Ashmore

focus
on the opportunity

Interim Report
2019/20

Contents

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www.ashmoregroup.com

Unaudited interim results for the six months to 31 December 2019

Highlights

Assets under management (AuM) at 31 December 2019

US$98.4bn

30 June 2019: US$91.8bn

AuM outperforming benchmarks over

One year	Three years	Five years
24%	75%	98%
30 June 2019: 90%	97%	97%

Net management fees

£168.3m

H1 2018/19: £142.3m

Adjusted EBITDA

£122.5m

H1 2018/19: £98.8m

Adjusted EBITDA margin

69%

H1 2018/19: 67%

Profit before tax

£132.4m

H1 2018/19: £93.0m

Diluted earnings per share

15.8p

H1 2018/19: 10.1p

Interim dividend per share

4.80p

To be paid on 30 March 2020

H1 2018/19: 4.55p

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

Ashmore performed well in the first half of the financial year, delivering net inflows of US$5.7 billion and a 7% increase in AuM to US$98.4 billion. This was achieved against a backdrop of positive returns for the Emerging Markets asset classes, ranging from +3% in external debt to +7% in equities, and notwithstanding fluctuating investor sentiment and price volatility driven by a combination of global macro conditions and certain country-specific political events.

Ashmore's financial performance reflected the strong operational delivery with 18% growth in net management fee income and a 24% increase in adjusted EBITDA. The business model continues to operate effectively, generating an adjusted EBITDA margin of 69% over the period.

Including a positive contribution from the Group's seed capital investments and a lower effective tax rate, diluted EPS increased by 56%. On an adjusted basis, excluding the effects of foreign exchange translation and seed capital, diluted EPS increased by 35% to 14.7 pence. Consequently, the interim dividend per share has been increased 5% to 4.80 pence.

Summary non-GAAP financial performance

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

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

		Reclassification of			
£m	**H1 2019/20 Statutory**	Seed capital-related items	Foreign exchange translation	**H1 2019/20 Adjusted**	H1 2018/19 Adjusted
Net management fees	**168.3**	–	–	**168.3**	142.3
Performance fees	**3.4**	–	–	**3.4**	1.2
Other revenue	**2.5**	–	–	**2.5**	2.0
Foreign exchange	**2.6**	–	0.5	**3.1**	2.7
Net revenue	**176.8**	–	0.5	**177.3**	148.2
Investment securities	**4.2**	(4.2)	–	**–**	–
Third-party interests	**(0.5)**	0.5	–	**–**	–
Personnel expenses	**(43.7)**	–	(0.1)	**(43.8)**	(37.2)
Other expenses excluding depreciation and amortisation	**(12.1)**	1.1	–	**(11.0)**	(12.2)
EBITDA	**124.7**	(2.6)	0.4	**122.5**	98.8
EBITDA margin	***71%***	–	–	***69%***	*67%*
Depreciation and amortisation	**(1.7)**	–	–	**(1.7)**	(2.6)
Operating profit	**123.0**	(2.6)	0.4	**120.8**	96.2
Net finance income/(expense)	**9.5**	(5.8)	–	**3.7**	3.8
Associates and joint ventures	**(0.1)**	–	–	**(0.1)**	(0.4)
Seed capital-related items	**–**	8.4	–	**8.4**	(9.7)
Profit before tax excluding FX translation	**132.4**	–	0.4	**132.8**	89.9
Foreign exchange translation	**–**	–	(0.4)	**(0.4)**	3.1
Profit before tax	**132.4**	–	–	**132.4**	93.0

Investment themes

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

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

Market review

Over the past six months, Emerging Markets have experienced fluctuating investor sentiment and consequently more volatile asset prices when compared with the first six months of 2019, driven by the combination of developed world events and a number of domestic political stories where the impact was limited to the country. However, the underlying economic and political backdrop across the vast majority of emerging nations remains supportive.

Developed world events included a return to protectionism in the US, weaker European growth, while an improvement in US economic data initially provided support to the US dollar.

The political developments in Emerging Markets that impacted asset prices were limited to a small number of countries such as Argentina, Bolivia, Chile, Ecuador and Lebanon, and came in quick succession so prompting some investors to take profits following a period of strong performance in the first half of 2019. For those who remained invested, the end of the period delivered a strong recovery in asset prices as some of the political situations began to normalise, the global trade environment improved, the US Federal Reserve and other central banks continued to deliver a dovish message, and economic data improved in a number of emerging countries including China.

