be more sensitive to short-term market conditions and investment performance, and therefore usually have shorter holding periods than the typical institutional investor. Nonetheless, over time intermediary retail capital could represent 20% to 30% of Ashmore's assets under management, a significant increase from the current level of 8%. In addition to diversification of the client base, growth in intermediary retail assets also benefits the Group's net management fee margin.

Over the past year, it is notable that Ashmore's intermediary retail clients have been relatively slow to return to Emerging Markets. While there is a positive trend in terms of reducing net outflows over the period, cumulatively intermediary retail flows reduced AuM by US$2.9 billion over the 12 months and investment performance added US$1.3 billion.

Therefore, while the 8% of AuM from intermediary retail clients is broadly similar to a year ago, it is lower than the 15% reached before the impact of the COVID-19 pandemic. In contrast, the institutional business delivered net inflows of US$4.1 billion over the year, largely as a consequence of typically direct relationships with the investors, and the fact that, on average, Ashmore's institutional assets have been managed by the firm for more than eight years and therefore the investors have more experience of market cycles and the opportunities that they can present.

Increasing importance of investment grade credit

The ongoing development of emerging countries means that an increasing number of countries and companies have achieved investment grade (IG) status. For example, IG bonds now represent more than half of the external debt and corporate debt benchmark indices (53% and 57%, respectively). While there will inevitably be cyclical influences on issuers' ratings, the growth in IG issuance is expected to continue and is a trend that is echoed in the demand by investors as they recognise the attractive characteristics of the IG asset class such as lower volatility during periods of risk aversion, stronger macro-economic fundamentals, higher yields than developed world bonds, increasing diversification, no defaults and therefore good risk-adjusted returns.

Ashmore provides access to investment grade strategies across the four fixed income investment themes of external debt, local currency, corporate debt and blended debt, and manages portfolios in both mutual fund and segregated account structures. Investment performance is strong, for example the corporate debt IG strategy has a gross annualised return of +9.3% over three years and has significantly outperformed its benchmark index return of +7.1%.

Over the 12 months, Ashmore has continued to experience good demand for investment grade strategies from both existing and new institutional clients, and its strong investment performance underpins the potential for further capital raising.

Local offices performing well

The third phase of Ashmore's strategy focuses on mobilising Emerging Markets capital, including managing assets locally for domestic institutional and intermediary retail clients in certain emerging countries. Ashmore currently has local asset management operations in Colombia, India, Indonesia, Peru, Saudi Arabia and the United Arab Emirates, and has a financial investment in an onshore mutual fund business in China.

Collectively, these businesses represent more than US$7 billion of assets and delivered AuM growth of +44% over the past 12 months. The platforms are performing well and each has a highly scalable operating model, replicating the Group's disciplined approach to managing operating costs and a simple, common operating infrastructure. This means that as AuM grows, the profitability of these businesses is trending towards the Group's level.

During the period there was particularly strong asset growth in India and Indonesia, significant new institutional client wins in Saudi Arabia, and in Colombia the Group is marketing its third private equity fund and a regional real estate fund. Following its IPO in January 2020, and consistent with its strategy to use technology to access new distribution channels and improve access to financial services, Ashmore Indonesia invested in BIB, a local online distribution platform, in December 2020.

Significantly, although the offices are designed primarily to raise and manage domestic capital, most of them also manage assets for the Group's larger institutional clients, where the investor wishes to take single country or regional risk, have it managed by the local investment team, and within the Ashmore Group governance and risk management framework.

The local businesses should continue to contribute to Ashmore's growth and profitability over the longer term as each of the local management teams delivers on its strategic objectives and participates in the development of an independent asset management industry in its country. These platforms also help to diversify the Group's revenues and profits through independent investment processes, uncorrelated investment returns and different product structures and client bases. Ashmore will consider opportunities to expand the local office network, through scaling up and diversifying the existing businesses, and by considering new markets with attractive growth characteristics.

An integrated approach to sustainability

Sustainability, including the consideration of environmental, societal and governance (ESG) factors, has always been an important topic for companies and for investment managers, but issues such as the impact of climate change, employee diversity and remuneration incentives are under increasing scrutiny from investors, regulators, politicians and other stakeholders.

Ashmore has developed a comprehensive and consistent approach to sustainability across its operations and investment management activities. The Board is ultimately responsible for ESG matters and has delegated the day-to-day oversight and management to a specialised ESG Committee. This committee meets frequently and regularly, and has representatives from across the firm, including the local offices, ensuring that relevant ESG matters are brought to the attention of all concerned and that the approach to sustainability is consistent across the Group.

The consideration of ESG factors is integrated into all of Ashmore's investment processes, covering fixed income, equity and alternatives strategies, and the Group has launched a range of dedicated ESG funds in the external debt, corporate debt, blended debt and equity themes. It has been a signatory to the UNPRI since 2013 and, to support the achievement of the UN Sustainable Development Goals, it is a signatory to the UN Global Compact.

Environment

From an operational perspective, the asset management business model does not have a significant direct impact on the environment. For example, there are no long, complex supply chains with material environmental considerations, the 'product' is investment performance, and the firm's assets are predominantly people and financial instruments including cash. However, travel and office occupancy is inherent in Ashmore's business model, both of which result in modest levels of greenhouse gas emissions. Ashmore has an objective to achieve net zero emissions from its operations, and while the ability to reduce materially the gross emissions is limited, through The Ashmore Foundation the Group seeks to offset its gross emissions each year by supporting environmentally and socially beneficial projects in developing countries.

From an investment perspective, Ashmore joined two important industry initiatives during the period: the Net Zero Asset Managers Initiative and the Climate Action 100+ industry group. Respectively, these will help the Group define and manage a net zero plan, with an interim target to be set over the next 12 months, and will enable Ashmore to collaborate with other investors to achieve environment-related outcomes with certain investee companies.

Society

Ashmore wishes to be recognised as a responsible company that has a positive impact on society. The definition of society is broad, but includes the Group's clients, employees, shareholders and other stakeholders. Of particular importance to Ashmore's approach is The Ashmore Foundation, which provides grants to projects that seek to make a positive and sustainable difference to disadvantaged communities in the developing countries in which Ashmore operates and invests.

To enhance the impact and sustainability of the Foundation's projects and to increase the overall scale of the Group's philanthropic activities, the Board approved an annual charitable contribution equivalent to 0.5% of the Group's profit before tax excluding unrealised seed capital gains. This means that in respect of FY2020/21, the Group made a payment of £1.0 million to The Ashmore Foundation and other charitable activities.

Governance

Ashmore is a UK company with a premium listing on the London Stock Exchange and at all times seeks to comply with, and to respect the spirit of, relevant laws and regulations, with the objective of upholding robust standards of corporate governance. This means that for its local offices, Ashmore will impose the higher of local or global standards in order to ensure that governance is appropriate.

Employees and culture

For many Ashmore employees, the past year has been challenging with all of the Group's offices remaining closed, or experiencing intermittent re-openings, in line with local government guidance and laws. On behalf of the Board, I would like to thank everyone for their hard work and unwavering commitment to delivering strong performance for our clients, for upholding high standards of professionalism and conduct while working remotely, and for helping to maintain Ashmore's distinctive, team-based culture even in the absence of face-to-face contact.

As vaccination programmes deliver tangible results, governments around the world can start to ease the social and economic restrictions that have characterised the past 18 months. This will enable Ashmore to return to the office-based operating model that has served the firm well for the vast majority of its life, and to reinforce the social connectivity that inevitably has become looser after a protracted period of remote working. While the remote working environment has been challenging, it has also highlighted how the innovative use of technology can play a meaningful role in the industry, and so Ashmore will keep its operating model under review in order to ensure that it optimises the culture of the firm, its effectiveness for clients, and overall productivity.

Outlook

The recovery in economic performance is well-established across the Emerging Markets, with superior GDP growth to the developed world and a widening of the growth premium expected over the next few years. Importantly, after an initial lag, vaccination rates in the developing world have accelerated and are expected to match the levels achieved in developed countries by the end of 2021. This underpins the growth outlook as governments can ease restrictions and allow economies to reopen, leading to higher levels of domestic activity and international trade.

In aggregate, developing countries are emerging from the COVID-19 pandemic in a stronger position than Developed Markets. Economic growth is higher, debt levels are manageable even after the recent fiscal stimulus, inflation is under control and hawkish central banks should ensure that remains the case, and valuations remain attractive and should support continued capital flows.

The main risk to a positive outlook for Emerging Markets is a period of widespread investor risk aversion, which history suggests would typically follow an unexpected event in the developed world rather than an isolated development in one of the more than 70 different emerging nations. While current US inflation suggests that there is a possibility of significantly higher interest rates, this is mitigated by the very high US government indebtedness and the potential for inflation to drift lower over the next 12 to 24 months as base effects roll off and deflationary pressures increase. Furthermore, as explained in the Market review, the impact on Emerging Markets is likely to be less severe than in the 2013 to 2016 cycle given the significant improvement in economic conditions and the low absolute level of nominal and real US interest rates today. Indeed, a world in which there is decent growth, some inflation, and steadily rising US rates from current levels is a good environment for the performance of emerging countries and their capital markets.

Therefore, the outlook for the economic and market performance of emerging countries is positive and arguably more favourable than it appeared a year ago. Valuations in Emerging Markets do not fully reflect this outlook, and there is a clear opportunity for investors to continue to increase allocations from underweight levels and to capture substantial absolute and relative value across the fixed income and equity asset classes.

Against this market backdrop, Ashmore's investment performance track records position the firm well for asset growth and the business model has successfully managed another market down cycle and is demonstrating the benefits of its consistent and conservative approach as conditions normalise. The past 18 months have had the specific challenges of remote working, but there is now the real prospect of a return to more normal working patterns over the course of the coming months. Therefore the firm looks to the current financial year and beyond with confidence.

Mark Coombs
Chief Executive Officer

2 September 2021

MARKET REVIEW

Strong market performance over the year

Emerging Markets have performed strongly over the past fiscal year, delivering positive absolute returns and mostly outperforming developed world counterparts. This is typical for the early transition phase of a cycle, as asset prices move from oversold levels, in this case immediately after the onset of the COVID-19 pandemic in early 2020, and start to reflect more positive longer-term fundamentals including the ongoing tailwinds of superior economic growth and more attractive valuations in Emerging Markets compared with Developed Markets.

Broadly, markets have recovered to pre-pandemic levels although valuations are typically cheaper, for example, the sovereign external debt index trades at 340 basis points over US Treasuries compared with below 300 basis points at the end of 2019.

Equity markets, as represented by the MSCI EM index, rose by +41% over the 12 months, marginally outperforming the S&P 500 index (+39%), and delivered positive returns in every quarter of the year. Fixed income indices also performed well, with positive returns in three of the four quarters and declines in the third quarter to March 2021 as global fixed income markets repriced for higher inflation expectations, particularly in the US. For the year overall, the main Emerging Markets fixed income indices increased by +7% to +9% over the 12 months, compared with a negative return of -4% from the 10-year US Treasury bond and a -5% decline in the US dollar trade-weighted index.

Economies, and therefore markets, around the world are today in a transition period, between the severe growth and societal shock experienced in early 2020, and the return to normal conditions that is predicted as vaccination programmes take effect and allow restrictions to ease. This transition period is experienced in every market cycle, and results in elevated market volatility as a consequence of the inherent uncertainty being faced: the 'bad' conditions of last year are known, and the 'better' future conditions are hoped for but are not certain. In this specific cycle, the recovery path of the pandemic is overlaid with the uncertainty associated with the impact of monetary and fiscal stimulus on inflation, growth, bond yields and policy rates, both in the short term and the longer term.

Near-term macro opportunities and risks

The progress of vaccination programmes is critical to both developing and developed countries, because this will determine the pace of economic and social recovery. The developed world has so far led vaccination rates, but as these approach critical levels then these countries can make more vaccines available to other countries. Consequently, vaccination rates in large emerging countries have accelerated in recent months.

Importantly, Emerging Markets' well-established GDP growth premium has been maintained throughout the pandemic period: in aggregate, emerging nations experienced a shallower recession than the developed world in 2020, and are forecast to deliver a faster economic recovery in 2021 and 2022.

Many countries responded to the economic shock by delivering fiscal expansion and monetary stimulus through cuts to policy rates and, in developed economies, even greater use of unconventional methods such as quantitative easing. A critical difference is that emerging countries typically have lower and more manageable debt/GDP ratios than developed countries, and were able to cut policy rates from a position of high real rates rather than low, or even negative, real rates that prevail in the developed world. Indeed, even though US rates are likely to increase at some point over the next year or two, the pace of tightening is expected to be gradual and rates are likely to remain negative in real terms for the foreseeable future. Therefore financial conditions, and risk appetite, will continue to be supportive for Emerging Markets.

Another consequence of the recent stimulus is higher inflation, and in the early part of calendar 2021 there was a repricing of inflation expectations in global rates markets. While inflation is likely to remain high in some countries, like the United States, over the short term because of base effects and the recent rise in commodity prices, the principal uncertainty is to what extent, and for how long, the current levels of inflation will persist. It is possible that the rolling over of base effects, some deflationary impact from higher unemployment as government support schemes end, and central bank rate rises mean that inflation will start to abate over the next 12-18 months.

Significantly, some central banks in emerging countries have already acted sensibly to anchor inflation expectations, and the impact of a more hawkish policy mix has supported currencies given the wider interest rate differentials. Therefore, while inflation is a common theme and of potential concern to investors across both developed and developing countries, the prevalence of inflation-targeting policy regimes and independent central banks across Emerging Markets, together with the returns offered by high real interest rates, add to the attractions of the Emerging Markets asset classes.

Notwithstanding the market's focus on inflation and the Fed's assessment of and reaction to the data, there is unlikely to be a material impact on Emerging Markets from expectations of higher US interest rates such as was experienced in the 2013 to 2016 period. The following significant differences in macro conditions between 2013 and now underpin this view:

- In 2013, the rise in nominal US Treasury yields was driven by the Fed's indication that it would taper its quantitative easing programme, and the market swiftly priced in rate increases even though they did not occur for another 2½ years. In the absence of higher inflation expectations, real yields also increased and so the tighter financial conditions had an adverse impact on Emerging Markets.
- In 2021, the rise in nominal yields has been driven by higher inflation expectations and so real yields have risen only modestly, and remain negative across the US Treasury curve. Therefore financial conditions are still supportive and are likely to remain so even as the Fed increases its policy rate.

- Emerging countries have robust external accounts with, in aggregate, a current account surplus of more than 1% of GDP, compared with a 2% deficit in 2013.
- The valuations of Emerging Markets currencies are close to historical lows in both real and nominal terms, whereas they were closer to fair value in 2013.
- The recent rally in commodity prices has benefited the terms of trade and supports the creditworthiness of exporters, whereas prices were falling in 2013. If commodity prices remain around current levels then capital and current accounts should continue to benefit, which in turn will support Emerging Markets currencies.

As ever, the outlook for the US dollar is important when considering the performance of Emerging Markets, from a fundamental perspective but also because most investors measure returns in US dollar terms. While the fundamental picture is complex, and will vary by country, the performance of the US dollar has implications for investor risk appetite generally and there is a strong long-term correlation between the US dollar and the relative performance of Emerging Markets local asset prices. While there will inevitably be periods of intermittent strength, the combination of high US current account and fiscal deficits, high foreign investment in US assets, a less productive US economy as the government has increased its share of debt, and the prospect of higher taxes to address inequality suggests that the currency will weaken over the medium term. This would be positive for Emerging Markets, in terms of capital flows broadly and specifically for investment returns in local currency bonds, currencies, and equities.

Finally, from a technical perspective there is the prospect of a decent tailwind for Emerging Markets. The limited investment grade issuance and negative yields in the US market should encourage crossover investors to seek duration, yield and issuance volumes in Emerging Markets.

Powerful structural growth drivers

When looking beyond the short-term factors described above, there are strong and varied drivers of growth and investment opportunities across the Emerging Markets. None of these has been impaired by the most recent pandemic-related cycle, and indeed in the case of valuations there are even more attractive opportunities to access these growth themes today.

1. Large investment universe, dominated by local currency assets

The total Emerging Markets investment universe is approximately US$71 trillion, comprising US$34 trillion in fixed income issuance and US$37 trillion of equity market capitalisation. Importantly, the majority of securities are denominated in local currencies, with only US$5 trillion of the total representing hard currency sovereign and corporate bonds.

2. Low index representation

Despite the size, growth and vast opportunity set of the Emerging Markets investment universe, it remains significantly under-represented in benchmark indices. For example, only 17% of bonds and 22% of equities are included in the main indices, although the representation is higher in the more established, but smaller, hard currency asset classes.

As index representation increases over time, for example as countries lower or remove capital controls to allow foreign investors to access their local bond markets, then this will provide a tailwind to investor allocations. An important development in the past year was the inclusion of China's local currency government bonds in the JP Morgan benchmark index, which means that the country is now 10% of the index and represents around US$200 billion of securities.

In the meantime, the low level of indexation provides a substantial barrier to entry for passive substitutes and means there is a sizeable opportunity for active managers such as Ashmore to deliver alpha from investing in both benchmark and non-benchmark securities. To provide some context, JP Morgan estimates that approximately 18% of the US$0.5 trillion of Emerging Markets fixed income mutual fund assets are in exchange-traded funds, which can act as a loose proxy for passive AuM. The figure is higher for Emerging Markets equities at 35% of the US$1.5 trillion mutual fund sample, and both figures have increased over the past year (from 15% and 31%, respectively). However, this illustrates that for mutual fund investors, there continues to be a strong preference for active management to access the diversified risks and returns available across the Emerging Markets investment universes.

3. Local currency funding

Arguably the single most important structural capital markets development in Emerging Markets over the past few decades is the establishment of and growth in local currency bond markets, which today represent more than 85% of all sovereign and corporate bonds outstanding. The move from external funding to domestic local currency funding is a natural one for a country to take as it establishes domestic yield curves and supports the development of long-term institutional investors such as pension funds. It has important positive implications for the country's ability to withstand exogenous shocks, although to be successful it has to be accompanied by high-quality policy making.

The impact of these different funding regimes has been seen over the past 18 months, with external debt-funded countries facing greater constraints on their ability to use fiscal and monetary stimulus, and an increased reliance on creditors. In contrast, the local currency-funded nations have allowed currencies to fluctuate, have been able to undertake fiscal expansion with manageable debt/GDP ratios, and central banks were able to cut policy rates.

The local currency bond markets will continue to grow, as existing issuers' economies and capital markets develop further, and the pool of countries expands as hitherto hard currency-funded nations wean themselves off external creditors and develop their domestic markets. Furthermore, of the approximately 155 developing countries in the world, only about half have issued debt in public markets and so there remains a long list of potential future issuers of both external and then local currency bonds.

4. Inefficient markets

The combination of low index representation, underappreciation of the diversity and fundamental strengths of emerging economies and capital markets, and typically low foreign investor participation in local markets can lead to significant inefficiencies in the Emerging Markets asset classes. Ashmore's specialist, active management of client portfolios can exploit these inefficiencies to deliver long-term outperformance.

5. Significance of Emerging Markets to the world's economy

Although there are significant differences between the developing countries, taken as a whole they represent a large and often increasing proportion of the world's economy and capital markets.

- 84% of the world's population lives in an emerging country, and the demographics are typically more favourable than in developed countries.
- Emerging Markets generate 58% of the world's GDP, and future growth potential is underpinned by relatively low GDP per capita levels; in aggregate, the GDP per capita of Emerging Markets is US$12,000, less than a quarter of the level in developed nations (US$55,000).
- Emerging countries control foreign exchange reserves of more than US$9 trillion, and representing 75% of the total world foreign exchange reserves.
- Bond issuance and equity market capitalisation in Emerging Markets represent 25% and 33%, respectively, of the world totals, providing for significant growth.
- Emerging Markets represent between 13% (equity) and 28% (fixed income) of global benchmark indices and these weights are rising over time.

While some factors, such as the share of the world's population, are unlikely to change materially in the near future, the case for superior GDP growth and rising GDP per capita is well established, and capital markets should continue to broaden, deepen and become more accessible. Overall, the influence of Emerging Markets on the world should therefore continue to increase over the coming years and decades, and this will result in Emerging Markets representing ever higher proportions of global benchmark indices.

6. Underweight allocations

In the context of the Emerging Markets characteristics described above, and the persistent upward pressure on index weights, developed world institutional and retail investors continue to have significantly underweight allocations to the asset classes. For example, analysis shows that the typical institutional investor has a target Emerging Markets allocation of less than 10%, compared with the 13% to 28% weight in global benchmark indices.

Given the superior growth and attractive valuations, this suggests that the investor will underperform compared with one that has at least a neutral weighting to Emerging Markets through the cycle.

INVESTMENT THEMES

External debt

The external debt market was the first investable fixed income asset class for foreign investors in Emerging Markets and, while it is now smaller in size than the local currency government bond market, it remains a sizeable asset class with US$1.5 trillion of bonds outstanding. Reflecting its established status, the benchmark index includes 89% of those securities, issued by 74 countries and with 53% of the bonds rated investment grade.

Over the past 12 months, the index performed strongly and returned +7.5% as spreads continued to tighten from the oversold levels of early 2020. High yield bonds outperformed with a return of +13.1% compared with +3.0% for investment grade assets. Notwithstanding this strong performance over the year, valuations remain attractive with the index spread of approximately 340bps being significantly wider than before the pandemic (below 300bps) and offering a decent protective cushion should US Treasury bond yields come under pressure. Furthermore, the nominal index yield of 5% should be seen in the context of US$13 trillion of sovereign bonds issued in Developed Markets that trade with a negative nominal yield, and this figure increases to US$41 trillion, or 93% of sovereign debt in issue, when considering real yields.

Ashmore's broad external debt composite has outperformed its benchmark by more than 600bps over the past year with a return of +13.8%. Over the past three years, the composite has delivered annualised gross returns of +5.9% compared with +6.7% for the benchmark.

Local currency

Government bonds issued in domestic currencies represent a large, growing and highly attractive asset class with US$14.5 trillion of securities in issue. Although the benchmark index currently fails to adequately reflect the breadth and scale of the investment opportunity, with only 11% of those bonds included in the index, it is steadily catching up with the structural developments in the asset class. For example, during the year, China was included in the GBI-EM GD index at the maximum 10% weighting, meaning that the index now has $200 billion of investable Chinese government bonds and includes 20 countries.

The index returned +6.6% over the past 12 months, with positive contributions from both bonds and currency strength against the US dollar. The ability to issue bonds in its own currency provides a country with many advantages and means that there have been no defaults in the asset class, but it also means that other risks, notably inflation, have to be managed. In this respect, an important development towards the end of the period was a number of central banks, including those in Turkey, Brazil, Russia, Mexico, Czech Republic and Hungary, raised interest rates as inflation returned to long-run trend levels. This reinforced the credibility of policymaking in those countries, and provided support to currencies.

The local currency index yield of 5% is notable, but the highly attractive relative value available in the asset class is illustrated by the real yield of approximately 1%, compared with -3% for equivalent five-year duration US Treasury bonds. As the structural challenges facing Developed Markets such as the US are expected to undermine the value of their currencies over the medium term, the total returns available from Emerging Markets bonds can include both attractive carry and meaningful foreign exchange gains against the US dollar.

Over the past year, Ashmore's local currency bonds composite has outperformed the benchmark by nearly 300bps with a return of +9.3%, and over three years it has generated annualised gross returns of +4.4%, outperforming the benchmark return of +4.1%.

Corporate debt

The Emerging Markets corporate debt universe comprises both hard currency, typically US dollar denominated, bonds and local currency securities, with outstanding issuance of US$3.2 trillion and US$4.9 trillion respectively. The diversification and quality of the asset class is illustrated by comparing the benchmark CEMBI BD index with the US high yield market:

- the CEMBI default rate over past 12 months is 3.6%, significantly lower than the US HY default rate of 6.2%. The long-run average default rate for Emerging Markets corporate debt is also lower at 4.1%, compared with 4.4% for the US market;
- the index comprises 59 countries and 806 issuers;
- more than 56% of bonds are investment grade rated; and
- the HY part of the index yields nearly 6%, and there is a meaningful pick-up in spread over US HY bonds for equivalent-rated credits.

As well as the attractive fundamental characteristics described above, relatively short duration, high yielding corporate bonds offer some protection against rising US rates. This has been demonstrated over the past year with very strong index returns of +8.7% and +13.5% for the HY component. Towards the end of the period, the commodity-exposed parts of the asset class benefited from the rally in most major commodity prices. The demand for investment grade debt is also increasing, given the diversification, yield and issuance trends that are all favourable compared with the US market.

Over the past year, Ashmore's broad corporate debt composite has performed well and, with a return of +15.2%, has outperformed the benchmark by 650bps. Over the past three years, the composite has delivered a gross annualised return of +7.8%, compared with +7.5% for the benchmark index.

Blended debt

Blended debt strategies provide broad access to the broad Emerging Markets fixed income universe, with active management able to exploit the significant variances in the annual returns of the constituent external debt, local currency and corporate debt asset classes. For example, over the past nearly two decades, the average difference in annual returns between the best and worst performing fixed income asset classes has been more than 1,000bps and the minimum difference has been 450bps. An active management approach to blended debt provides investors with the fullest range of potential fixed income investment opportunities, with approximately US$34 trillion of bonds issued by sovereigns and corporates, in both hard currencies (typically US dollars) and local currencies, and across more than 70 different emerging countries.

An allocation to blended debt can meet the requirements of the first-time investor in Emerging Markets, enabling a deeper understanding of the underlying asset classes to be developed over time. It also suits the more experienced investor that is able to define bespoke investment objectives and a blended benchmark against which investment performance can be measured.

Reflecting the strong performance of the underlying asset classes, over the past 12 months, the standard blended debt benchmark index, comprising 50% external debt (EMBI GD), 25% local currency bonds (GBI-EM GD) and 25% EMFX (ELMI+), returned +7.1%.

Ashmore's broad blended debt composite returned +13.0% over the past 12 months and has outperformed the standard benchmark index by nearly 600bps. Over the past three years, it has generated a gross annualised return of +5.0%, in line with the performance of the standard benchmark index.

Equities

The emerging equity markets are highly diversified and, like their fixed income counterparts, have inefficiencies that can be exploited by active management. The prospects for investment returns are underpinned by Emerging Markets' superior economic growth, ongoing reforms and attractive absolute and relative valuations.

Emerging Markets

The MSCI EM index delivered an impressive return of +40.9% over the past year, with Asia outperforming Eastern Europe and Latin America as social and economic recovery from COVID-19 followed a broadly similar geographic pattern to the onset of the pandemic.

Ashmore's All Cap equity strategy has delivered excellent performance over the past year with a return of +57.6%, and over three years it has produced gross annualised returns of +20.4%, significantly outperforming the MSCI EM index return of +11.3%. The Active equity strategy performed broadly in line with the MSCI EM index over the past 12 months (+41.2%) and has outperformed over three years with gross annualised returns of +12.3%.

Small cap

Strong performance is also reflected in the small cap part of the Emerging Markets equity universe, with a very strong index return of +63.8% over the past year and Ashmore's Global small cap strategy outperformed with a return of +65.9%. Over three years, the strategy has returned +16.8% on a gross annualised basis, outperforming the benchmark return of +12.3%.

Frontier Markets

The MSCI FM index performed strongly over the year and returned +31.3%. Ashmore's Frontier Markets strategy outperformed this benchmark with a return of +43.5%, and has also outperformed over three years with gross annualised returns of +6.8% compared with +6.1% for the benchmark index.

While active managers can find alpha opportunities outside of the main benchmark indices, it is a positive development that the equity benchmarks continue to evolve and become more representative of the Emerging Markets opportunity. For example, in recent years MSCI has enhanced the representation of its main Emerging Markets equity index by including Saudi Arabia and China.

The vaccination rate across emerging nations has accelerated in recent months as developed countries reach critical vaccination levels and there are more doses available for the rest of the world. The broadening of this growth impulse, combined with some inflation and still very loose monetary conditions, means that there is a positive outlook for the Emerging Markets equity asset classes, and even more so given the still substantial price/earnings discounts that prevail relative to Developed Markets.

Outlook

Following a strong year for Emerging Markets, the outlook is favourable and the potential investment returns available are highly attractive, whether considered in absolute terms or relative to Developed Markets. The second half of 2021 is expected to see a catch-up in COVID-19 vaccination rates across Emerging Markets, which underpins expectations of faster economic growth, and in excess of that forecast for developed countries.

Uncertainty over US inflation will remain a source of market volatility, but the fundamental strength of emerging economies and prevailing valuations should ensure that expectations of higher US interest rates do not lead to another 'taper tantrum'. When the Fed does raise rates, it will be from such a low level that real rates are likely to remain extremely supportive for some time to come. Inflation in Emerging Markets has increased, but this is largely due to base effects and it has returned to its long-run trend rate. Central banks have already turned hawkish and started increasing rates, and the higher differential in real yields is positive for those countries' currencies versus the US dollar.

After the strong returns delivered over the past year, the combination of high carry, better growth momentum than developed countries and attractive valuations presents a very supportive backdrop for continued performance by Emerging Markets assets.

BUSINESS REVIEW

Ashmore delivered strong earnings growth with profit before tax and diluted EPS 28% and 33% higher, respectively, than in the prior year, as a result of mark-to-market gains on the Group's seed capital investments. While average AuM was flat and operating costs were reduced, a lower management fee margin driven by mix effects meant that, on an adjusted basis, EBITDA fell by 12% and diluted EPS declined by 11%. The Group's balance sheet remains well-capitalised and highly liquid.

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 comprehension of the Group's operating performance. Excluding these items also provides a more meaningful comparison with the prior year. For the purposes of presenting 'Adjusted' profits, personnel expenses have been adjusted for the variable compensation on foreign exchange translation gains and losses.

		Reclassification of			
£m	**FY2020/21 Reported**	Seed capital-related items	Foreign exchange translation	**FY2020/21 Adjusted**	FY2019/20 Adjusted
Management fees net of distribution costs	**270.9**	–	–	**270.9**	315.5
Performance fees	**11.9**	–	–	**11.9**	3.9
Other revenue	**4.6**	–	–	**4.6**	4.1
Foreign exchange	**4.3**	–	4.9	**9.2**	1.5
Net revenue	**291.7**	–	4.9	**296.6**	325.0
Investment securities	**123.5**	(123.5)	–	**–**	–
Third-party interests	**(52.6)**	52.6	–	**–**	–
Personnel expenses	**(80.3)**	–	(1.1)	**(81.4)**	(81.5)
Other expenses excluding depreciation & amortisation	**(21.2)**	1.7	–	**(19.5)**	(21.0)
EBITDA	**261.1**	(69.2)	3.8	**195.7**	222.5
EBITDA margin	***91%***	–	–	***66%***	*68%*
Depreciation & amortisation	**(2.8)**	–	–	**(2.8)**	(3.4)
Operating profit	**258.3**	(69.2)	3.8	**192.9**	219.1
Net finance income/expense	**23.9**	(23.3)	–	**0.6**	5.8
Associates & joint ventures	**0.3**	–	–	**0.3**	(0.2)
Profit before tax	**282.5**	(92.5)	3.8	**193.8**	224.7
Diluted EPS (p)	**34.2**	(11.4)	0.5	**23.3**	26.1

Assets under management

AuM increased by 13% over the year to US$94.4 billion through investment performance of US$9.6 billion and net inflows of US$1.2 billion. Reflecting the lower opening AuM level following the initial market reaction to the COVID-19 pandemic, average assets under management were broadly unchanged at US$90.0 billion (FY2019/20: US$89.6 billion).

Gross subscriptions of US$17.6 billion were lower than in the prior year and represented 21% of opening AuM (FY2019/20: US$24.3 billion, 26%). The lower activity levels reflect a period when investors were considering the impact of the COVID-19 pandemic on economies and markets across the world, meaning that they typically resisted making significant changes to portfolio allocations, and contrasts with the strong subscriptions experienced for most of the prior year.

There was broad-based demand across asset classes in the period, including new client mandates in external debt, blended debt, equities and overlay / liquidity. Approximately 80% of gross institutional flows came from existing clients, including significant flows in local currency, corporate debt, including investment grade strategies, blended debt and overlay / liquidity.

Gross redemptions were also lower at US$16.4 billion, or 20% of opening AuM (FY2019/20: US$24.4 billion, 27%), a level more consistent with the longer-term pattern following heightened client redemptions at the end of the prior financial year. The redemptions reflect the typical range of client allocation decisions including profit taking after strong market performance and shifts in asset allocation and model portfolios.

Overall, institutional clients delivered a net inflow of US$4.1 billion, and there was a net outflow of US$2.9 billion from intermediary retail clients, to give a total net inflow of US$1.2 billion compared with a small net outflow of US$0.1 billion in the prior year.

Investor profile

Ashmore's client base is well diversified by client type and domicile. Over the period there was an increase in the proportion of AuM from government-related institutions and small reductions in the proportions of AuM sourced from pension funds and intermediary retail clients. In total, 26% of the Group's AuM has been sourced from clients domiciled in Emerging Markets (30 June 2020: 26%).

Segregated accounts including white-labelled funds represent 79% of AuM (30 June 2020: 75%). The slight increase reflects good levels of institutional activity from both new and existing clients, and net redemptions from the Group's mutual funds.

Ashmore's main mutual fund platforms are in Europe and the US. The European SICAV range comprises 29 funds with AuM of US$10.1 billion (30 June 2020: 30 funds, US$12.1 billion) and the US 40-Act platform manages US$2.3 billion in 12 funds (30 June 2020: 10 funds, US$2.4 billion). There was strong investment performance across all strategies, and the decline in AuM over the period is primarily due to net redemptions from local currency, short duration and blended debt strategies.

AuM by investor type

	2021 %	2020 %
Central banks	11	11
Sovereign wealth funds	21	7
Governments	7	16
Pension plans	26	29
Corporates/financial institutions	22	22
Funds/sub-advisers	4	3
Intermediary retail	8	11
Foundations/endowments	1	1

AuM by investor geography

	2021 %	2020 %
Americas	20	23
Europe ex UK	28	28
UK	7	9
Middle East and Africa	17	17
Asia Pacific	28	23

AuM movements by investment theme

The AuM by theme as classified by mandate is shown in the table below.

Theme	AuM 30 June 2020 US$bn	Performance US$bn	Gross Subscriptions US$bn	Gross redemptions US$bn	Net flows US$bn	AuM 30 June 2021 US$bn
External debt	17.1	1.6	1.9	(2.4)	(0.5)	18.2
Local currency	18.7	1.9	2.4	(3.4)	(1.0)	19.6
Corporate debt	10.6	1.6	2.1	(3.0)	(0.9)	11.3
Blended debt	23.3	2.7	2.4	(5.0)	(2.6)	23.4
Equities	4.6	1.9	2.6	(1.7)	0.9	7.4
Alternatives	1.4	–	0.2	(0.2)	–	1.4
Multi-asset	0.3	–	–	–	–	0.3
Overlay/liquidity	7.6	(0.1)	6.0	(0.7)	5.3	12.8
Total	83.6	9.6	17.6	(16.4)	1.2	94.4

AuM as invested

The table below shows AuM 'as invested' by underlying investment theme, which adjusts from the 'by mandate' presentation to take account of the allocation into the underlying asset classes of the multi-asset and blended debt themes, and of crossover investment from within certain external debt funds.

The Group's AuM by geography of investment remains diversified with 37% invested in Latin America, 25% in Asia Pacific, 19% in the Middle East and Africa, and 19% in Eastern Europe.

AuM as invested

	2021 %	2020 %
External debt	32	38
Local currency	26	28
Corporate debt	19	17
Equities	8	6
Alternatives	1	2
Overlay/liquidity	14	9

Revenues

Net revenue fell by 12% to £291.7 million as a result of lower net management fee income partially offset by higher performance fees. On an adjusted basis, excluding foreign exchange translation effects, net revenue declined by 9% to £296.6 million.

Net revenue

	FY2020/21 £m	FY2019/20 £m
Net management fees	270.9	315.5
Performance fees	11.9	3.9
Other revenue	4.6	4.1
FX: hedges	9.2	1.5
Adjusted net revenue	**296.6**	325.0
FX: balance sheet translation	(4.9)	5.5
Net revenue	**291.7**	330.5

Management fee income, net of distribution costs, declined by 14% to £270.9 million, reflecting flat average AuM of US$90.0 billion, a stronger average GBP:USD rate of 1.3472 (FY2019/20: 1.2637) and a 4bps decline in the average net management fee margin to 41bps. At constant FY2019/20 average exchange rates, net management fees fell by 8%.

Approximately half of the decline in the net management fee margin compared with the prior year is explained by theme and client mix effects. The overall impact of investment theme mix changes, for example the increase in overlay / liquidity AuM and lower average AuM in blended debt together with a positive contribution from the growth in equities and locally-managed AuM, reduced the margin by one basis point. Net outflows from intermediary retail clients and other mutual fund net redemptions had a 1.5 basis points effect.

Flows into new and existing large institutional mandates reduced the margin by less than 0.5 basis point and the remaining movement of approximately one basis point is attributable to competition and other factors.

Fee income and net management fee margin by investment theme

The table below summarises net management fee income after distribution costs, performance fee income, and average net management fee margin by investment theme.

Theme	Net management fees FY2020/21 £m	Net management fees FY2019/20 £m	Performance fees FY2020/21 £m	Performance fees FY2019/20 £m	Net management fee margin FY2020/21 bps	Net management fee margin FY2019/20 bps
External debt	51.9	59.4	1.8	2.5	39	41
Local currency	50.7	60.2	1.8	–	35	38
Corporate debt	34.6	51.3	4.2	0.4	41	50
Blended debt	82.7	94.6	2.6	0.9	47	49
Equities	26.5	23.0	–	–	60	66
Alternatives	12.3	15.4	0.7	0.1	132	139
Multi-asset	2.3	3.0	0.8	–	114	100
Overlay/liquidity	9.9	8.6	–	–	15	15
Total	**270.9**	315.5	**11.9**	3.9	**41**	45

Strong relative performance in several large institutional mandates combined with fees recognised on the successful realisation of assets in the alternatives theme delivered performance fees of £11.9 million, higher than in the prior year (FY2019/20: £3.9 million).

At 30 June 2021, 13% of the Group's AuM was eligible to earn performance fees (30 June 2020: 13%), of which a substantial proportion is subject to rebate agreements. As at 31 August 2021, there are no material realised performance fees and the Group continues to expect its net revenues to comprise primarily net management fee income.

Translation of the Group's non-Sterling assets and liabilities, excluding seed capital, resulted in an unrealised foreign exchange loss of £4.9 million reflecting a higher GBP:USD dollar rate at the period end. The net realised and unrealised gain on the Group's foreign exchange hedges was £9.2 million. Therefore, the total foreign exchange gain recognised in revenues was £4.3 million (FY2019/20: £7.0 million gain).

Other revenue includes transaction and project management fees and at £4.6 million was at a similar level to the prior year (FY2019/20: £4.1 million).

Operating costs

Total operating costs of £104.3 million include £1.7 million of expenses incurred by seeded funds that are required to be consolidated, as disclosed in note 20. On an adjusted basis, excluding the impact of seed capital and the variable compensation accrual on foreign exchange translation gains, operating costs were reduced by 2% to £103.7 million (FY2019/20: £105.9 million). At constant FY2019/20 average exchange rates, adjusted operating costs were flat compared with the prior year period.

Operating costs

	FY2020/21 £m	FY2019/20 £m
Fixed staff costs	(26.7)	(27.6)
Other operating costs	(19.5)	(21.0)
Depreciation & amortisation	(2.8)	(3.4)
Operating costs before VC	(49.0)	(52.0)
Variable compensation	(53.6)	(55.0)
VC accrual on FX gains/losses	(1.1)	1.1
Adjusted operating costs	(103.7)	(105.9)
Consolidated funds costs	(1.7)	(2.2)
Add back VC accrual on FX gains/losses	1.1	(1.1)
Total operating costs	(104.3)	(109.2)

Adjusted operating costs before variable compensation were reduced by 6% to £49.0 million (FY2019/20: £52.0 million), and were 2% lower at constant FY2019/20 average exchange rates.