Notwithstanding the price volatility during the six months, returns across the Emerging Markets asset classes were positive for the period as a whole, thereby continuing the broad-based rally that began in early 2016.

External debt

The external debt market is highly diversified (73 countries in the benchmark index), has improving credit quality (54% of issuers are investment grade), and yet offers a significant spread over US Treasury bonds (290 basis points), underpinning its long-term outperformance.

In the six months to 31 December 2019, the benchmark EMBI GD index returned 3.3% notwithstanding the significant drawdown in countries such as Argentina.

Over three years, Ashmore's external debt composite has delivered gross annualised returns of +6.4%, slightly below the benchmark index, which has returned +6.7% annualised.

As is the case for the other asset classes, the attractive returns available from a broad range of external debt investment opportunities are best accessed by a specialist active manager with the ability to exploit the pricing inefficiencies that exist across the Emerging Markets.

Local currency

Although emerging nations typically fund themselves initially with external debt, as local institutions and capital markets develop, they increasingly issue in their own currency. Hence, in contrast to the common misperception of Emerging Markets fixed income being predominantly denominated in US dollars, the local currency-denominated asset class today represents 89%, or US$10.5 trillion equivalent, of all Emerging Markets sovereign bonds outstanding.

In the six-month period, the local currency benchmark index (GBI-EM GD) returned 4.4% in US dollar terms.

Ashmore's local currency bonds composite has delivered an annualised gross return of +7.5% over the past three years, ahead of its benchmark index (+7.0%).

Local currency bonds offer attractive prospective returns. While nominal yields have fallen recently, so has inflation that, on average, is less than 3% across emerging countries, and therefore real yields of 2% to 3% for the index are no higher than was the case 10 years ago. Furthermore, currency performance tends to correlate with relative growth rates, which favour Emerging Markets over the developed world based on IMF forecasts. Finally, in 2020, China will enter the benchmark index with an eventual capped weight of 10%, supporting the prospect for further capital flows into local markets and further increasing the diversity of the index.

The returns available from currencies, in combination with the attractive yields, mean local currency bonds arguably offer the most medium-term upside of any of the Emerging Markets fixed income asset classes.

Corporate debt

Over the six-month period, the benchmark CEMBI BD index increased by 3.9%, performing in line with US high yield (HY) bonds.

Over three years, the Group's corporate debt composite has delivered gross investment performance of +7.6% annualised, outperforming its benchmark index, which has returned +6.3% annualised over the same period.

Credit quality continues to improve, with the default rate falling from 0.7% to less than 0.4% over the six months, in contrast to the US HY market where defaults increased from 2.2% to 2.9%.

The value available in corporate debt is apparent when considering that the CEMBI BD index yields 5%, the same as the US HY market despite greater diversification (56 countries represented in the index) and significantly better credit quality.

Blended debt

The standard blended debt benchmark (50% EMBI GD, 25% GBI-EM GD and 25% ELMI+ indices) returned +3.2% over the six months.

Over the past three years, Ashmore's blended debt strategy has returned +6.8% on a gross annualised basis versus +6.2% for its benchmark index.

The breadth of investment opportunities available across the main fixed income asset classes is demonstrated by the minimum 450 bps annual gross return differential between the best performing and worst performing asset classes over the past 15 years. This means that an actively-managed blended debt strategy can add significant value, and often serves as a logical starting point for an investor making an allocation to Emerging Markets fixed income for the first time. Blended debt strategies are also relevant to the more experienced or sophisticated investor who wishes to define a bespoke benchmark comprising the underlying fixed income asset classes. Ashmore expects these factors to support continued demand for blended debt products from both institutional and retail investors.

Equities

Emerging Markets equities generated good returns in the period with the MSCI EM index rising by 7.1% and the MSCI Frontier Markets index increasing by 5.5%. As was the case in fixed income markets, the occurrence of local political challenges in certain markets, such as Hong Kong, did not impact significantly upon the performance of the broader, diversified equity universe.

Ashmore continues to deliver strong performance in its global equity strategies. For example, over three years the active strategy has returned +15.2% on a gross annualised basis versus +11.6% for the MSCI EM benchmark.

As is the case for the local currency asset class, there is a good historical correlation between the performance of Emerging Markets equities and the relative GDP growth rates between emerging and developed world countries. Domestic conditions in many emerging countries provide a good backdrop against which economic expansion can continue; the market therefore expects 13% earnings growth in aggregate by Emerging Markets companies in 2020. This should support the performance of Emerging Markets equities and consequently drive higher investor allocations.