The Group's headcount rose slightly over the year to 310 employees, of which 298 are involved in investment management-related activities (30 June 2020: 306 and 291, respectively). The average headcount was flat compared with the prior year. The Group's fixed staff costs of £26.7 million fell by 3% as a result of stronger Sterling.

Other operating costs, excluding consolidated fund expenses and depreciation and amortisation, were reduced by 7% to £19.5 million, primarily as a result of significantly lower travel-related expenses and reduced office expenses while the majority of employees were working remotely. The current year includes a £1.0 million charitable contribution equivalent to 0.5% of profit before tax excluding unrealised seed capital gains, as described in the Chief Executive's review (FY2019/20: £0.4 million charitable donations).

The accrual for variable compensation of £53.6 million is 3% lower than in the prior year and represents 22.0% of EBVCIT excluding the charitable contribution (FY2019/20: £55.0 million, 19.5%), reflecting the balance of strong investment performance versus the lower adjusted profits compared with the prior year.

The combined depreciation and amortisation charges for the period were £2.8 million.

Adjusted EBITDA

Adjusted EBITDA fell by 12% from £222.5 million to £195.7 million as a result of the 9% fall in adjusted net revenue that was partially offset by the 2% reduction in adjusted operating costs. The adjusted EBITDA margin was 66%.

Finance income

Net finance income of £23.9 million (FY2019/20: £12.0 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 £0.6 million (FY2019/20: £5.8 million), with the reduction due to lower interest rates.

Profit before tax

Statutory profit before tax of £282.5 million was 28% higher than the prior year (FY2019/20: £221.5 million) as a result of the strong mark-to-market gains delivered by the Group's seed capital programme.

Taxation

The majority of the Group's profit is subject to UK taxation. Of the total current tax charge for the year of £41.3 million (FY2019/20: £38.7 million), £24.4 million relates to UK corporation tax (FY2019/20: £24.7 million).

The Group's effective tax rate for the financial year is 14.4% (FY2019/20: 16.6%), which is lower than the prevailing UK corporation tax rate of 19.0%. This reflects the impact of the Group's share price on the allowable value of share-based remuneration provided to employees, the impact of non-taxable unrealised seed capital gains, the geographic mix of the Group's profit in the period and the impact on the Group's deferred tax balances of the planned rise in the UK corporation tax rate to 25% in 2023. Note 12 to the financial statements provides a reconciliation of this difference compared with the UK corporation tax rate.

Earnings per share

Basic earnings per share for the period increased by 33% to 36.4 pence (FY2019/20: 27.4 pence) and diluted earnings per share increased by 33% to 34.2 pence (FY2019/20: 25.7 pence).

On an adjusted basis, excluding the effects of seed capital items, foreign exchange translation and relevant tax, diluted earnings per share fell by 11% to 23.3 pence (FY2019/20: 26.1 pence). In FY2019/20, the post-tax impact of seed capital items and foreign exchange translation was -0.9 pence per share and +0.5 pence per share, respectively. The weighted average share count for adjusted diluted earnings per share is shown in note 13.

Balance sheet

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 30 June 2021, total equity attributable to shareholders of the parent was £911.6 million (30 June 2020: £856.4 million). Capital resources available to the Group totalled £765.1 million as at 30 June 2021, equivalent to 107 pence per share, and significantly exceeded the Group's regulatory capital requirement of £155.9 million, equivalent to 22 pence per share. The Group has no debt.

Cash

Ashmore's business model consistently delivers a high conversion rate of operating profits to cash. Based on operating profit of £258.3 million for the period (FY2019/20: £209.7 million), the Group generated £213.5 million of cash from operations (FY2019/20: £254.9 million). The operating cash flows after excluding consolidated funds represent 109% of the adjusted EBITDA for the period of £195.7 million (FY2019/20: 116%).

Cash and cash equivalents by currency

	30 June 2021 £m	30 June 2020 £m
Sterling	**76.0**	66.0
US dollar	**351.5**	391.1
Other	**28.6**	43.8
Total	**456.1**	500.9

Cash generated in the period was used to pay corporation tax, to distribute ordinary dividends to shareholders, to purchase shares into the Employee Benefit Trust (EBT) and to make seed capital investments. The decline in cash held compared with the prior year end is the result of the impact of stronger Sterling on the translation of foreign currency holdings, particularly US dollar balances.

Seed capital investments

The Group's actively managed seed capital programme supports growth in third-party AuM with more than US$10 billion of AuM in funds that have been seeded, representing 11% of total Group AuM.

During the year, the Group made new seed investments of £134.6 million and realised £106.0 million from previous investments. The consequent net investment of £28.6 million together with market-to-market gains of £69.8 million means the market value of the Group's seed capital investments increased from £238.4 million as at 30 June 2020 to £336.8 million as at 30 June 2021. Additionally, Ashmore has seed capital commitments of £8.9 million to funds in the alternatives theme that were undrawn at the period end, giving a total committed value for the Group's seed capital programme of approximately £345 million.

As at 30 June 2021, the original cost of the Group's current seed capital investments was £255.2 million, representing 31% of Group net tangible equity. Approximately two-thirds of the Group's seed capital is held in funds with better than one-month dealing frequency, such as SICAV or US 40-Act mutual funds.

The increase in market value over the period reflects the strong market recovery and investment performance delivered by Ashmore's liquid strategies (approximately £35 million impact on profit before tax), together with the consequent increase in valuations applied to assets held by funds in the alternatives theme (approximately £48 million impact on profit before tax).

The new investments support distribution initiatives in Latin America, add scale to equity funds to enhance access to intermediary retail investors, and provide capital for new investment grade and dedicated ESG funds to establish investment track records. The redemptions were as a result of successful realisations and subsequent return of capital in the alternatives theme and client flows into equity strategies.

Seed capital market value by currency

	30 June 2021 £m	30 June 2020 £m
US dollar	**297.6**	213.7
Colombian peso	**16.2**	13.9
Other	**23.0**	10.8
Total market value	**336.8**	238.4

Seed capital

The table below summarises the principal IFRS line items to assist in the understanding of the impact of the Group's seed capital programme on the consolidated statement of comprehensive income. The seed capital investments generated a total gain of £92.5 million in the period (FY2019/20: £7.6 million loss) including a realised gain of £8.5 million. This comprises a £72.5 million mark-to-market gain in respect of consolidated funds, including £3.3 million of finance income, and a £20.0 million gain in respect of unconsolidated funds that is reported in finance income.

Financial impact of seed capital investments

	FY2020/21 £m	FY2019/20 £m
Consolidated funds (note 20):		
Gains/(losses) on investment securities	123.5	(19.1)
Change in third-party interests in consolidated funds	(52.6)	7.5
Operating costs	(1.7)	(2.2)
Finance income	3.3	4.8
Sub-total: consolidated funds	72.5	(9.0)
Unconsolidated funds (note 8):		
Market return	25.3	1.6
Foreign exchange	(5.3)	(0.2)
Sub-total: unconsolidated funds	20.0	1.4
Total seed capital profit/(loss)	92.5	(7.6)
– realised	8.5	4.0
– unrealised	84.0	(11.6)

Foreign exchange

The majority of the Group’s fee income is received in US dollars and it is the Group’s policy for the Foreign Exchange Management Committee to hedge up to two-thirds of the notional value of budgeted foreign currency-denominated net management fees. Foreign currency assets and liabilities, including cash, are marked to market at the period end exchange rate with movements reported in either revenues or other comprehensive income (OCI).

Stronger Sterling over the period reduced net management fees by 6%, reduced operating costs by 2%, and resulted in translation losses of £4.9 million on the Group’s foreign currency assets and liabilities and £5.3 million on the Group’s unconsolidated seed capital investments. Active management of the Group’s foreign currency exposures delivered a gain of £9.2 million reported in revenues.

Included in OCI is a foreign exchange loss of £74.9 million (FY2019/20: £12.8 million gain) reflecting the translation of non-Sterling assets and liabilities at the balance sheet date, and primarily comprising the impact on cash and cash equivalents (£40.5 million), seed capital investments (£22.7 million) and goodwill (£9.0 million).

Goodwill and intangible assets

At 30 June 2021, goodwill and intangible assets on the Group’s balance sheet totalled £80.5 million (30 June 2020: £89.7 million). The movement in the period is the result of an amortisation charge of £0.2 million (FY2019/20: £0.2 million) and a foreign exchange revaluation loss in reserves of £9.0 million (FY2019/20: £2.6 million gain).

Shares held by Employee Benefit Trust (EBT)

The Group’s EBT purchases and holds shares in anticipation of the vesting of share awards. At 30 June 2021, the EBT owned 52,345,869 ordinary shares (30 June 2020: 56,477,466 ordinary shares), representing 7.3% of the Group’s issued share capital (30 June 2020: 7.9%).

Regulatory capital

Ashmore Group plc is subject to consolidated regulatory capital requirements, whereby the Board is required to assess the degree of risk across the Group's business, and the Group is required to hold sufficient capital against these risks.

The table below summarises the Group's financial resources and Pillar II regulatory capital requirement determined by the Board through the Internal Capital Adequacy Assessment Process (ICAAP). The increase in the requirement is primarily the result of a higher market risk charge resulting from the increase in the market value of the Group's seed capital investments.

Regulatory capital

	FY2020/21 £m	FY2019/20 £m
Total equity	932.7	879.0
Less deductions:		
Investments in associates	(0.9)	(0.6)
Foreseeable dividends	(85.7)	(85.5)
Intangibles & goodwill	(81.0)	(90.4)
Capital resources	765.1	702.5
Pillar II capital requirement	155.9	147.3

The Group has total capital resources of £765.1 million as at 30 June 2021, equivalent to 107 pence per share, giving a solvency ratio of 391% and excess regulatory capital of £609.2 million above the Pillar II requirement. Therefore, the Board is satisfied that the Group is adequately capitalised.

Dividend

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

Consistent with this approach and recognising the strong statutory profit growth, driven by largely unrealised seed capital gains, and the lower adjusted profits, the Directors have recommended a final dividend of 12.1 pence per share for the year ending 30 June 2021 (FY2019/20: 12.1 pence), which if approved by shareholders will be paid on 10 December 2021 to all shareholders on the register on 5 November 2021. Total dividends paid and recommended for the year of 16.9 pence (FY2019/20: 16.9 pence) are covered 2.0x by diluted earnings per share.

Tom Shippey
Group Finance Director

2 September 2021

Alternative performance measures

Ashmore discloses non-GAAP financial alternative performance measures (APMs) in order to assist shareholders' understanding of the operational performance of the Group during the accounting period and to make comparisons with prior periods.

The calculation of APMs is consistent with the financial year ending 30 June 2020 and unless otherwise stated reconciliations to statutory IFRS results are provided in the Business review. 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.

Reconciliation sources: Consolidated statement of comprehensive income

Net management fee margin

The net management fee margin is defined as the ratio of management fees less distribution costs to average assets under management for the period and is a commonly used industry performance measure.

Reconciliation sources: Consolidated statement of comprehensive income; average AuM

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 comprises share-based payments and performance-related cash bonuses.

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

Reconciliation sources: Consolidated statement of comprehensive income; notes 9 & 11

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.

Reconciliation sources: Financial statements; note 11

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.

Reconciliation sources: Financial statements; notes 7, 10, 11 & 20

Adjusted EBITDA margin

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

Reconciliation sources: Financial statements; notes 7, 10, 11 & 20

Adjusted diluted EPS

Diluted earnings per share excluding items relating to foreign exchange translation and seed capital, as described above, and the related tax impact.

Reconciliation sources: Consolidated statement of total comprehensive income, note 13

Conversion of operating profits to cash

This compares adjusted EBITDA to cash generated from operations, which excludes consolidated funds to enable a better understanding of the Group's operating performance, and is a measure of the effectiveness of the Group's operations at converting profits to cash. Excluding consolidated funds also ensures consistency between the adjusted EBITDA and cash flow.

Reconciliation sources: Consolidated cash flow statement; note 20 d)

Risk management and internal control systems

In accordance with provision 29 of the Code, the Board is ultimately responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. Such systems and their review are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Ashmore considers a number of risks and has described in the table below those that it has assessed as being most significant in this period, together with examples of associated controls and mitigants. Reputational and conduct risks are common to most aspects of the strategy and business model.

The Group considers the assessment and management of emerging risks alongside principal risks within its internal control framework, examples of which are:

- the impact of passive funds on the asset management industry;
- global political uncertainty;
- high level of new regulatory obligations for the industry;
- ESG focus on social matters including diversity and inclusion; and
- the transition from an extended period of remote working back to an office-based business model.

Principal risks and associated controls and mitigants

Description of principal risks	Examples of associated controls and mitigants
Strategic and business risks (Responsibility: Ashmore Group plc Board)	
– Long-term downturn in Emerging Markets fundamentals/technicals/sentiment, and impact of broader industry changes	– Group strategy is reviewed and approved by a Board with relevant industry experience – Diversification of investment capabilities and products – Ashmore has a strong balance sheet with no debt – The Board reviews diversity data on an annual basis
– Market capacity issues and increased competition constrain growth	– Experienced Emerging Markets investment professionals, with deep market knowledge, participate in investment committees – Periodic investment theme capacity reviews – Barriers to entry remain high, e.g. demonstration of long-term investment track record
– Failure to understand and plan for the potential impact of investor sentiment and regulatory changes relating to sustainability and climate change	– Oversight by ESG Committee, which has overall responsibility for Ashmore's sustainability and responsible investing framework across its corporate and investment activities – Head of Sustainability and ESG Integration provides updates to the Board – Dedicated ESG funds
– Sustainability risks, including those relating to climate, have implications for individuals, businesses and investors	– ESG Committee has oversight of risks, and Head of ESG and Sustainability Integration updates the Board regularly – Dedicated ESG funds with minimum scoring thresholds
Client risks (Responsibility: Product Committee and Group Risk and Compliance Committee)	
– Inappropriate marketing strategy and/or ineffective management of existing and potential fund investors and distributors, including impact of net outflows and fee margin pressure	– Frequent and regular Product Committee meetings review product suitability and appropriateness – Experienced distribution team with appropriate geographic coverage – Investor education to ensure understanding of Ashmore investment themes and products
– Inadequate client oversight including alignment of interests	– Monitoring of client-related issues including a formal complaints handling process – Compliance and legal oversight to ensure clear and fair terms of business and disclosures, and appropriate client communications and financial promotions – Global distribution team appropriately structured for institutional and intermediary retail clients
Treasury risks (Responsibility: Chief Executive Officer and Group Finance Director)	
– Inaccurate financial projections and hedging of future cash flows and balance sheet	– Defined risk appetite, and risk appetite measures updated quarterly – Group foreign exchange (FX) hedging policy and FX and Liquidity Management Committee

Description of principal risks	Examples of associated controls and mitigants
Investment risks (Responsibility: Group Investment Committees)	
– Downturn in long-term performance	– Consistent investment philosophy over more than 28 years and numerous market cycles, with dedicated Emerging Markets focus including country visits and network of local offices
– Manager non-performance including i) ineffective ESG integration and similar portfolios being managed inconsistently; and ii) neglect of duty, market abuse	– Funds in the same investment theme are managed by consistent investment management teams, and allocations approved by investment committees – Comprehensive policies in place to cover, for example, conflicts, best execution, market abuse and client order handling – Tools to manage liquidity issues as a result of redemptions including restrictions on illiquid exposures and ability to use in specie redemptions
– Insufficient number of trading counterparties	– Group Trading counterparty policy and sufficient counterparties to provide access to liquidity. Extensive trading relationships developed over the firm's history of focusing on Emerging Markets investing
Operational risks (Responsibility: Group Risk and Compliance Committee)	
– Inadequate security of information including cyber security and data protection	– Information security and data protection policies, subject to annual review including cyber security review
– Inadequate business continuity planning (BCP)	– Established BCP process with periodic updates to Group RCC
– Inaccurate or invalid data including manual processes/reporting	– Dedicated teams responsible for Transaction Processing, Fund Administration, and Pricing and Data Management – Pricing Oversight and Pricing Methodology and Valuation Committees, with PMVC valuations subject to external audit – Annual ISAE 3402 process and report
– Failure of IT infrastructure, including inability to support business growth	– Appropriate IT policies with annual review cycle – IT systems and environmental monitoring – Group IT platform incorporates local offices
– Legal action, fraud or breach of contract perpetrated against the Group, its funds or investments	– Independent Internal Audit function that considers risk of fraud in each audit – Financial crime policy covering the Group and its service providers – Whistleblowing policy including independent reporting line, and Board sponsor (the Senior Independent Director and ARC Chairman) – Due diligence on all new, and regular reviews of existing, service providers – Insurance policies with appropriate cover to ensure appropriate client litigation cover
– Insufficient resources, including loss of key staff, inability to attract staff, and an extended period of remote working, which hampers growth or the Group's ability to execute its strategy	– Committee-based investment management reduces key man risk – Appropriate Remuneration Policy with emphasis on performance-related pay and long-dated deferral of equity awards – Regular reviews of resource requirements and updates provided to the Board – Annual Culture and Conduct report to the Board
– Lack of understanding and compliance with global and local regulatory requirements, as well as conflicts of interest and not treating customers fairly; and financial crime, which includes money laundering, bribery and corruption, leading to high level publicity or regulatory sanction	– Regulatory Development Working Group and compliance monitoring programme, which covers financial crime risks such as money laundering and bribery – Compliance policies covering global and local offices, for example global conflicts of interest and inducements policies – Conduct risk and organisational culture indicators are considered on a monthly basis by the Group RCC and on an annual basis by the Board – Internal Capital Adequacy Assessment Process (ICAAP) with ongoing engagement with the Board – Mandatory compliance training for all employees
– Inadequate tax oversight or advice	– Dedicated in-house tax specialist and Group Tax policy covering all Group entities with external advice sought as appropriate
– Inadequate oversight of Ashmore overseas offices	– Group Finance Director has oversight responsibility for overseas offices, and RCC has oversight of the operating model with annual reviews. Senior staff take local board/advisory positions – Dual reporting lines into local management and Group department heads, with adherence to Group policies – Local RCCs held and Group RCC receives updates – Internal Audit reviews, and annual governance reviews reported to RCC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 £m	2020 £m
Management fees		276.4	330.0
Performance fees		11.9	3.9
Other revenue		4.6	4.1
Total revenue		292.9	338.0
Distribution costs		(5.5)	(14.5)
Foreign exchange	7	4.3	7.0
Net revenue		291.7	330.5
Gains/(losses) on investment securities	20	123.5	(19.1)
Change in third-party interests in consolidated funds	20	(52.6)	7.5
Personnel expenses	9	(80.3)	(82.6)
Other expenses	11	(24.0)	(26.6)
Operating profit		258.3	209.7
Finance income	8	23.9	12.0
Share of gains/(losses) from associates	26	0.3	(0.2)
Profit before tax		282.5	221.5
Tax expense	12	(40.7)	(36.8)
Profit for the year		241.8	184.7
Other comprehensive income/(loss), net of related tax effect			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences arising on foreign operations		(74.9)	12.8
Cash flow hedge intrinsic value gains/(losses)		1.2	(0.1)
Other comprehensive income/(loss), net of tax		(73.7)	12.7
Total comprehensive income for the year		168.1	197.4
Profit attributable to:			
Equity holders of the parent		240.1	182.1
Non-controlling interests		1.7	2.6
Profit for the year		241.8	184.7
Total comprehensive income attributable to:			
Equity holders of the parent		167.5	194.7
Non-controlling interests		0.6	2.7
Total comprehensive income for the year		168.1	197.4
Earnings per share			
Basic	13	36.40p	27.35p
Diluted	13	34.23p	25.68p

CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Notes	2021 £m	2020 £m
Assets			
Non-current assets			
Goodwill and intangible assets	15	80.5	89.7
Property, plant and equipment	16	11.2	11.7
Investment in associates	26	0.9	0.6
Non-current financial assets measured at fair value	20	34.0	28.0
Deferred acquisition costs		0.5	0.7
Deferred tax assets	18	34.8	30.6
		161.9	161.3
Current assets			
Investment securities	20	318.1	234.5
Financial assets measured at fair value	20	41.0	11.6
Trade and other receivables	17	83.4	96.2
Derivative financial instruments	21	1.3	–
Cash and cash equivalents		456.1	500.9
		899.9	843.2
Financial assets held for sale	20	46.2	43.1
Total assets		1,108.0	1,047.6
Equity and liabilities			
Capital and reserves – attributable to equity holders of the parent			
Issued capital	22	0.1	0.1
Share premium		15.6	15.6
Retained earnings		941.0	813.2
Foreign exchange reserve		(46.2)	27.6
Cash flow hedging reserve		1.1	(0.1)
		911.6	856.4
Non-controlling interests	30	21.1	22.6
Total equity		932.7	879.0
Liabilities			
Non-current liabilities			
Lease liabilities	16	7.3	8.2
Deferred tax liabilities	18	10.5	6.9
		17.8	15.1
Current liabilities			
Current tax		–	8.5
Lease liabilities	16	2.5	2.0
Derivative financial instruments	21	–	1.7
Third-party interests in consolidated funds	20	105.7	86.1
Trade and other payables	24	45.5	50.7
		153.7	149.0
Financial liabilities held for sale	20	3.8	4.5
Total liabilities		175.3	168.6
Total equity and liabilities		1,108.0	1,047.6

Approved by the Board on 2 September 2021 and signed on its behalf by:

Mark Coombs
Chief Executive Officer

Tom Shippey
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Attributable to equity holders of the parent							
	Issued capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Cash flow hedging reserve £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 July 2019	0.1	15.6	812.4	14.9	–	843.0	10.9	853.9
Profit for the year	–	–	182.1	–	–	182.1	2.6	184.7
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	–	–	–	12.7	–	12.7	0.1	12.8
Cash flow hedge intrinsic value losses	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Total comprehensive income/(loss)	–	–	182.1	12.7	(0.1)	194.7	2.7	197.4
Transactions with owners:								
Purchase of own shares	–	–	(89.5)	–	–	(89.5)	–	(89.5)
Share-based payments	–	–	28.6	–	–	28.6	–	28.6
Acquisition of subsidiary with non-controlling interest	–	–	(0.4)	–	–	(0.4)	11.7	11.3
Dividends to equity holders	–	–	(120.0)	–	–	(120.0)	–	(120.0)
Dividends to non-controlling interests	–	–	–	–	–	–	(2.7)	(2.7)
Total contributions and distributions	–	–	(181.3)	–	–	(181.3)	9.0	(172.3)
Balance at 30 June 2020	0.1	15.6	813.2	27.6	(0.1)	856.4	22.6	879.0
Profit for the year	–	–	240.1	–	–	240.1	1.7	241.8
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	–	–	–	(73.8)	–	(73.8)	(1.1)	(74.9)
Cash flow hedge intrinsic value gains	–	–	–	–	1.2	1.2	–	1.2
Total comprehensive income/(loss)	–	–	240.1	(73.8)	1.2	167.5	0.6	168.1
Transactions with owners:								
Purchase of own shares	–	–	(23.3)	–	–	(23.3)	–	(23.3)
Share-based payments	–	–	29.3	–	–	29.3	–	29.3
Increase in non-controlling interests	–	–	–	–	–	–	0.8	0.8
Dividends to equity holders	–	–	(118.3)	–	–	(118.3)	–	(118.3)
Dividends to non-controlling interests	–	–	–	–	–	–	(2.9)	(2.9)
Total contributions and distributions	–	–	(112.3)	–	–	(112.3)	(2.1)	(114.4)
Balance at 30 June 2021	0.1	15.6	941.0	(46.2)	1.1	911.6	21.1	932.7

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2021

	2021 £m	2020 £m
Operating activities		
Profit for the year	241.8	184.7
Adjustments for non-cash items:		
Depreciation and amortisation	2.8	3.4
Accrual for variable compensation	33.4	33.9
Unrealised foreign exchange gains	(4.3)	(7.0)
Finance income	(23.9)	(12.0)
Net (gains)/losses on investment securities	(70.9)	11.6
Tax expense	40.7	36.8
Other non-cash items	(0.3)	(0.8)
Cash generated from operations before working capital changes	219.3	250.6
Changes in working capital:		
Decrease in trade and other receivables	2.4	9.1
Decrease/(increase) in derivative financial instruments	(3.0)	0.6
Decrease in trade and other payables	(5.2)	(5.4)
Cash generated from operations	213.5	254.9
Taxes paid	(64.3)	(52.1)
Net cash generated from operating activities	149.2	202.8
Investing activities		
Interest and investment income received	3.2	14.7
Proceeds on disposal of associates	–	0.6
Purchase of non-current financial assets measured at fair value	(8.1)	(3.6)
Purchase of financial assets held for sale	(42.2)	(43.6)
Purchase of financial assets measured at fair value	(14.4)	–
Purchase of investment securities	(33.3)	(9.1)
Sale of non-current financial assets measured at fair value	2.6	2.5
Sale of financial assets held for sale	7.2	8.4
Sale of financial assets measured at fair value	58.4	25.1
Net cash on initial consolidation of seed capital investments	(5.2)	(0.4)
Purchase of property, plant and equipment	(0.7)	(1.0)
Net cash used in investing activities	(32.5)	(6.4)
Financing activities		
Dividends paid to equity holders	(118.3)	(120.0)
Dividends paid to non-controlling interests	(2.9)	(2.7)
Third-party subscriptions into consolidated funds	54.9	50.0
Third-party redemptions from consolidated funds	(0.6)	(29.6)
Distributions paid by consolidated funds	(28.8)	(1.9)
Contribution by non-controlling interests	0.5	11.3
Payment of lease liabilities	(2.1)	(2.3)
Interest paid	(0.4)	(0.5)
Purchase of own shares	(23.3)	(89.5)
Net cash used in financing activities	(121.0)	(185.2)
Net increase in cash and cash equivalents	(4.3)	11.2
Cash and cash equivalents at beginning of year	500.9	477.2
Effect of exchange rate changes on cash and cash equivalents	(40.5)	12.5
Cash and cash equivalents at end of year	456.1	500.9
Cash and cash equivalents at end of year comprise:		
Cash at bank and in hand	51.4	68.5
Daily dealing liquidity funds	333.5	368.0
Deposits	71.2	64.4
	456.1	500.9

COMPANY BALANCE SHEET

As at 30 June 2021

	Notes	2021 £m	2020 £m
Assets			
Non-current assets			
Goodwill	15	**4.1**	4.1
Property, plant and equipment	16	**6.8**	6.8
Investment in subsidiaries	25	**19.9**	19.9
Deferred acquisition costs		**0.5**	0.7
Deferred tax assets	18	**25.1**	20.6
		56.4	52.1
Current assets			
Trade and other receivables	17	**521.8**	518.2
Derivative financial instruments	21	**1.3**	–
Cash and cash equivalents		**86.1**	91.8
		609.2	610.0
Total assets		**665.6**	662.1
Equity and liabilities			
Capital and reserves			
Issued capital	22	**0.1**	0.1
Share premium		**15.6**	15.6
Retained earnings		**540.6**	583.5
Cash flow hedging reserve		**1.1**	(0.1)
Total equity attributable to equity holders of the Company		**557.4**	599.1
Liabilities			
Non-current liabilities			
Lease liability	16	**4.4**	4.8
Current liabilities			
Lease liability	16	**1.3**	1.1
Derivative financial instruments	21	**–**	1.7
Trade and other payables	24	**102.5**	55.4
		108.2	63.0
Total equity and liabilities		**665.6**	662.1

The Company has taken the exemption under section 408 of the Companies Act 2006 not to present its profit and loss account and related notes. The Company's profit for the year ended 30 June 2021 was £69.4 million (30 June 2020: £120.7 million).

Approved by the Board on 2 September 2021 and signed on its behalf by:

Mark Coombs
Chief Executive Officer

Tom Shippey
Group Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued capital £m	Share premium £m	Retained earnings £m	Cash flow hedging reserve £m	Total equity attributable to equity holders of the parent £m
Balance at 30 June 2019	0.1	15.6	632.6	–	648.3
Profit for the year	–	–	120.7	–	120.7
Cash flow hedge intrinsic value losses	–	–	–	(0.1)	(0.1)
Purchase of own shares	–	–	(89.5)	–	(89.5)
Share-based payments	–	–	39.7	–	39.7
Dividends to equity holders	–	–	(120.0)	–	(120.0)
Balance at 30 June 2020	0.1	15.6	583.5	(0.1)	599.1
Profit for the year	–	–	69.4	–	69.4
Cash flow hedge intrinsic value gains	–	–	–	1.2	1.2
Purchase of own shares	–	–	(23.3)	–	(23.3)
Share-based payments	–	–	29.3	–	29.3
Dividends to equity holders	–	–	(118.3)	–	(118.3)
Balance at 30 June 2021	0.1	15.6	540.6	1.1	557.4

COMPANY CASH FLOW STATEMENT

For the year ended 30 June 2021

	2021 £m	2020 £m
Operating activities		
Profit for the year	69.4	120.7
Adjustments for:		
Depreciation and amortisation	1.4	1.5
Accrual for variable compensation	25.2	21.7
Unrealised foreign exchange losses/(gains)	35.6	(13.9)
Finance income	–	(0.8)
Tax expense	(16.5)	(3.0)
Dividends received from subsidiaries	(110.1)	(122.0)
Cash generated from operations before working capital changes	5.0	4.2
Changes in working capital:		
Decrease in trade and other receivables	6.9	22.4
Decrease/(increase) in derivative financial instruments	(3.0)	1.0
Increase in trade and other payables	97.4	17.2
Cash generated from operations	106.3	44.8
Taxes paid	(38.2)	(38.4)
Net cash generated from operating activities	68.1	6.4
Investing activities		
Interest received	0.3	1.4
Loans advanced to subsidiaries	(110.2)	(111.8)
Loans repaid by subsidiaries	67.3	135.1
Dividends received from subsidiaries	110.1	122.0
Purchase of property, plant and equipment	(0.6)	(0.9)
Net cash generated from investing activities	66.9	145.8
Financing activities		
Dividends paid	(118.3)	(120.0)
Payment of lease liability	(1.1)	(1.0)
Interest paid	(0.2)	(0.3)
Purchase of own shares	(23.3)	(89.5)
Net cash used in financing activities	(142.9)	(210.8)
Net decrease in cash and cash equivalents	(7.9)	(58.6)
Cash and cash equivalents at beginning of year	91.8	150.3
Effect of exchange rate changes on cash and cash equivalents	2.2	0.1
Cash and cash equivalents at end of year	86.1	91.8
Cash and cash equivalents at end of year comprise:		
Cash at bank and in hand	17.0	16.9
Daily dealing liquidity funds	14.6	31.9
Deposits	54.5	43.0
	86.1	91.8

1) General information

Ashmore Group plc (the Company) is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company and its subsidiaries (together the Group) for the year ended 30 June 2021 were authorised for issue by the Board of Directors on 2 September 2021. The principal activity of the Group is described in the Directors' report.

2) Basis of preparation

The Group and Company financial statements for the year ended 30 June 2021 have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and liabilities that are held at fair value through profit or loss.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 that allows it not to present its individual statement of comprehensive income and related notes.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Further information about key assumptions and other key sources of estimation and areas of judgement are set out in note 31.

Going concern

The Board of Directors has considered the resilience of the Group, taking into account its current financial position, and the principal and emerging risks facing the business in the context of the current economic outlook. The Board reviewed cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. The Board applied stressed scenarios, including severe but plausible downside assumptions, and the impact on assets under management, profitability of the Group and known commitments. While there are wider market uncertainties that may impact the Group, the stressed scenarios, which assumed a significant reduction in revenue for the entire forecast period, show that the Group and Company would continue to operate profitably and meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the annual financial statements. The financial statements have therefore been prepared on a going concern basis.

3) New Standards and Interpretations not yet adopted

There were no Standards or Interpretations that were in issue and required to be adopted by the Group as at the date of authorisation of these consolidated financial statements. No other Standards or Interpretations have been issued that are expected to have a material impact on the Group's financial statements.

4) Significant accounting policies

The following principal accounting policies have been applied consistently where applicable to all years presented in dealing with items considered material in relation to the Group and Company financial statements, unless otherwise stated.

Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries, associates and joint ventures. This includes an Employee Benefit Trust (EBT) established for the employee share-based awards and consolidated investment funds.

Interests in subsidiaries

Subsidiaries are entities, including investment funds, over which the Group has control as defined by IFRS 10. The Group has control if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

The profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to any non-controlling interests. Based on their nature, the interests of third parties in consolidated funds are classified as liabilities and appear as 'Third-party interests in consolidated funds' on the Group's balance sheet. Associates and joint ventures are presented as single-line items in the statement of comprehensive income and balance sheet. Intercompany transactions and balances are eliminated on consolidation. Consistent accounting policies have been applied across the Group in the preparation of the consolidated financial statements as at 30 June 2021.

A change in the ownership interest of a consolidated entity that does not result in a loss of control by the Group is accounted for as an equity transaction. If the Group loses control over a consolidated entity, it derecognises the related assets, goodwill, liabilities, non-controlling interest and other components of equity, and any gain or loss is recognised in consolidated comprehensive income. Any investment retained is recognised at its fair value at the date of loss of control.

Interests in associates and joint arrangements

Associates are partly owned entities over which the Group has significant influence but no control. Joint ventures are entities through which the Group and other parties undertake an economic activity which is subject to joint control.

Investments in associates and interests in joint ventures are measured using the equity method of accounting. Under this method, the investments are initially recognised at cost, including attributable goodwill, and are adjusted thereafter for the post-acquisition changes in the Group's share of net assets. The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income. Where the Group's financial year is not coterminous with those of its associates or joint ventures, unaudited interim financial information is used after appropriate adjustments have been made.

Interests in consolidated structured entities

The Group acts as fund manager to investment funds that are considered to be structured entities. Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding which party has control: for example, when any voting rights relate to administrative tasks only and the relevant activities of the entity are directed by means of contractual arrangements. The Group's assets under management are managed within structured entities. These structured entities typically consist of unitised vehicles such as Société d'Investissement à Capital Variable (SICAVs), limited partnerships, unit trusts and open-ended and closed-ended vehicles which entitle third-party investors to a percentage of the vehicle's net asset value.

The Group has interests in structured entities as a result of the management of assets on behalf of its clients. Where the Group holds a direct interest in a closed-ended fund, private equity fund or open-ended pooled fund such as a SICAV, the interest is accounted for either as a consolidated structured entity or as a financial asset, depending on whether the Group has control over the fund or not. Control is determined in accordance with IFRS 10, based on an assessment of the level of power and aggregate economic interest that the Group has over the fund, relative to third-party investors. Power is normally conveyed to the Group through the existence of an investment management agreement and/or other contractual arrangements. Aggregate economic interest is a measure of the Group's exposure to variable returns in the fund through a combination of direct interest, expected share of performance fees, expected management fees, fair value gains or losses, and distributions receivable from the fund.

The Group concludes that it acts as a principal when the power it has over the fund is deemed to be exercised for self-benefit, considering the level of aggregate economic exposure in the fund and the assessed strength of third-party investors' kick-out rights. The Group concludes that it acts as an agent when the power it has over the fund is deemed to be exercised for the benefit of third-party investors.

If the Group concludes that acts as a principal, it is deemed to have control and, therefore, will consolidate a fund as if it were a subsidiary. If the Group concludes that it does not have control over the fund, the Group recognises and measures its interest in the fund as a financial asset.

Interests in unconsolidated structured entities

The Group classifies the following investment funds as unconsolidated structured entities:

- Segregated mandates and pooled funds managed where the Group does not hold any direct interest. In this case, the Group considers that its aggregate economic exposure is insignificant and, in relation to segregated mandates, the third-party investor has the practical ability to remove the Group from acting as fund manager, without cause. As a result, the Group concludes that it acts as an agent for third-party investors.
- Pooled funds managed by the Group where the Group holds a direct interest, for example seed capital investments, and the Group's aggregate economic exposure in the fund relative to third-party investors is less than the threshold established by the Group for determining agent versus principal classification. As a result, the Group concludes that it is an agent for third-party investors and, therefore, will account for its beneficial interest in the fund as a financial asset.

The disclosure of the AuM in respect of consolidated and unconsolidated structured entities is provided in note 27.

Foreign currency

The Group's financial statements are presented in Pounds Sterling (Sterling), which is also the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the functional currency, which is the currency that prevails in the primary economic environment in which the entity operates.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in comprehensive income, except for qualifying cash flow hedges to the extent that the hedge is effective, in which case foreign currency differences arising are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Sterling at the spot exchange rates at the balance sheet date. The revenues and expenses of foreign operations are translated into Sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to comprehensive income as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve within equity.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The consideration transferred for the acquisition is generally measured at the acquisition date fair value, as are the identifiable net assets acquired, liabilities incurred (including any asset or liability resulting from a contingent consideration arrangement) and equity instruments issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured and settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill

The cost of a business combination in excess of the fair value of net identifiable assets or liabilities acquired, including intangible assets identified, is recognised as goodwill and stated at cost less any accumulated impairment losses. Goodwill has an indefinite useful life, is not subject to amortisation and is tested annually for impairment or when there is an indication of impairment.

Intangible assets

The cost of intangible assets, such as management contracts and brand names, acquired as part of a business combination is their fair value as at the date of acquisition. The fair value at the date of acquisition is calculated using the discounted cash flow methodology and represents the valuation of the profits expected to be earned from the management contracts and brand name in place at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Intangible assets with finite life are amortised on a systematic basis over their useful lives. The useful life of an intangible asset which has arisen from contractual or other legal rights does not exceed the period of the contractual or other legal rights.

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. Changes to the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost is determined on the basis of the direct and indirect costs that are directly attributable. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives, assessed to be five years for office equipment and four years for IT equipment.
The residual values and useful lives of assets are reviewed at least annually.

The Group's property, plant and equipment include right-of use assets recognised on operating lease arrangements in accordance with IFRS 16 Leases.

Leases

The Group's lease arrangements primarily consist of operating leases relating to office space. Obligations and rights under operating lease agreements are recognised and classified within property, plant and equipment on the Group's consolidated statement of financial position in accordance with IFRS 16.

The Group initially records a lease liability reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the rate implicit in the lease, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Where this rate is not readily available, the Group applies the incremental borrowing rate applicable for each lease arrangement. A right-of-use asset is also recorded at the value of the lease liability plus any directly related costs and estimated dilapidation expenses and is presented within property, plant and equipment. Interest is accrued on the lease liability using the effective interest rate method to give a constant rate of return over the life of the lease whilst the balance is reduced as lease payments are made. The right-of-use asset is depreciated over the life of the lease as the benefit of the lease is consumed.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) a term extension option.

The cost of short-term (less than 12 months) leases is expensed on a straight-line basis over the lease term.

Deferred acquisition costs

Costs that are directly attributable to securing an investment management contract are deferred if they can be identified separately and measured reliably and it is probable that they will be recovered. Deferred acquisition costs represent the incremental costs incurred by the Group to acquire an investment management contract, typically on a closed-ended fund. The Group amortises the deferred acquisition asset recognised on a systematic basis, in line with the revenue generated from providing the investment management services over the life of the fund.

Financial instruments

Recognition and initial measurement

Financial instruments are recognised when the Group becomes party to the contractual provisions of an instrument, initially at fair value plus transaction costs except for financial assets classified at fair value through profit or loss. Purchases or sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or been transferred or when the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability has been discharged, cancelled or expires.

Subsequent measurement

The subsequent measurement of financial instruments depends on their classification in accordance with IFRS 9 Financial Instruments and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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 Group classifies its financial liabilities at amortised cost or derivative liabilities measured at FVTPL.

Amortised cost is the amount determined based on moving the initial amount recognised for the financial instrument to the maturity value on a systematic basis using a fixed interest rate (effective interest rate), taking account of repayment dates and initial premiums or discounts.

Financial assets

The Group classifies its financial assets into the following categories: investment securities at FVTPL, financial assets held for sale, financial assets at FVTPL and financial assets measured at amortised cost.

The Group may, from time to time, invest seed capital in funds where a subsidiary is the investment manager or an adviser. Where the holding in such investments is deemed to represent a controlling stake and is acquired exclusively with a view to subsequent disposal through sale or dilution, these seed capital investments are recognised as financial assets held for sale in accordance with IFRS 5. The Group recognises 100% of the investment in the fund as a ‘financial asset held for sale’ and the interest held by other parties as a ‘financial liability held for sale’. Where control is not deemed to exist, and the assets are readily realisable, they are recognised as financial assets measured at FVTPL in accordance with IFRS 9. Where the assets are not readily realisable, they are recognised as non-current financial assets measured at FVTPL. If a seed capital investment remains under the control of the Group for more than one year from the original investment date, the underlying fund is consolidated line by line.

Investment securities at FVTPL

Investment securities represent securities, other than derivatives, held by consolidated funds. These securities are measured at fair value with gains and losses recognised through the consolidated statement of comprehensive income.

Financial assets held for sale (HFS)

Financial assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell except where measurement and remeasurement is outside the scope of IFRS 5. Where investments that have initially been recognised as financial assets held for sale, because the Group has been deemed to hold a controlling stake, are subsequently disposed of or diluted such that the Group's holding is no longer deemed a controlling stake, the investment will subsequently be classified as a financial asset measured at FVTPL in accordance with IFRS 9.

Financial assets at FVTPL

Financial assets at FVTPL include certain readily realisable interests in seeded funds, non-current financial assets measured at fair value and derivatives. From the date the financial asset is recognised, all subsequent changes in fair value, foreign exchange differences, interest and dividends are reflected in the consolidated statement of comprehensive income and presented in finance income or expense.

(i) Non-current financial assets measured at fair value

Non-current financial assets include closed-end funds that are measured at FVTPL. They are held at fair value with changes in fair value being recognised through the consolidated statement of comprehensive income.

(ii) Financial assets measured at fair value

The Group classifies readily realisable interests in newly seeded funds as financial assets measured at FVTPL with fair value changes being directly recognised through the consolidated statement of comprehensive income. Fair value is measured based on the proportionate net asset value in the fund.

(iii) Derivatives

Derivatives include foreign exchange forward contracts and options used by the Group to manage its foreign currency exposures and those held in consolidated funds. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Transaction costs are recognised immediately in the statement of comprehensive income. All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly in comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Financial assets measured at amortised cost

(i) Trade and other receivables

Trade and other receivables are initially recorded at fair value plus transaction costs. The fair value on acquisition is normally the cost. Subsequent to initial recognition these assets are measured at amortised cost less impairment loss allowances. Impairment losses are recognised in the statement of comprehensive income for expected credit losses, and changes in those expected credit losses over the life of the instrument. Loss allowances are calculated based on lifetime expected credit losses at each reporting date.

(ii) Cash and cash equivalents

Cash represents cash at bank and in hand, and cash equivalents comprise short-term deposits and investments in money market instruments that are redeemable on demand or with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Financial liabilities

The Group classifies its financial liabilities into the following categories: financial liabilities held for sale, financial liabilities at FVTPL and financial liabilities at amortised cost.

Financial liabilities held for sale

Financial liabilities held for sale represent interests held by other parties in funds in which the Group recognises 100% of the investment in the fund as a financial asset held for sale. These liabilities are carried at fair value with gains or losses recognised in the statement of comprehensive income within finance income or expense.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include derivative financial instruments and third-party interests in consolidated funds. They are carried at fair value with gains or losses recognised in the consolidated statement of comprehensive income within finance income or expense.

Financial liabilities at amortised cost

Other financial liabilities including trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised as it is incurred using the effective interest method, which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the 'exit price') in an orderly transaction between market participants at the measurement date. In determining fair value, the Group uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximises the use of relevant observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Group.

Unobservable inputs are inputs that reflect the Group's judgements about the assumptions other market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

Securities listed on a recognised stock exchange, or dealt on any other regulated market that operates regularly, is recognised and open to the public, are valued at the last known available closing bid price. If a security is traded on several actively traded and organised financial markets, the valuation is made on the basis of the last known bid price on the main market on which the securities are traded. In the case of securities for which trading on an actively traded and organised financial market is not significant, but which are bought and sold on a secondary market with regulated trading among security dealers (with the effect that the price is set on a market basis), the valuation may be based on this secondary market.

Where instruments are not listed on any stock exchange or not traded on any regulated markets, valuation techniques are used by valuation specialists. These techniques include the market approach, the income approach or the cost approach. The use of the market approach generally consists of using comparable market transactions or using techniques based on market observable inputs, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as deemed appropriate for liquidity, credit, market and/or other risk factors.

Investments in funds are valued on the basis of the last available net asset value of the units or shares of such funds.

The fair value of the derivatives is their quoted market price at the balance sheet date.

Hedge accounting

The Group applies the 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 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 applies cash flow hedge accounting when the transaction meets the specified hedge accounting criteria. To qualify, the following conditions must be met:

- formal documentation of the relationship between the hedging instrument(s) and hedged item(s) must exist at inception;
- the hedged cash flows must be highly probable and must present an exposure to variations in cash flows that could ultimately affect comprehensive income;
- the effectiveness of the hedge can be reliably measured; and
- the hedge must be highly effective, with effectiveness assessed on an ongoing basis.

For qualifying cash flow hedges, the change in fair value of the effective hedging instrument is initially recognised in other comprehensive income and is released to comprehensive income in the same period during which the relevant financial asset or liability affects the Group's results.

Where the hedge is highly effective overall, any ineffective portion of the hedge is immediately recognised in comprehensive income. Where the instrument ceases to be highly effective as a hedge, or is sold, terminated or exercised, hedge accounting is discontinued.

Derecognition of financial assets and liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset. The Group derecognises a financial liability when the Group's obligations are discharged, cancelled or they expire.

Impairment of financial assets

Under IFRS 9, impairment losses on the Group's financial assets at amortised cost are measured using an expected credit loss (ECL) model. Under this model, the Group is required to account for expected credit losses, and changes in those expected credit losses over the life of the instrument. 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. A three stage model is used for calculating expected credit losses, which requires financial assets to be assessed as:

- Performing (stage 1) financial assets where there has been no significant increase in credit risk since original recognition; or
- Under-performing (stage 2) financial assets where there has been a significant increase in credit risk since initial recognition, but no default event; or
- Non-performing (stage 3) financial assets that are in default.

Expected credit losses for stage 1 financial assets are calculated based on possible default events within the 12 months after the reporting date. Expected credit losses for stage 2 and 3 financial assets are calculated based on lifetime expected credit losses that result from all possible default events over the expected life of a financial instrument. The Group applies the simplified approach to calculate expected credit losses for financial assets measured at amortised cost. Under this approach, financial assets are not categorised into three stages and expected credit losses are calculated based on the life of the instrument.

Assets measured at amortised cost

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. 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.

The Group's trade receivables comprise balances due from management fees, performance fees, expense recoveries from funds managed, and are generally short term and do not contain financing components. Factors considered in determining whether a default has taken place include how many days past the due date a payment is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a counterparty's ability to pay. The Group assesses lifetime expected credit losses based on historical observed default rates, adjusted by forward-looking estimates regarding the economic conditions within the next year. Externally derived credit ratings have been identified as representing the best available determinant of counterparty credit risk for cash balances and 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.

Impairment of non-financial assets

For all other assets other than goodwill, an impairment test is performed annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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. When assessing the appropriateness of the carrying value of goodwill at year end, the recoverable amount is considered to be the greater of fair value less costs to sell or value in use. The pre-tax discount rate applied is based on the Group's weighted average cost of capital after making allowances for any specific risks.

The business of the Group is managed as a single unit, with asset allocations, research and other such operational practices reflecting the commonality of approach across all fund themes. Therefore, for the purpose of testing goodwill for impairment, the Group is considered to have one cash-generating unit to which all goodwill is allocated and, as a result, no further split of goodwill into smaller cash-generating units is possible and the impairment review is conducted for the Group as a whole.

An impairment loss in respect of goodwill cannot be reversed.

Net revenue

Net revenue is total revenue less distribution costs and including foreign exchange. The Group's total revenue includes management fees, performance fees and other revenue. The primary revenue source for the Group is fee income received or receivable for the provision of investment management services.

The Group recognises revenue in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The core principle of IFRS 15 is that revenue is recognised to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Group applies the IFRS 15 five-step model for recognising revenue, which consists of identifying the contract with the customer; identifying the relevant performance obligations; determining the amount of consideration to be received under the contract; allocating the consideration to each performance obligation; and earning the revenue as the performance obligations are satisfied.

The Group's principal revenue recognition policies are summarised below:

Management fees

Management fees are presented net of rebates, and are calculated as a percentage of net fund assets managed in accordance with individual management agreements. Management fees are calculated and recognised on a monthly basis in accordance with the terms of the management fee agreements. Management fees are typically collected on a monthly or quarterly basis.

Performance fees

Performance fees are presented net of rebates, and are calculated as a percentage of the appreciation in the net asset value of a fund above a defined hurdle. Performance fees are earned from some arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods, typically over one year. The fees are recognised when they can be reliably estimated and/or crystallised, and there is deemed to be a low probability of a significant reversal in future periods. This is usually at the end of the performance period or upon early redemption by a fund investor. Once crystallised, performance fees typically cannot be clawed-back.

Rebates

Rebates relate to repayments of management and performance fees charged subject to a rebate agreement, typically with institutional investors, and are calculated based on an agreed percentage of net fund assets managed and recognised as the service is received. Where rebate agreements exist, management and performance fees are presented on a net basis in the consolidated statement of comprehensive income.

Other revenue

Other revenue principally comprises fees for other services, which are typically driven by the volume of transactions, along with revenues that vary in accordance with the volume of fund project development activities. Other revenue includes transaction, structuring and administration fees, project management fees, and reimbursement by funds of costs incurred by the Group. This revenue is recognised as the relevant service is provided and it is probable that the fee will be collected.

Distribution costs

Distribution costs are costs of sales payable to external intermediaries for marketing and investor servicing. Distribution costs vary based on fund assets managed and the associated management fee revenue, and are expensed over the period in which the service is provided.

Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income when payable in accordance with the scheme particulars.

Share-based payments

The Group issues share awards to its employees under share-based compensation plans.

For equity-settled awards, the fair value of the amounts payable to employees is recognised as an expense with a corresponding increase in equity over the vesting period after adjusting for the estimated number of shares that are expected to vest. The fair value is measured at the grant date using an appropriate valuation model, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is calculated. The movement in cumulative expense is recognised in the statement of comprehensive income with a corresponding entry within equity.

For cash-settled awards, the fair value of the amounts payable to employees is recognised as an expense with a corresponding liability on the Group's balance sheet. The fair value is measured using an appropriate valuation model, taking into account the estimated number of awards that are expected to vest and the terms and conditions upon which the instruments were granted. During the vesting period, the liability recognised represents the portion of the vesting period that has expired at the balance sheet date multiplied by the fair value of the awards at that date. Movements in the liability are recognised in the statement of comprehensive income.

Finance income and expense

Finance income includes interest receivable on the Group's cash and cash equivalents, and both realised and unrealised gains on financial assets at FVTPL.

Finance expense includes both realised and unrealised losses on financial assets at FVTPL. Interest expense on lease liabilities is presented within finance expense.

Taxation

Tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the balance sheet date in the countries where the Group operates. Current tax also includes withholding tax arising from dividends.

Deferred tax

Deferred tax is recognised using the balance sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for:

- goodwill not deductible for tax purposes and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the balance sheet date.

Dividends

Dividends are recognised when shareholders' rights to receive payments have been established.

Equity shares

The Company's ordinary shares of 0.01 pence each are classified as equity instruments. Ordinary shares issued by the Company are recorded at the fair value of the consideration received or the market price at the day of issue. Direct issue costs, net of tax, are deducted from equity through share premium. When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity.

Own shares

Own shares are held by the Employee Benefit Trust (EBT). The holding of the EBT comprises own shares that have not vested unconditionally to employees of the Group. In both the Group and Company, own shares are recorded at cost and are deducted from retained earnings.

Segmental information

Key management information, including revenues, margins, investment performance, distribution costs and AuM flows, which is relevant to the operation of the Group, is reported to and reviewed by the Board on the basis of the investment management business as a whole. Hence, 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 provision of investment management services).

Company-only accounting policies

In addition to the above accounting policies, the following specifically relates to the Company:

Investment in subsidiaries

Investments by the Company in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

5) 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 segment. The key management information considered is adjusted EBITDA which is £195.7 million for the year as reconciled in the Business review (FY2019/20: adjusted EBITDA of £222.5 million was derived by adjusting operating profit by £3.4 million of depreciation and amortisation expense, £7.6 million of income related to seed capital and £4.4 million of foreign exchange gains). The disclosures below are supplementary, and provide the location of the Group's non-current assets at year end other than financial assets and deferred tax assets. Disclosures relating to revenue by location are in note 6.

Analysis of non-current assets by geography

	2021 £m	2020 £m
United Kingdom and Ireland	**24.8**	26.4
United States	**65.1**	72.4
Other	**3.2**	3.9
Total non-current assets	**93.1**	102.7

6) Revenue

Management fees are accrued throughout the year 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. During the year, none of the Group's funds (FY2019/20: none) provided more than 10% of total revenue in the year respectively when considering management fees and performance fees on a combined basis.

Analysis of revenue by geography

	2021 £m	2020 £m
United Kingdom and Ireland	**229.9**	287.0
United States	**26.8**	24.3
Other	**36.2**	26.7
Total revenue	**292.9**	338.0

7) 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 30 June 2021	Closing rate as at 30 June 2020	Average rate year ended 30 June 2021	Average rate year ended 30 June 2020
US dollar	1.3815	1.2356	1.3472	1.2637
Euro	1.1649	1.1001	1.1315	1.1331
Indonesian rupiah	20,031	17,651	19,389	18,134
Colombian peso	5,158	4,620	4,968	4,468

Foreign exchange gains and losses are shown below.

	2021 £m	2020 £m
Net realised and unrealised hedging gains	9.2	1.5
Translation gains on non-Sterling denominated monetary assets and liabilities	(4.9)	5.5
Total foreign exchange gains	4.3	7.0

8) Finance income

	2021 £m	2020 £m
Finance income		
Interest and investment income	4.3	11.1
Net realised gains on seed capital investments measured at fair value	8.5	4.0
Net unrealised gains/(losses) on seed capital investments measured at fair value	11.5	(2.6)
Interest expense on lease liabilities (note 16)	(0.4)	(0.5)
Total finance income	23.9	12.0

Included within interest and investment income are gains of £3.3 million (FY 2019/20: £4.8 million gains) from investment securities on consolidated funds (note 20d).

Included within net realised and unrealised gains on seed capital investments measured at fair value are £10.8 million gains (FY2019/20: £2.8 million gains) in relation to financial assets held for sale (note 20a), £8.2 million gains (FY2019/20: £0.8 million losses) on financial assets measured at FVTPL (note 20b) and £2.2 million gains (FY2019/20: £4.5 million losses) on non-current financial assets measured at fair value (note 20c).

9) Personnel expenses

Personnel expenses during the year comprised the following:

	2021 £m	2020 £m
Wages and salaries	21.4	22.2
Performance-related cash bonuses	20.2	21.1
Share-based payments	33.4	33.9
Social security costs	1.8	1.9
Pension costs	1.8	1.9
Other costs	1.7	1.6
Total personnel expenses	80.3	82.6

Number of employees

At 30 June 2021, the number of investment management employees of the Group (including Executive Directors) during the year was as follows:

	Average for the year ended 30 June 2021 Number	Average for the year ended 30 June 2020 Number	At 30 June 2021 Number	At 30 June 2020 Number
Total investment management employees	295	292	298	291

Directors' remuneration

There are retirement benefits accruing to two Executive Directors under a defined contribution scheme (FY2019/20: two).

10) Share-based payments

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

Group	2021 £m	2020 £m
Omnibus Plan	33.3	33.5
Phantom Bonus Plan	0.1	0.4
Total share-based payments expense	33.4	33.9

The total expense recognised for the year in respect of equity-settled share-based payment awards was £29.9 million (FY2019/20: £28.9 million), of which £2.5 million (FY2019/20: £2.0 million) relates to share awards granted to key management personnel.

The Executive Omnibus Incentive Plan (Omnibus Plan)

The Omnibus Plan was introduced prior to the Company listing in October 2006 and provides for the grant of share awards, market value options, premium cost options, discounted options, linked options, phantoms and/or nil-cost options to employees. The Omnibus Plan will also allow bonuses to be deferred in the form of share awards with or without matching shares. Awards granted under the Omnibus Plan typically vest after five years from date of grant, with the exception of bonus awards which vest after the shorter of five years from date of grant or on the date of termination of employment. Awards under the Omnibus Plan are accounted for as equity-settled, with the exception of phantoms which are classified as cash-settled.

The combined cash and equity-settled payments below represent the share-based payments relating to the Omnibus Plan.

Total expense by year awards were granted (excluding national insurance)

Group and Company Year of grant	2021 £m	2020 £m
2015	–	3.3
2016	2.6	2.7
2017	3.7	3.7
2018	3.8	3.8
2019	4.4	4.8
2020	3.9	10.9
2021	11.5	–
Total Omnibus share-based payments expense reported in comprehensive income	29.9	29.2

Awards outstanding under the Omnibus Plan were as follows:

i) Equity-settled awards

Group and Company	2021 Number of shares subject to awards	2021 Weighted average share price	2020 Number of shares subject to awards	2020 Weighted average share price
Restricted share awards				
At the beginning of the year	22,073,338	£3.27	21,233,773	£3.04
Granted	4,189,112	£3.62	4,026,981	£4.39
Vested	(5,945,594)	£2.47	(3,063,448)	£3.16
Forfeited	(319,463)	£3.12	(123,968)	£3.04
Awards outstanding at year end	19,997,393	£3.58	22,073,338	£3.27
Bonus share awards				
At the beginning of the year	10,693,287	£3.32	9,705,156	£3.07
Granted	2,261,160	£3.61	2,060,811	£4.38
Vested	(2,336,799)	£2.43	(1,072,680)	£3.09
Forfeited	–	–	–	–
Awards outstanding at year end	10,617,648	£3.58	10,693,287	£3.32
Matching share awards				
At the beginning of the year	10,750,311	£3.33	9,730,005	£3.08
Granted	2,273,623	£3.61	2,092,986	£4.38
Vested	(2,230,531)	£2.43	(1,072,680)	£3.09
Forfeited	(106,268)	£2.43	–	–
Awards outstanding at year end	10,687,135	£3.58	10,750,311	£3.33
Total	41,302,176	£3.58	43,516,936	£3.30

ii) Cash-settled awards

Group and Company	2021 Number of shares subject to awards	2021 Weighted average share price	2020 Number of shares subject to awards	2020 Weighted average share price
Restricted share awards				
At the beginning of the year	141,297	£3.45	119,514	£3.18
Granted	778	£3.60	31,345	£4.38
Vested	(19,836)	£2.43	(9,062)	£3.09
Forfeited	–	–	(500)	£4.38
Awards outstanding at year end	122,239	£3.53	141,297	£3.45
Bonus share awards				
At the beginning of the year	86,944	£3.47	68,054	£3.21
Granted	–	–	18,890	£4.38
Vested	(6,179)	£2.43	–	–
Forfeited	–	–	–	–
Awards outstanding at year end	80,765	£3.55	86,944	£3.47
Matching share awards				
At the beginning of the year	86,944	£3.47	68,054	£3.21
Granted	–	–	18,890	£4.38
Vested	(6,179)	£2.43	–	–
Forfeited	–	–	–	–
Awards outstanding at year end	80,765	£3.55	86,944	£3.47
Total	283,769	£3.54	315,185	£3.46

iii) Total awards

Group and Company	2021 Number of shares subject to awards	2021 Weighted average share price	2020 Number of shares subject to awards	2020 Weighted average share price
Restricted share awards				
At the beginning of the year	22,214,635	£3.27	21,353,287	£3.04
Granted	4,189,890	£3.62	4,058,326	£4.39
Vested	(5,965,430)	£2.47	(3,072,510)	£3.16
Forfeited	(319,463)	£3.12	(124,468)	£3.05
Awards outstanding at year end	20,119,632	£3.58	22,214,635	£3.27
Bonus share awards				
At the beginning of the year	10,780,231	£3.33	9,773,210	£3.07
Granted	2,261,160	£3.61	2,079,701	£4.38
Vested	(2,342,978)	£2.43	(1,072,680)	£3.09
Forfeited	–	–	–	–
Awards outstanding at year end	10,698,413	£3.58	10,780,231	£3.33
Matching share awards				
At the beginning of the year	10,837,255	£3.33	9,798,059	£3.08
Granted	2,273,623	£3.61	2,111,876	£4.38
Vested	(2,236,710)	£2.43	(1,072,680)	£3.09
Forfeited	(106,268)	£2.43	–	–
Awards outstanding at year end	10,767,900	£3.58	10,837,255	£3.33
Total	41,585,945	£3.58	43,832,121	£3.30

The weighted average fair value of awards granted to employees under the Omnibus Plan during the year was £3.62 (FY2019/20: £4.38), calculated based on the average Ashmore Group plc closing share price for the five business days prior to grant. For Executive Directors, the fair value of awards also takes into account the performance conditions set out in the Remuneration report.

Where the grant of restricted and matching share awards is linked to the annual bonus process, the fair value of the awards is spread over a period including the current financial year and the subsequent five years to their vesting date when the grantee becomes unconditionally entitled to the underlying shares. The fair value of the remaining awards is spread over the period from the date of grant to the vesting date.

The liability arising from cash-settled awards under the Omnibus Plan at the end of the year and reported within trade and other payables on the Group consolidated balance sheet is £0.8 million (30 June 2020: £0.8 million) of which £nil (30 June 2020: £nil) relates to vested awards.

11) Other expenses

Other expenses consist of the following:

	2021 £m	2020 £m
Travel	0.1	1.7
Professional fees	4.8	4.9
Information technology and communications	7.0	6.8
Amortisation of intangible assets (note 15)	0.2	0.2
Operating leases	0.3	0.1
Depreciation of property, plant and equipment (note 16)	2.6	3.2
Premises-related costs	1.0	1.2
Insurance	0.8	0.6
Research costs	0.5	0.5
Auditor’s remuneration (see below)	0.8	0.6
Consolidated funds (note 20d)	1.6	2.2
Other expenses	4.3	4.6
	24.0	26.6

Operating leases expense relates to short-term leases where the Group has applied the optional exemption contained within IFRS 16, which permits the cost of short-term leases (less than 12 months) to be expensed on a straight-line basis over the lease term.

Auditor’s remuneration

	2021 £m	2020 £m
Fees for statutory audit services:		
– Fees payable to the Company’s auditor for the audit of the Group’s accounts	0.2	0.2
– Fees payable to the Company’s auditor and its associates for the audit of the Company’s subsidiaries pursuant to legislation	0.4	0.3
Fees for non-audit services:		
– Other non-audit services	0.2	0.1
	0.8	0.6

12) Taxation

Analysis of tax charge for the year:

	2021 £m	2020 £m
Current tax		
UK corporation tax on profits for the year	24.4	24.7
Overseas corporation tax charge	17.3	16.8
Adjustments in respect of prior years	(0.4)	(2.8)
	41.3	38.7
Deferred tax		
Origination and reversal of temporary differences (see note 18)	1.8	(1.2)
Effect on deferred tax balance of changes in corporation tax rates	(2.4)	(0.7)
Tax expense	40.7	36.8

Factors affecting tax charge for the year

	2021 £m	2020 £m
Profit before tax	282.5	221.5
Profit on ordinary activities multiplied by the UK tax rate of 19% (FY2019/20: 19%)	53.7	42.1
Effects of:		
Non-deductible expenses	0.3	0.5
Deduction in respect of vested shares/exercised options (Part 12, Corporation Tax Act 2009)	(3.4)	(1.2)
Different rate of taxes on overseas profits	(3.8)	(4.2)
Non-taxable income[1]	(4.1)	(0.1)
Effect on deferred tax balances from changes in corporation tax rates	(2.4)	–
Derecognition of deferred tax assets	0.4	2.9
Other items	–	0.3
Adjustments in respect of prior years	–	(3.5)
Tax expense	40.7	36.8

1. Non-taxable income comprises investment income in certain jurisdictions in which the Group operates for which there are local tax exemptions.

An increase in the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023 was enacted in the Finance Act 2021. This rate increase has been taken into account in the calculation of the Group's UK deferred tax assets and liabilities as at 30 June 2021, to the extent that they are expected to reverse after the rate increase comes into effect.

13) Earnings per share

Basic earnings per share at 30 June 2021 of 36.40 pence (30 June 2020: 27.35 pence) is calculated by dividing the profit after tax for the financial year attributable to equity holders of the parent of £240.1 million (FY2019/20: £182.1 million) by the weighted average number of ordinary shares in issue during the year, 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.

	2021 Number of ordinary shares	2020 Number of ordinary shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	659,341,111	666,019,404
Effect of dilutive potential ordinary shares – share awards	41,926,476	43,241,702
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	701,267,587	709,261,106

14) Dividends

Dividends paid in the year

Company	2021 £m	2020 £m
Final dividend for FY2019/20 – 12.10p (FY2018/19: 12.10p)	84.7	86.0
Interim dividend for FY2020/21 – 4.80p (FY2019/20: 4.80p)	33.6	34.0
	118.3	120.0

In addition, the Group paid £2.9 million (FY2019/20: £2.7 million) of dividends to non-controlling interests.

Dividends declared/proposed in respect of the year

Company	2021 pence	2020 pence
Interim dividend per share paid	4.80	4.80
Final dividend per share proposed	12.10	12.10
	16.90	16.90

On 2 September 2021, the Board proposed a final dividend of 12.10 pence per share for the year ended 30 June 2021. This has not been recognised as a liability of the Group at the year end as it has not yet been approved by shareholders. Based on the number of shares in issue at the year end that qualify to receive a dividend, the total amount payable would be £85.7 million.

15) Goodwill and intangible assets

Group	Goodwill £m	Fund management intangible assets £m	Total £m
Cost (at original exchange rate)			
At 30 June 2021 and 2020	**70.4**	**0.9**	**71.3**
Accumulated amortisation and impairment			
At 30 June 2019	–	(0.1)	(0.1)
Amortisation charge for the year	–	(0.2)	(0.2)
At 30 June 2020	–	(0.3)	(0.3)
Amortisation charge for the year	**–**	**(0.2)**	**(0.2)**
At 30 June 2021	**–**	**(0.5)**	**(0.5)**
Net book value			
At 30 June 2019	86.5	0.8	87.3
Accumulated amortisation for the year	–	(0.2)	(0.2)
Foreign exchange revaluation through reserves*	2.6	–	2.6
At 30 June 2020	89.1	0.6	89.7
Accumulated amortisation for the year	**–**	**(0.2)**	**(0.2)**
Foreign exchange revaluation through reserves*	**(9.0)**	**–**	**(9.0)**
At 30 June 2021	**80.1**	**0.4**	**80.5**

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

Company	Goodwill £m
Cost	
At the beginning and end of the year	4.1
Net carrying amount at 30 June 2021 and 2020	**4.1**

Goodwill

The Group's goodwill balance relates to the acquisition of subsidiaries. The Company's goodwill balance relates to the acquisition of the business from ANZ in 1999.

Goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit from that business combination. It is the Group's judgement that the lowest level of cash-generating unit used to determine impairment is the investment management segment level. The Group has assessed that it consists of a single cash-generating unit for the purposes of monitoring and assessing goodwill for impairment. This reflects the Group's global operating model, based on a single operating platform, into which acquired businesses are fully integrated and from which acquisition-related synergies are expected to be realised. Based on this model, the Group's investment management activities are considered as a single cash-generating unit, for which key management regularly receive and review internal financial information.

An annual impairment review of goodwill was undertaken for the year ending 30 June 2021, and 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, market capitalisation, macro-economic and market considerations. The key assumption used to determine the recoverable amount is based on a fair value calculation using the Company's market share price.

Based on the calculation as at 30 June 2021 using a market share price of £3.85, the recoverable amount was in excess of the carrying value of goodwill and no impairment was implied. In addition, the sensitivity of the recoverable amount to a 10% change in the Company's market share price will not lead to any impairment. Therefore, no impairment loss has been recognised in the current or preceding years.

Fund management intangible assets

Intangible assets as at 30 June 2021 comprise fund management contracts and a contractually agreed share of carried interest recognised by the Group on the acquisition of Ashmore Avenida (Real Estate) Investments LLP in July 2018. An annual impairment review was undertaken for the year ending 30 June 2021 and no factors were identified suggesting that fund management contracts intangible assets were impaired. The remaining amortisation period for fund management contracts is four years.

16) Property, plant and equipment

The Group's property, plant and equipment include right-of-use assets recognised on operating lease arrangements as follows:

	Group £m	Company £m
Property, plant and equipment owned by the Group	1.8	1.3
Right-of-use assets	9.4	5.5
Net book value at 30 June 2021	**11.2**	**6.8**

The movement in property, plant and equipment is provided below:

Group	2021 Fixtures, fittings and equipment £m	2020 Fixtures, fittings and equipment £m
Cost		
At the beginning of the year	**20.8**	7.7
Right-of-use assets recognition and remeasurement	**1.4**	12.6
Additions	**0.7**	1.0
Disposals	**–**	(0.3)
Foreign exchange revaluation	**(1.0)**	(0.2)
At the end of the year	**21.9**	20.8
Accumulated depreciation		
At the beginning of the year	**9.1**	6.2
Right-of-use assets recognition and remeasurement	**(0.8)**	–
Disposals	**–**	(0.3)
Depreciation charge for the year	**2.9**	3.2
Foreign exchange revaluation	**(0.5)**	–
At the end of the year	**10.7**	9.1
Net book value at 30 June	**11.2**	11.7

Company	2021 Fixtures, fittings and equipment £m	2020 Fixtures, fittings and equipment £m
Cost		
At the beginning of the year	**12.0**	4.2
Right-of-use assets recognition and remeasurement	**0.9**	6.9
Additions	**0.6**	0.9
At the end of the year	**13.5**	12.0
Accumulated depreciation		
At the beginning of the year	**5.2**	3.7
Depreciation charge for year	**1.5**	1.5
At the end of the year	**6.7**	5.2
Net book value at 30 June	**6.8**	6.8

Lease arrangements

The Group leases office space in various countries and enters into operating lease agreements on office premises for lease periods of three to eight years. Lease terms are negotiated on an individual basis and contain varying terms and conditions depending on location. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The Group calculates the lease liabilities using the lessee's incremental borrowing rates that resulted in a weighted average incremental borrowing rate of 4.5% (FY2019/20: 4.8%).

The carrying value of right-of-use assets, lease liabilities and the movement during the year are set out below.

	Group		Company	
	Right-of-use assets £m	Lease liabilities £m	Right-of-use asset £m	Lease liability £m
At 1 July 2019	12.6	12.8	6.9	6.9
Lease payments	–	(2.8)	–	(1.3)
Interest expense (note 8)	–	0.5	–	0.3
Depreciation charge	(2.5)	–	(1.2)	–
Foreign exchange revaluation through reserves	(0.2)	(0.3)	–	–
At 30 June 2020	**9.9**	**10.2**	**5.7**	**5.9**
Additions and remeasurement of lease obligations	2.2	2.2	0.9	0.9
Lease payments	–	(2.5)	–	(1.3)
Interest expense (note 8)	–	0.4	–	0.2
Depreciation charge	(2.2)	–	(1.1)	–
Foreign exchange revaluation through reserves	(0.5)	(0.5)	–	–
At 30 June 2021	**9.4**	**9.8**	**5.5**	**5.7**

The contractual maturities on the minimum lease payments under lease liabilities are provided below:

	Group		Company	
Maturity analysis – contractual undiscounted cash flows	30 June 2021 £m	30 June 2020 £m	30 June 2021 £m	30 June 2020 £m
Within 1 year	**2.5**	2.6	**1.3**	1.3
Between 1 and 5 years	**8.1**	8.2	**5.0**	5.2
Later than 5 years	**0.5**	1.1	**–**	–
Total undiscounted lease liabilities	**11.1**	11.9	**6.3**	6.5
Lease liabilities are presented in the balance sheet as follows:				
Current	**2.5**	2.0	**1.3**	1.1
Non-current	**7.3**	8.2	**4.4**	4.8
Total lease liabilities	**9.8**	10.2	**5.7**	5.9
Amounts recognised under financing activities in the cash flow statement:				
Payment of lease liabilities	**2.1**	2.3	**1.1**	1.0
Interest paid	**0.4**	0.5	**0.2**	0.3
Total cash outflow for leases	**2.5**	2.8	**1.3**	1.3

17) Trade and other receivables

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Current				
Trade debtors	**77.9**	90.5	**1.2**	1.6
Prepayments	**3.2**	3.9	**1.9**	1.4
Loans due from subsidiaries	**–**	–	**507.7**	464.8
Amounts due from subsidiaries	**–**	–	**9.1**	50.3
Other receivables	**2.3**	1.8	**1.9**	0.1
Total trade and other receivables	**83.4**	96.2	**521.8**	518.2

Group trade debtors include accrued management and performance fees in respect of investment management services provided up to 30 June 2021. Management fees are received in cash when the funds' net asset values are determined, typically every month or every quarter. Performance fees are accrued when crystallised, and amounted to £0.5 million as at 30 June 2021 (30 June 2020: £0.1 million). The majority of fees are deducted from the net asset values of the respective funds by independent administrators and therefore, the credit risk of fee receivables is minimal. As at 30 June 2021, no balances are past due and the assessed provision for expected credit losses was immaterial (30 June 2020: no balances are past due and the assessed provision for expected credit losses was immaterial).

Loans due from subsidiaries for the Company include an intercompany loan related to seed capital investments held by subsidiaries. Amounts due from subsidiaries represent trading balances that are short term in nature and regularly settled during the year. The majority of the intercompany loans are held with subsidiaries that hold seed capital investments and cash invested in daily-traded investment funds. Under the IFRS 9 expected credit loss model, credit risk is assessed by determining the borrower's capacity to meet contractual cash flow obligations, taking into account the available net assets to repay the intercompany loan in future periods. Expected credit losses on intercompany loans are estimated based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss has been assessed to be immaterial. As at 30 June 2021, no balances are past due and the assessed provision for expected credit losses was immaterial (30 June 2020: no balances are past due and the assessed provision for expected credit losses was immaterial).

18) Deferred taxation

Deferred tax assets and liabilities recognised by the Group and Company at year end are attributable to the following:

	2021			2020		
Group	Other temporary differences £m	Share-based payments £m	Total £m	Other temporary differences £m	Share-based payments £m	Total £m
Deferred tax assets	7.6	27.2	34.8	7.7	22.9	30.6
Deferred tax liabilities	(10.5)	–	(10.5)	(6.9)	–	(6.9)
	(2.9)	27.2	24.3	0.8	22.9	23.7

	2021			2020		
Company	Other temporary differences £m	Share-based payments £m	Total £m	Other temporary differences £m	Share-based payments £m	Total £m
Deferred tax assets	–	25.1	25.1	0.1	20.5	20.6

Movement of deferred tax balances

The movement in the deferred tax balances between the balance sheet dates has been reflected in the statement of comprehensive income as follows:

Group	Other temporary differences £m	Share-based payments £m	Total £m
At 30 June 2019	3.6	18.2	21.8
Credited/(charged) to the consolidated statement of comprehensive income	(2.8)	4.7	1.9
At 30 June 2020	0.8	22.9	23.7
Credited/(charged) to the consolidated statement of comprehensive income	(3.7)	4.3	0.6
At 30 June 2021	(2.9)	27.2	24.3

Company	Other temporary differences £m	Share-based payments £m	Total £m
At 30 June 2019	0.3	16.3	16.6
Credited/(charged) to the statement of comprehensive income	(0.2)	4.2	4.0
At 30 June 2020	0.1	20.5	20.6
Credited/(charged) to the statement of comprehensive income	(0.1)	4.6	4.5
At 30 June 2021	–	25.1	25.1

Refer to note 12 for details on changes to the UK corporation tax rate which have been reflected in the Group's deferred tax position.

19) Fair value of financial instruments

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 committee 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 levels that reflect the significance of inputs used in making the measurements, based on the degree to which the fair value is observable:

- 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.

Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources.

– Level 3: Fair value measurements are derived from valuation techniques that include inputs not based on observable market data.

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 the financial year.

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

				2021				2020
	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	**209.0**	**66.7**	**42.4**	**318.1**	125.1	60.6	48.8	234.5
Financial assets held for sale	**–**	**46.2**	**–**	**46.2**	–	43.1	–	43.1
Financial assets measured at FVTPL	**–**	**39.2**	**1.8**	**41.0**	–	10.9	0.7	11.6
Derivative financial instruments	**–**	**1.3**	**–**	**1.3**	–	–	–	–
Non-current financial assets at fair value	**–**	**–**	**34.0**	**34.0**	–	0.1	27.9	28.0
	209.0	**153.4**	**78.2**	**440.6**	125.1	114.7	77.4	317.2
Financial liabilities								
Third-party interests in consolidated funds	**73.7**	**15.1**	**16.9**	**105.7**	65.1	10.6	10.4	86.1
Financial liabilities held for sale	**–**	**3.8**	**–**	**3.8**	–	4.5	–	4.5
Derivative financial instruments	**–**	**–**	**–**	**–**	–	1.7	–	1.7
	73.7	**18.9**	**16.9**	**109.5**	65.1	16.8	10.4	92.3

Transfers between levels

The Group recognises transfers into and transfers out of fair value hierarchy levels at each reporting period based on assessments of price inputs used in the valuation of financial assets. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the year.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 30 June 2021 and 2020:

	Investment securities £m	Financial assets measured at FVTPL £m	Non-current financial assets at fair value £m	Third-party interests in consolidated funds £m
At 30 June 2019	72.5	1.6	31.6	23.8
Additions	11.7	–	3.7	3.9
Disposals	(26.7)	(0.1)	(2.6)	(9.8)
Unrealised losses recognised in finance income	(6.1)	(0.8)	(4.7)	(7.5)
Unrealised losses recognised in reserves	(2.6)	–	(0.1)	–
At 30 June 2020	48.8	0.7	27.9	10.4
Additions	**57.2**	**1.1**	**8.1**	**28.6**
Disposals	**(73.8)**	**(0.4)**	**(2.5)**	**(26.9)**
Unrealised gains/(losses) recognised in finance income	**11.9**	**0.4**	**2.2**	**4.8**
Unrealised gains/(losses) recognised in reserves	**(1.7)**	**–**	**(1.7)**	**–**
At 30 June 2021	**42.4**	**1.8**	**34.0**	**16.9**

Valuation of level 3 financial assets recognised at fair value on a recurring basis using valuation techniques

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, market approach making reference to other instruments that are substantially the same, discounted cash flow analysis, enterprise valuation and net assets approach. These techniques may include a number of assumptions relating to variables such as interest rate and price earnings multiples. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments. When determining the inputs into the valuation techniques used, priority is given to publicly available prices from independent sources when available, but overall the source of pricing is chosen with the objective of arriving at a fair value measurement that reflects the price at which an orderly transaction would take place between market participants on the measurement date.

The fair value estimates are made at a specific point in time, based upon available market information and judgements about the financial instruments, including estimates of the timing and amount of expected future cash flows. Such estimates could include a marketability adjustment to reflect illiquidity and/or non-transferability that could result from offering for sale at one time the Group's entire holdings of a particular financial instrument. Further details on the estimates and judgements applied by the Group are provided in note 31.

The following tables show the valuation techniques and the significant unobservable inputs used to estimate the fair value of level 3 investments as at 30 June 2021 and 2020, and the associated sensitivity to changes in unobservable inputs to a reasonable alternative.

Asset class and valuation technique	2021 Fair value £m	Significant unobservable inputs	Range of estimates	Sensitivity factor	Change in fair value £m
Unquoted securities					
Market multiple and discount	23.7	EBITDA multiple	5x-15x	+/- 1x	+/- 1.5
		Marketability adjustment	5%-95%	+/- 5%	-/+ 2.9[1]
Discounted cash flow	13.4	Marketability adjustment	20%-60%	+/- 5%	-/+ 1.5
		Discount rate	10%-20%	+/- 5%	-/+ 2.9
Unquoted funds					
Net assets approach	41.1	NAV[2]	1x	+/- 5%	+/- 1.9
Total level 3 investments	78.2				

Asset class and valuation technique	2020 Fair value £m	Significant unobservable inputs	Range of estimates	Sensitivity factor	Change in fair value £m
Unquoted securities					
Market multiple and discount	14.0	EBITDA multiple	10x-20x	+/- 1x	+/- 1.4
		Marketability adjustment	10%-30%	+/- 5%	-/+ 0.9
Market multiple, discounted cash flows and discount	34.6	Market multiple	5x-10x	+/- 1x	+/- 2.4
		Marketability adjustment	10%-30%	+/- 5%	-/+ 4.4
		Discount rate	10%-20%	+/- 5%	-/+ 4.0
Unquoted funds					
Net assets approach	28.8	NAV[2]	1x	+/- 5%	+/- 1.4
Total level 3 investments	77.4				

1. Includes sensitivities in relation to two unlisted investment securities held by the Group through a consolidated fund as at the balance sheet date to take account of significant uncertainties relating to regulatory and shareholder approvals concerning the listing of these investments. Further details are provided in the subsequent events note 32.
2. NAV priced assets include seed capital investments whose value is determined by the fund administrator using unobservable inputs. The significant unobservable inputs applied include EBITDA, market multiples and discount rates as described under note 31.

The sensitivity demonstrates the effect of a change in one unobservable input while other assumptions remain unchanged. There may be a correlation between the unobservable inputs and other factors that have not been considered. It should also be noted that some of the sensitivities are non-linear, therefore, larger or smaller impacts should not be interpolated or extrapolated from these results.

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 30 June 2021 and 2020.

20) Seed capital investments

The Group considers itself a sponsor of an investment fund when it facilitates the establishment of a fund in which the Group is the investment manager. The Group ordinarily provides seed capital in order to provide initial scale and facilitate marketing of the funds to third-party investors. 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.

The movements of seed capital investments and related items during the year are as follows:

Group	Financial assets held for sale £m	Financial assets measured at fair value £m	Investment securities (relating to consolidated funds)[1] £m	Other (relating to consolidated funds)[2] £m	Third-party interests in consolidated funds £m	Non-current financial assets measured at fair value[3] £m	Total £m
Carrying amount at 30 June 2019	44.7	16.0	278.7	13.8	(107.0)	31.6	277.8
Reclassification:							
HFS investments to consolidated funds	(35.7)	–	44.2	–	(8.5)	–	–
Consolidated funds to FVTPL	–	41.4	(77.1)	–	35.7	–	–
Additions	43.6	–	8.0	–	(3.9)	3.7	51.4
Disposals	(16.2)	(43.5)	(33.9)	–	11.6	(2.6)	(84.6)
Fair value movement	2.2	(2.3)	14.6	(2.0)	(14.0)	(4.7)	(6.2)
Carrying amount at 30 June 2020	38.6	11.6	234.5	11.8	(86.1)	28.0	238.4
Reclassification:							
HFS investments to consolidated funds	(44.1)	–	53.8	–	(9.7)	–	–
Consolidated funds to FVTPL	–	49.9	(112.0)	–	62.1	–	–
Additions	42.2	14.4	130.3	–	(57.9)	5.6	134.6
Disposals	–	(41.4)	(101.2)	–	39.2	(2.6)	(106.0)
Fair value movement	5.7	6.5	112.7	(2.2)	(53.3)	0.4	69.8
Carrying amount at 30 June 2021	**42.4**	**41.0**	**318.1**	**9.6**	**(105.7)**	**31.4**	**336.8**

1. Investment securities in consolidated funds are measured at FVTPL
2. Relates to cash and other assets in consolidated funds that are not investment securities, see note 20(d).
3. Excludes £2.6 million of other non-current financial assets measured at fair value that are not classified as seed capital.

a) Financial assets and 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 year, seven funds (FY2019/20: six) were seeded in this manner, met the above criteria, and consequently the assets and liabilities of these funds were initially classified as held for sale.

The financial assets and liabilities held for sale at 30 June 2021 were as follows:

	2021 £m	2020 £m
Financial assets held for sale	**46.2**	43.1
Financial liabilities held for sale	**(3.8)**	(4.5)
Financial assets held for sale	**42.4**	38.6

Investments cease to be classified as held for sale when they are no longer controlled by the Group. A loss of control may happen 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 at FVTPL. No such fund was transferred to the FVTPL category during the year (FY2019/20: none).

If the fund remains under the control of the Group for more than one year from the original investment date, it will cease to be classified as held for sale, and will be consolidated line by line after it is assessed that the Group controls the investment fund in accordance with the requirements of IFRS 10. During the year, five such funds (FY2019/20: three) with an aggregate carrying amount of £44.1 million (FY2019/20: £35.7 million) were transferred from held for sale to consolidated funds category. There was no impact on net assets or comprehensive income as a result of the transfer.

Included within finance income are gains of £10.8 million (FY2019/20: gains of £2.8 million) in relation to financial assets held for sale.

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

b) Financial assets measured at fair value through profit or loss

FVTPL investments at 30 June 2021 comprise shares held in debt and equity funds as follows:

	2021 £m	2020 £m
Equity funds	**33.7**	3.2
Debt funds	**7.3**	8.4
Financial assets measured at fair value	**41.0**	11.6

Included within finance income are gains of £8.2 million (FY2019/20: losses of £0.8 million) on the Group's financial assets measured at FVTPL.

c) Non-current financial assets measured at fair value

Non-current financial asset investments relate to the Group's holding in closed-end funds and are measured at 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.

	2021 £m	2020 £m
Real estate funds	**1.8**	3.5
Infrastructure funds	**20.2**	17.5
Other funds	**9.4**	7.0
Non-current financial assets measured at fair value	**31.4**	28.0

Included within finance income are gains of £2.2 million (FY2019/20: losses of £4.5 million) on the Group's non-current financial assets measured at fair value.

d) Consolidated funds

The Group has consolidated 14 investment funds as at 30 June 2021 (30 June 2020: 12 investment funds), over which the Group is deemed to have control (refer to note 25). 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.

	2021 £m	2020 £m
Investment securities[1]	**318.1**	234.5
Cash and cash equivalents	**10.4**	10.8
Other[2]	**(0.8)**	1.0
Third-party interests in consolidated funds	**(105.7)**	(86.1)
Consolidated seed capital investments	**222.0**	160.2

1. Investment securities represent trading securities held by consolidated investment funds and are measured at FVTPL. Note 25 provides a list of the consolidated funds by asset class, and further detailed information at the security level is available in the individual fund financial statements.
2. 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 or unconsolidated funds financially.

Included within the consolidated statement of comprehensive income are net gains of £72.5 million (FY2019/20: £9.0 million losses) relating to the Group's share of the results of the individual statements of comprehensive income for each of the consolidated funds, as follows:

	2021 £m	2020 £m
Interest and dividend income	**3.3**	4.8
Gains/(losses) on investment securities	**123.5**	(19.1)
Change in third-party interests in consolidated funds	**(52.6)**	7.5
Other expenses	**(1.7)**	(2.2)
Net gains/(losses) on consolidated funds	**72.5**	(9.0)

Included in the Group's cash generated from operations is £0.4 million (FY2019/20: £3.0 million cash utilised in operations) relating to consolidated funds.

As of 30 June 2021, the Group's consolidated funds were domiciled in Guernsey, Luxembourg, Saudi Arabia and the United States.

21) Financial instrument risk management

Group

The Group is subject to strategic and business, client, investment, treasury and operational risks throughout its business. This note discusses the Group's exposure to and management of the following principal risks which arise from the financial instruments it uses: credit risk, liquidity risk, interest rate risk, foreign exchange risk and price risk. Where the Group holds units in investment funds, classified either as financial assets held for sale, FVTPL or non-current financial assets, the related financial instrument risk disclosures in the note below categorise exposures based on the Group's direct interest in those funds without looking through to the nature of underlying securities.

Capital management

It is the Group's policy that all entities within the Group have sufficient capital to meet regulatory and working capital requirements and it conducts regular reviews of its capital requirements relative to its capital resources.

As the Group is regulated by the United Kingdom Financial Conduct Authority (FCA), it is required to maintain appropriate capital and perform regular calculations of capital requirements. This includes development of an Internal Capital Adequacy Assessment Process (ICAAP), based upon the FCA's methodologies under the Capital Requirements Directive. The Group's Pillar III disclosures can be found on the Group's website at www.ashmoregroup.com. These disclosures indicate that the Group had excess capital of £609.2 million as at 30 June 2021 (30 June 2020: excess capital of £555.2 million) over the level of capital required under a Pillar II assessment. The objective of the assessment is to check that the Group has adequate capital to manage identified risks and the process includes conducting stress tests to identify capital and liquidity requirements under different future scenarios including a potential downturn.

Credit risk

The Group has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due.

Exposure to credit risk is monitored on an ongoing basis by senior management and the Group's Risk Management and Control function. The Group has a counterparty and cash management policy in place which, in addition to other controls, restricts exposure to any single counterparty by setting exposure limits and requiring approval and diversification of counterparty banks and other financial institutions. The Group's maximum exposure to credit risk is represented by the carrying value of its financial assets measured at amortised cost. The table below lists financial assets subject to credit risk.

	Notes	2021 £m	2020 £m
Trade and other receivables	17	**83.4**	96.2
Cash and cash equivalents		**456.1**	500.9
Total		**539.5**	597.1

The Group's cash and cash equivalents, comprising short-term deposits with banks and liquidity funds, are predominantly held with counterparties with credit ratings ranging from A+ to AAAm as at 30 June 2021 (30 June 2020: A to AAAm). As at 30 June 2021, the Group held £333.5 million (30 June 2020: £368.0 million) in the Ashmore Global Liquidity Fund.

All trade and other receivables are considered to be fully recoverable and none were overdue at year end (30 June 2020: none). They include fee debtors that arise principally within the Group's investment management business. They are monitored regularly and, historically, default levels have been insignificant. There is no significant concentration of credit risk in respect of fees owing from clients.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

In order to manage liquidity risk, there is a Group Liquidity Policy to ensure that there is sufficient access to funds to cover all forecast committed requirements for the next 12 months.

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

At 30 June 2021

	Within 1 year £m	1-5 years £m	More than 5 years £m	Total £m
Current trade and other payables	**45.5**	**–**	**–**	**45.5**
	45.5	**–**	**–**	**45.5**

At 30 June 2020

	Within 1 year £m	1-5 years £m	More than 5 years £m	Total £m
Derivative financial liabilities	1.7	–	–	1.7
Current trade and other payables	50.7	–	–	50.7
	52.4	–	–	52.4

Interest rate risk

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

The principal interest rate risk is the risk that the Group will sustain a reduction in interest income through adverse movements in interest rates. This relates to deposits with banks and liquidity funds held in the ordinary course of business. The Group has a cash management policy which monitors cash levels and returns within set parameters on a continuing basis.

Bank and similar deposits held at year end are shown on the consolidated balance sheet as cash and cash equivalents. The effective interest earned on bank and similar deposits during the year is given in the table below:

Effective interest rates applicable to bank deposits

	2021 %	2020 %
Deposits with banks and liquidity funds	0.23	1.31

At 30 June 2021, if interest rates over the year had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year would have been £2.3 million higher/lower (FY2019/20: £2.4 million higher/lower), mainly as a result of higher/lower interest on cash balances. An assumption that the fair value of assets and liabilities will not be affected by a change in interest rates was used in the model to calculate the effect on profit before tax.

In addition, the Group is indirectly exposed to interest rate risk where the Group holds seed capital investments in funds that invest in debt securities.

Group

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Group's revenue is almost entirely denominated in US dollars, while the majority of the Group's costs are denominated in Sterling. Consequently, the Group has an exposure to movements in the GBP:USD exchange rate. In addition, the Group operates globally, which means that it may enter into contracts and other arrangements denominated in local currencies in various countries. The Group also holds a number of seed capital investments denominated mainly in US dollars, Colombian pesos and Indonesian rupiah.

The Group's policy is to hedge a proportion of the Group's revenue by using a combination of forward foreign exchange contracts and options for a period of up to two years forward. The Group also sells US dollars at spot rates when opportunities arise.

The table below shows the Group's sensitivity to a 1% exchange movement in the US dollar, Colombian peso, Indonesian rupiah and the Euro, net of hedging activities.

	2021		2020	
Foreign currency sensitivity test	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
US dollar +/- 1%	0.4	5.3	1.3	5.3
Colombian peso +/- 1%	0.1	0.1	0.1	0.1
Indonesian rupiah +/- 1%	–	0.1	–	0.1
Euro +/- 1%	0.1	0.1	0.1	0.1

Price risk

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

Seed capital

The Group is exposed to the risk of changes in market prices in respect of seed capital investments. Such price risk is borne by the Group directly through interests in financial assets measured at fair value or indirectly either through line-by-line consolidation of underlying financial performance and positions held in certain funds. Details of seed capital investments held are given in note 20.

The Group has procedures defined by the Board governing the appraisal, approval and monitoring of seed capital investments.

At 30 June 2021, a 5% movement in the fair value of these investments would have a £16.8 million (FY2019/20: £11.9 million) impact on net assets and profit before tax.

Management and performance fees

The Group is also indirectly exposed to price risk in connection with the Group's management fees, which are based on a percentage of value of AuM, and fees based on performance. Movements in market prices, exchange and interest rates could cause the AuM to fluctuate, which in turn could affect fees earned. Performance fee revenues could also be reduced depending upon market conditions.

Management and performance fees are diversified across a range of investment themes and are not measurably correlated to any single market index in Emerging Markets. In addition, the policy of having funds with year ends staged throughout the financial year has meant that in periods of steep market decline, some performance fees have still been recorded. The profitability impact is likely to be less than this, as cost mitigation actions would apply, including the reduction of the variable compensation paid to employees.

Using the year end AuM level of US$94.4 billion and applying the year's average net management fee rate of 41bps, a 5% movement in AuM would have a US$19.4 million impact, equivalent to £14.0 million using year end exchange rate of 1.3815, on management fee revenues (FY2019/20: US$83.6 billion and applying the year's average net management fee rate of 45bps, a 5% movement in AuM would have a US$18.7 million impact, equivalent to £15.2 million using year end exchange rate of 1.2356, on management fee revenues).

Hedging activities

The Group uses forward and option contracts to hedge its exposure to foreign currency risk. These hedges, which have been assessed as effective cash flow hedges as at 30 June 2021, protect a proportion of the Group's revenue cash flows from foreign exchange movements. The cumulative fair value of the outstanding foreign exchange hedges asset at 30 June 2021 was £1.3 million (30 June 2020: £1.7 million foreign exchange hedges liability) and is included within the Group's derivative financial instrument assets.

The notional and fair values of foreign exchange hedging instruments were as follows:

	2021		2020	
	Notional amount £m	Fair value assets/ (liabilities) £m	Notional amount £m	Fair value assets/ (liabilities) £m
Cash flow hedges				
Foreign exchange nil-cost option collars	100.0	1.3	120.0	(1.7)
	100.0	1.3	120.0	(1.7)

The maturity profile of the Group's outstanding hedges is shown below.

Notional amount of option collars maturing:	2021 £m	2020 £m
Within 6 months	40.0	60.0
Between 6 and 12 months	40.0	50.0
Later than 12 months	20.0	10.0
	100.0	120.0

When hedges are assessed as effective, intrinsic value gains and losses are initially recognised in other comprehensive income and later reclassified to comprehensive income as the corresponding hedged cash flows crystallise. Time value in relation to the Group's hedges is excluded from being part of the hedging item and, as a result, the net unrealised loss related to the time value of the hedges is recognised in the consolidated statement of comprehensive income for the year.

An intrinsic gain of £1.2 million (FY2019/20: £0.1 million loss) on the Group's hedges has been recognised through other comprehensive income and £1.8 million intrinsic value gain (FY2019/20: £0.1 million intrinsic value gain) was reclassified from equity to the statement of comprehensive income in the year.

Included within the net realised and unrealised hedging gain of £9.2 million (note 7) recognised at 30 June 2021 (£1.5 million gain at 30 June 2020) are:

– a £1.8 million gain in respect of foreign exchange hedges covering net management fee income for the financial year ending 30 June 2021 (FY2019/20: £0.9 million loss); and
– a £7.4 million gain in respect of crystallised foreign exchange contracts (FY2019/20: £2.4 million gain).

Company

The risk management processes of the Company, including those relating to the specific risk exposures covered below, are aligned with those of the Group as a whole unless stated otherwise.

In addition, the risk definitions that apply to the Group are also relevant for the Company.

Credit risk

The Company's maximum exposure to credit risk is represented by the carrying value of its financial assets. The table below lists financial assets subject to credit risk.

	2021 £m	2020 £m
Cash and cash equivalents	86.1	91.8
Trade and other receivables	521.8	518.2
Total	607.9	610.0

The Company's cash and cash equivalents comprise short-term deposits held with banks and liquidity funds which have credit ratings ranging from A to AAAm as at 30 June 2021 (30 June 2020: A to AAAm).

All trade and other receivables are considered to be fully recoverable and none were overdue at year end (30 June 2020: none).

Liquidity risk

The contractual undiscounted cash flows relating to the Company's financial liabilities all fall due within one year.

Details on other commitments are provided in note 29.

Company

Interest rate risk

The principal interest rate risk for the Company is that it could sustain a reduction in interest revenue from bank deposits held in the ordinary course of business through adverse movements in interest rates.

Bank and similar deposits held at year end are shown on the Company's balance sheet as cash and cash equivalents. The effective interest earned on bank and similar deposits during the year is given in the table below:

Effective interest rates applicable to bank deposits

	2021 %	2020 %
Deposits with banks and liquidity funds	**0.28**	0.66

At 30 June 2021, if interest rates over the year had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £0.4 million higher/lower (FY2019/20: £0.6 million higher/lower), mainly as a result of higher/lower interest on cash balances. An assumption that the fair value of assets and liabilities will not be affected by a change in interest rates was used in the model to calculate the effect on post-tax profits.

Foreign exchange risk

The Company is exposed primarily to foreign exchange risk in respect of US dollar cash balances and US dollar-denominated intercompany balances. However, such risk is not hedged by the Company.

At 30 June 2021, if the US dollar had strengthened/weakened by 1% against Sterling with all other variables held constant, profit before tax for the year would have increased/decreased by £4.9 million (FY2019/20: increased/decreased by £4.8 million).

22) Share capital

Authorised share capital

Group and Company	2021 Number of shares	2021 Nominal value £'000	2020 Number of shares	2020 Nominal value £'000
Ordinary shares of 0.01p each	**900,000,000**	**90**	900,000,000	90

Issued share capital – allotted and fully paid

Group and Company	2021 Number of shares	2021 Nominal value £'000	2020 Number of shares	2020 Nominal value £'000
Ordinary shares of 0.01p each	**712,740,804**	**71**	712,740,804	71

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

At 30 June 2021, there were equity-settled share awards issued under the Omnibus Plan totalling 41,302,176 (30 June 2020: 43,516,936) shares that have release dates ranging from September 2021 to May 2026. Further details are provided in note 10.

23) Own shares

The Trustees of The Ashmore 2004 Employee Benefit Trust (EBT) acquire and hold shares in Ashmore Group plc with a view to facilitating the vesting of share awards. As at 30 June 2021, the EBT owned 52,345,869 (30 June 2020: 56,477,466) ordinary shares of 0.01p with a nominal value of £5,235 (30 June 2020: £5,648) and shareholders' funds are reduced by £179.8 million (30 June 2020: £192.7 million) in this respect. The EBT is periodically funded by the Company for these purposes.

24) Trade and other payables

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Current				
Trade payables	**19.3**	20.1	**2.8**	2.5
Accruals and provisions	**26.2**	30.6	**16.6**	20.4
Amounts due to subsidiaries	**–**	–	**83.1**	32.5
Total trade and other payables	**45.5**	50.7	**102.5**	55.4

25) Interests in subsidiaries

Operating subsidiaries held by the Company

There were no movements in investments in subsidiaries held by the Company during the year.

Company	2021 £m	2020 £m
Cost		
At 30 June 2021 and 2020	19.9	19.9

In the opinion of the Directors, the following subsidiary undertakings principally affected the Group's results or financial position at 30 June 2021. A full list of the Group's subsidiaries and all related undertakings is disclosed in note 33.

Name	Country of incorporation/ formation and principal place of operation	% of equity shares held by the Group
Ashmore Investments (UK) Limited	England	100.00
Ashmore Investment Management Limited	England	100.00
Ashmore Investment Advisors Limited	England	100.00
Ashmore Management Company Colombia SAS	Colombia	61.20
Ashmore CAF-AM Management Company SAS	Colombia	53.66
Ashmore Avenida (Real Estate) Investments LLP	Colombia	56.00
Ashmore Management Company Limited	Guernsey	100.00
PT Ashmore Asset Management Indonesia Tbk	Indonesia	60.04
Ashmore Investment Management (Ireland) Limited	Ireland	100.00
Ashmore Japan Co. Limited	Japan	100.00
AA Development Capital Investment Managers (Mauritius) LLC	Mauritius	55.00
Ashmore Investments Saudi Arabia	Saudi Arabia	100.00
Ashmore Investment Management (Singapore) Pte. Ltd.	Singapore	100.00
Ashmore Investment Management (US) Corporation	USA	100.00
Ashmore Investment Advisors (US) Corporation	USA	100.00

Consolidated funds

The Group consolidated the following 14 investment funds as at 30 June 2021 over which the Group is deemed to have control:

Name	Type of fund	Country of incorporation/ principal place of operation	% of net asset value held by the Group
Ashmore Emerging Markets Debt and Currency Fund Limited	Alternatives	Guernsey	57.88
Ashmore SICAV Emerging Markets IG Short Duration Fund	Corporate debt	Luxembourg	45.86
Ashmore SICAV Emerging Markets Equity Fund	Equity	Luxembourg	68.56
Ashmore SICAV Emerging Markets Equity ESG Fund	Equity	Luxembourg	99.88
Ashmore SICAV Emerging Markets Indonesian Equity Fund	Equity	Luxembourg	100.00
Ashmore SICAV Emerging Markets Global Small-Cap Equity Fund	Equity	Luxembourg	39.00
Ashmore SICAV Emerging Markets IG Total Return Fund	Blended debt	Luxembourg	100.00
Ashmore SICAV Emerging Markets Total Return ESG Fund	Blended debt	Luxembourg	99.99
Ashmore SICAV Emerging Markets Volatility-Managed Local Currency Bond Fund	Local currency	Luxembourg	100.00
Ashmore SICAV Emerging Markets China Bond Fund	Local currency	Luxembourg	60.07
Ashmore Saudi Equity Fund	Equity	Saudi Arabia	100.00
Ashmore Emerging Markets Active Equity Feeder Fund	Equity	USA	100.00
Ashmore Emerging Markets Equity ESG Fund	Equity	USA	100.00
Ashmore Emerging Markets Short Duration Select Fund	Equity	USA	100.00

26) Interests in associates

The Group held interests in the following associates as at 30 June 2021 that are unlisted:

Name	Type	Nature of business	Country of incorporation/ formation and principal place of operation	% of equity shares held by the Group
Ashmore Investment Management India LLP	Associate	Investment management	India	30.00%
Taiping Fund Management Company	Associate	Investment management	China	8.50%

The movement in the carrying value of investments in associates for the year is provided below:

Associates	2021 £m	2020 £m
At the beginning of the year	0.6	1.8
Disposals	–	(1.1)
Share of profit/(loss)	0.3	(0.2)
Foreign exchange revaluation	–	0.1
At the end of the year	0.9	0.6

The summarised aggregate financial information is shown below.

Associates	2021 £m	2020 £m
Total assets	30.1	24.1
Total liabilities	(21.0)	(17.9)
Net assets	9.1	6.2
Group's share of net assets	0.8	0.6
Revenue for the year	16.8	8.9
Profit/(loss) for the year	3.6	(2.3)
Group's share of profit/(loss) for the year	0.3	(0.2)

The carrying value of the investments in associates represents the cost of acquisition subsequently adjusted for share of profit or loss and other comprehensive income or loss. No permanent impairment is believed to exist relating to the associates as at 30 June 2021. The Group had no undrawn capital commitments (30 June 2020: £nil) to investment funds managed by the associates.

27) Interests in structured entities

The Group has interests in structured entities as a result of the management of assets on behalf of its clients. Where the Group holds a direct interest in a closed-ended fund, private equity fund or open-ended pooled fund such as a SICAV, the interest is accounted for either as a consolidated structured entity or as a financial asset, depending on whether the Group has control over the fund or not.

The Group's interest in structured entities is reflected in the Group's AuM. The Group is exposed to movements in AuM of structured entities through the potential loss of fee income as a result of client withdrawals. Outflows from funds are dependent on market sentiment, asset performance and investor considerations. Further information on these risks can be found in the Strategic report.

Considering the potential for changes in AuM of structured entities, management has determined that the Group's unconsolidated structured entities include segregated mandates and pooled funds vehicles. Disclosure of the Group's exposure to unconsolidated structured entities has been made on this basis.

The reconciliation of AuM reported by the Group within unconsolidated structured entities is shown below.

	Total AuM US$bn	Less: AuM within consolidated funds US$bn	AuM within unconsolidated structured entities US$bn
30 June 2020	83.6	0.3	83.3
30 June 2021	94.4	0.5	93.9

Included in the Group's consolidated management fees of £276.4 million (FY2019/20: £330.0 million) are management fees amounting to £275.8 million (FY2019/20: £328.3 million) earned from unconsolidated structured entities.

The table below shows the carrying values of the Group's interests in unconsolidated structured entities, recognised in the Group balance sheet, which are equal to the Group's maximum exposure to loss from those interests.

	2021 £m	2020 £m
Management fees receivable	55.6	55.7
Trade and other receivables	0.6	26.6
Seed capital investments*	114.9	78.2
Total exposure	171.1	160.5

* Comprise financial assets held for sale, financial assets measured at fair value and non-current financial assets measured at fair value (refer to note 20).

The main risk the Group faces from its beneficial interests in unconsolidated structured entities arises from a potential decrease in the fair value of seed capital investments. The Group's beneficial interests in seed capital investments are disclosed in note 20. Note 21 includes further information on the Group's exposure to market risk arising from seed capital investments.

28) 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 – Group and Company

The compensation paid to or payable to key management personnel is shown below:

	2021 £m	2020 £m
Short-term benefits	1.3	0.8
Defined contribution pension costs	–	–
Share-based payment benefits (note 10)	2.5	2.0
	3.8	2.8

Short-term benefits include salary and fees, benefits and cash bonus.

Share-based payment benefits represent the cost of equity-settled awards charged to the statement of comprehensive income.

During the year, there were no other transactions entered into with key management personnel (FY2019/20: none). Aggregate key management personnel interests in consolidated funds at 30 June 2021 were £80.2 million (30 June 2020: £33.9 million).

Transactions with subsidiaries – Company

Details of transactions between the Company and its subsidiaries are shown below:

	2021 £m	2020 £m
Transactions during the year		
Management fees	80.7	78.4
Net dividends	110.1	122.0
Loans repaid by/(advanced to) subsidiaries	(42.9)	23.3

Amounts receivable or payable to subsidiaries are disclosed in notes 17 and 24 respectively.

Transactions with Ashmore funds – Group

During the year, the Group received £124.7 million of gross management fees and performance fees (FY2019/20: £174.9 million) from the 106 funds (FY2019/20: 109 funds) it manages and which are classified as related parties. As at 30 June 2021, the Group had receivables due from funds of £8.1 million (30 June 2020: £35.0 million) that are classified as related parties.

Transactions with the EBT – Group and Company

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 and the Company. As at 30 June 2021, the loan outstanding was £160.0 million (30 June 2020: £167.0 million).

Transactions with The Ashmore Foundation – Group and Company

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 to the countries and communities. The Group donated £1.0 million to the Foundation during the year (FY2019/20: £0.1 million).

29) Commitments

The Group has undrawn investment commitments relating to seed capital investments as follows:

Group	2021 £m	2020 £m
Ashmore Andean Fund II, LP	0.1	0.3
Ashmore Avenida Colombia Real Estate Fund I (Cayman) LP	0.1	0.1
Ashmore I – CAF Colombian Infrastructure Senior Debt Fund	6.3	11.6
Ashmore KCH HealthCare Fund II	2.4	–
Ashmore Special Opportunities Fund LP	–	8.0
Total undrawn investment commitments	8.9	20.0

Company

The Company has undrawn loan commitments to other Group entities totalling £203.6 million (30 June 2020: £297.8 million) to support their investment activities but has no investment commitments of its own (30 June 2020: none).

30) Non-controlling interests

The Group's material NCI as at 30 June 2021 was held in PT Ashmore Asset Management Indonesia Tbk (Ashmore Indonesia). Set out below is summarised financial information and the amounts disclosed are before intercompany eliminations.

	40% NCI interest Ashmore Indonesia	
Summarised balance sheet	2021 £m	2020 £m
Total assets	**19.6**	22.0
Total liabilities	**(4.0)**	(5.0)
Net assets	**15.6**	17.0
Accumulated NCI	**13.0**	13.4
Summarised statement of comprehensive income		
Net revenue	**10.2**	9.7
Profit for the period	**5.0**	5.1
Other comprehensive income/(loss)	**(2.0)**	0.4
Total comprehensive income	**3.0**	5.5
Profit allocated to NCI	**1.2**	1.9
Dividends paid to NCI	**1.7**	0.7
Summarised cash flows		
Cash flows from operating activities	**3.6**	3.8
Cash flows from investing activities	**(3.1)**	0.5
Cash flows from financing activities	**(4.4)**	8.9
Net increase/(decrease) in cash and cash equivalents	**(3.9)**	13.2

31) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates, and management to exercise its judgement in the process of applying the Group's accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unquoted investment securities using unobservable inputs.

Valuation of unquoted investments

In determining the fair value of seed capital investments, the Group makes estimates to determine the inputs used in valuation techniques. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy. The fair value hierarchy also reflects the extent of judgements used in the valuation. Judgement may include determining the accounting classification, the appropriate valuation approach to use as well as determining appropriate assumptions. For level 3 investments, the judgement applied by the Group gives rise to an estimate of fair value.

As at 30 June 2021, approximately 7% of the Group's total assets by value are level 3 investments, whose fair value has been estimated using valuation techniques incorporating inputs that are not based on observable market data. The Group's level 3 investments comprise unquoted securities held in consolidated funds and interests in unconsolidated funds. The securities may include all asset types but are frequently special situations investments, typically incorporating distressed, illiquid or private investments. The methodology and models used to determine fair value are created in accordance with International Private Equity and Venture Capital Valuation Guidelines. Due to the high level of judgement involved, the Group has a separate Pricing Methodology and Valuation Committee (PMVC) to review the valuation methodologies, inputs and assumptions used to value individual investments. Smaller investments may be valued directly by the PMVC but material investments are valued by an independent third-party valuation specialist. Such valuations are subject to review and approval by the PMVC.

Valuation techniques used include the market approach, the income approach or the net assets approach depending on the availability of reliable information. The market approach consists of using comparable transactions and applying either EBITDA (earnings before interest, tax, depreciation and amortisation) multiples or market multiples (based on comparable public company information). The use of the income approach consists of using the net present value derived from discounting estimated future cash flows using the weighted average cost of capital, adjusted as deemed appropriate for liquidity, credit, market and other risk factors. The net assets approach is based on the net asset value (NAV) for the level 3 fund investments determined as at year end.

The significant unobservable inputs used in valuation techniques are EBITDA and market multiples for the market approach, discount rate for the income approach and NAV for the net assets approach. A marketability adjustment is applied for certain level 3 investment securities to reflect illiquidity and/or non-transferability that could result from offering for sale at one time the Group's entire holdings of a particular financial instrument. The valuation of these investments is considered a significant source of estimation uncertainty as in aggregate the range of possible outcomes in respect to the unobservable inputs could have a material impact on the valuation. Further details on the valuation methodologies applied by the Group in the valuation of level 3 investments as at 30 June 2021 are provided in note 19, including details of the significant unobservable inputs and the associated sensitivities to changes in unobservable inputs to a reasonable alternative.

32) Post-balance sheet events

Subsequent to 30 June 2021, two unlisted investment securities held by the Group through a consolidated fund, with a combined carrying value of £8.4 million as at the balance sheet date, were listed on stock exchanges. As at 31 August 2021, the balance sheet values in respect of these holdings totalled £65.2 million. The Directors do not believe these to be adjusting events due to uncertainties existing at year end.

33) Subsidiaries and related undertakings

The following is a full list of the Ashmore Group plc subsidiaries and related undertakings as at 30 June 2021, along with the registered address and the percentage of equity owned by the Group. Related undertakings comprise significant holdings in associated undertakings, joint ventures and Ashmore sponsored public funds in which the Group owns greater than 20% interest.

Name	Classification	% voting interest	Registered address and place of incorporation
Ashmore Investments (UK) Limited	Subsidiary	100.00	61 Aldwych, London WC2B 4AE United Kingdom
Ashmore Investment Management Limited	Subsidiary	100.00	
Ashmore Investment Advisors Limited	Subsidiary	100.00	
Aldwych Administration Services Limited	Subsidiary	100.00	
Ashmore Asset Management Limited	Subsidiary	100.00	
Ashmore Avenida (Real Estate) Investments LLP	Subsidiary	56.00	
Ashmore Investment Management (Ireland) Limited	Subsidiary	100.00	32 Molesworth Street, Dublin 2, D02 Y512

Name	Classification	% voting interest	Registered address and place of incorporation
Ashmore Investment Management (US) Corporation	Subsidiary	100.00	475 Fifth Avenue, 15th Floor New York, 10017 USA
Ashmore Investment Advisors (US) Corporation	Subsidiary	100.00	
Ashmore Equities Investment Management (US) LLC (in liquidation)	Subsidiary	100.00	
Avenida Partners LLC	Subsidiary	100.00	
Avenida CREF I Manager Cayman LLC	Subsidiary	100.00	
Avenida CREF I Manager LLC	Subsidiary	100.00	
Avenida A2 Partners LLC	Subsidiary	100.00	
Avenida Colombia Member LLC	Subsidiary	83.30	
Avenida CREF II Partners LLC	Subsidiary	100.00	
Avenida CREF II GP LLC	Subsidiary	100.00	
MCA Partners LLC (in liquidation)	Subsidiary	100.00	
Avenida REF Holding SA	Subsidiary	100.00	Yamandu 1321, 11500 Montevideo Uruguay
Avenida CREF II Manager SRL	Subsidiary	99.00	
Avenida CREF Partners SRL	Subsidiary	99.00	
Avenida CREF II GP SRL	Subsidiary	85.00	
Ashmore Investment Management (Singapore) Pte. Ltd.	Subsidiary	100.00	1 George Street, #15-04, Singapore 049145
PT Ashmore Asset Management Indonesia Tbk	Subsidiary	60.04	Pacific Century Place, 18th Floor, SCBD Lot 10, Jl. Jenderal. Sudirman Kav. 52-53 Jakarta 12190, Indonesia
Ashmore Management Company Colombia SAS	Subsidiary	61.20	Carrera 7 No. 75 -66, Office 701 & 702 Bogotá, Colombia
Ashmore-CAF-AM Management Company SAS	Subsidiary	53.66	
Ashmore Holdings Colombia S.A.S.	Subsidiary	100.00	
Ashmore Investment Advisors Colombia S.A. Sociedad Fiduciaria	Subsidiary	100.00	
Ashmore Management Backup Company S.A.S	Subsidiary	100.00	
Avenida Colombia Management Company SAS	Subsidiary	100.00	
Ashmore Peru SAC (in liquidation)	Subsidiary	99.00	Av. de la Floresta No. 497, Quinto Piso, San Borja, Lima, Perú
Ashmore Japan Co. Limited	Subsidiary	100.00	11F, Shin Marunouchi Building 1-5-1 Marunouchi Chiyoda-ku Tokyo Japan 100-6511
Ashmore Investments (Colombia) SL	Subsidiary	100.00	c/ Hermosilla 11, 4°A, 28001 Madrid, Spain

Ashmore Management (DIFC) Limited	Subsidiary	100.00	Office 105, Gate Village 03, Level 1 Dubai International Financial Centre Dubai, UAE
Ashmore Investment Advisors (India) Private Limited (in liquidation)	Subsidiary	99.82	507A Kakad Chambers, Dr Annie Besant Road, Worli Mumbai 400 018, India
Ashmore Investment Saudi Arabia	Subsidiary	100.00	3rd Floor Tower B, Olaya Towers Olaya Main Street Riyadh, Saudi Arabia
Ashmore Saudi Equity Fund	Consolidated fund	100.00	
Ashmore AISA Cayman Limited	Subsidiary	100.00	Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Ashmore Emerging Markets Holdings LLC	Subsidiary	100.00	
Ashmore Emerging Markets Acquisition Corp 1	Subsidiary	100.00	
AA Development Capital Investment Managers (Mauritius) LLC	Subsidiary	55.00	Les Cascades Building 33 Edith Cavell Street, Port Louis Mauritius
Ashmore Investments (Holdings) Limited	Subsidiary	100.00	

Name	Classification	% voting interest	Registered address and place of incorporation
Ashmore Management Company Limited	Subsidiary	100.00	Trafalgar Court Les Banques St Peter Port GY1 3QL Guernsey
Ashmore Global Special Situations Fund 3 (GP) Limited	Subsidiary	100.00	
Ashmore Global Special Situations Fund 4 (GP) Limited	Subsidiary	100.00	
Ashmore Global Special Situations Fund 5 (GP) Limited	Subsidiary	100.00	
Ashmore Emerging Markets Debt and Currency Fund Limited	Consolidated fund	57.88	
Ashmore SICAV Emerging Markets Middle East Equity Fund	HFS investment	89.26	10, rue du Chateau d'Eau L-3364 Leudelange Grand-Duchy of Luxembourg
Ashmore SICAV Emerging Markets Sovereign Debt ESG Fund	HFS investment	100.00	
Ashmore SICAV Emerging Markets Corporate Debt ESG Fund	HFS investment	100.00	
Ashmore SICAV Emerging Markets China Bond Fund	Consolidated fund	60.07	
Ashmore SICAV Emerging Markets Equity Fund	Consolidated fund	68.56	
Ashmore SICAV Emerging Markets Global Small-Cap Equity Fund	Consolidated fund	39.00	
Ashmore SICAV Emerging Markets IG Total Return Fund	Consolidated fund	100.00	
Ashmore SICAV Emerging Markets Total Return ESG Fund	Consolidated fund	99.99	
Ashmore SICAV Emerging Markets Indonesian Equity Fund	Consolidated fund	100.00	
Ashmore SICAV Emerging Markets Equity ESG Fund	Consolidated fund	99.88	
Ashmore SICAV Emerging Markets IG Short Duration Fund	Consolidated fund	45.86	
Ashmore SICAV Emerging Markets Volatility-Managed LCBF	Consolidated fund	100.00	
Ashmore SICAV Emerging Markets Multi-Asset Fund	Significant holding	23.07	
Ashmore Emerging Markets Corporate Debt ESG Fund	HFS investment	100.00	50 South LaSalle Street Chicago, Illinois 60603
Ashmore Emerging Markets Investment Grade Income Fund	HFS investment	100.00	
Ashmore Emerging Markets Local Currency Bond Fund	HFS investment	43.34	
Ashmore Emerging Markets Active Equity Feeder Fund	Consolidated fund	100.00	
Ashmore Emerging Markets Equity ESG Fund	Consolidated fund	100.00	
Ashmore Emerging Markets Short Duration Select Fund	Consolidated fund	100.00	
Ashmore Emerging Markets Equity Fund	Significant holding	23.81	
Ashmore Investment Management India LLP	Associate	30.00	507A Kakad Chambers, Dr Annie Besant Road Worli, Mumbai 400 018, India
Taiping Fund Management Company	Associate	8.50	Unit 101, Building No.5, 135 Handan Road, Shanghai, China

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 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.

Statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the years ending 30 June 2021 or 30 June 2020. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2020 or 2021.