Alternatives

The management of illiquid assets, for example private equity, infrastructure, real estate and private healthcare assets, represents a source of future growth for Ashmore as well as providing differentiated returns and financial characteristics compared with the liquid fixed income and equities themes. Accordingly the Group continues to seek opportunities to manage alternatives assets locally in Emerging Markets, consistent with the second and third phases of its strategy.

Multi-asset

Ashmore's specialist active investment management capabilities across the full range of Emerging Markets asset classes mean it is well-positioned to manage clients' multi-asset allocations. The AuM in this theme principally reflects retail capital raised through intermediaries in Japan.

Overlay/liquidity

The overlay product provides clients with effective foreign exchange hedging for Emerging Markets portfolios, which are not managed by Ashmore. The AuM in this theme therefore fluctuates according to the size of the clients' portfolios and decisions taken with respect to the proportion of the underlying portfolios to hedge. AuM increased by 15% or US$1.0 billion in the period.

Market outlook

In absolute terms and relative to developed world markets, Emerging Markets have performed well over the past four years. This reflects a combination of improving underlying economic and political conditions together with an increasing recognition by investors of the attractive return opportunities available across the broad and diversified fixed income and equity investment universes. Investors are therefore addressing their underweight positions and driving capital flows into the Emerging Markets.

The outlook for Emerging Markets remains positive, and while economic and market cycles are inevitable, there continue to be strong incentives for global investors to increase allocations to Emerging Markets in pursuit of higher risk-adjusted returns than are available today in the developed world capital markets.

The IMF forecasts an expansion of the growth premium compared with the developed world, with emerging countries expected to deliver aggregate GDP growth of +4.6% in 2020, up from +3.9% in 2019, and compared with only +1.7% in both years for the developed world. Stronger relative growth underpins the outlook for currencies and supports the case for continued positive equity returns. Local fixed income markets should also continue to benefit from a benign inflation outlook, with domestic monetary policies likely to remain accommodative. This favourable picture for Emerging Markets contrasts with the structural growth impediments, such as high indebtedness, and late-cycle valuations in many Developed Markets and their ongoing political risks, particularly in the US given the presidential election later this year.

Indeed, arguably the main risk to continued capital flows to Emerging Markets remains a shock to global investor sentiment, most likely originating in the developed world, rather than any specific local event in an emerging nation or small group of emerging nations.

As described above, and in the absence of such a macro shock, the necessary conditions are in place for Emerging Markets equities and fixed income outperformance and flows to continue in 2020. These include the attractive valuations available, underweight investor allocations, recent outperformance of Emerging Markets versus developed world markets and important events such as China's inclusion in the widely-used GBI-EM GD local currency bond index.

Ashmore's specialist focus on Emerging Markets, the client flow momentum maintained in the first half of the financial year and ongoing client activity levels, mean it is well positioned to continue to grow in keeping with this trend of higher investor allocations.

Strategy/business developments

Ashmore has made progress in a number of areas over the past six months, covering all three phases of its long-term growth strategy.

Phase 1: higher allocations

As described in more detail below, the period delivered strong net inflows of US$5.7 billion. New client mandates represented approximately 25% of net institutional flows, meaning that client activity in the period remained biased towards existing clients as they increased allocations to Emerging Markets. Ashmore's growth opportunity from higher allocations remains significant, with typical target allocations to fixed income or equities remaining well below 10% and therefore substantially underweight global benchmark indices, in which Emerging Markets weights are in the region of 15% to more than 20%.

Phase 2: diversify investment themes

Ashmore's strategy is to develop a broad-based Emerging Markets franchise that is not reliant on any single investment theme, client type or geography. A key component of this diversification is to provide the Group's clients with access to a full range of Emerging Markets equities products, from global active and all cap strategies to specialist, regional and single country products.

The Group's equity franchise continues to demonstrate good progress with US$0.6 billion of net flows in the six-month period, representing 14% of opening AuM in the equities theme. Approximately half of this was into the active and all cap strategies, which have very strong absolute and relative three-year performance track records and consequently are generating good levels of client interest. The remaining flows were into a combination of global products, such as frontier markets funds, and funds managed by the local asset management businesses including dedicated single country institutional mandates.

Ashmore will continue to focus on delivering strong investment performance track records across the equity product range to attract incremental allocations and deliver further growth in the equities theme.

Phase 3: mobilise Emerging Markets capital

As at 31 December 2019, approximately 29% of AuM had been sourced from clients domiciled in Emerging Markets, representing a combination of globally-managed capital and assets managed domestically by the Group's network of local asset management businesses. Collectively, the local asset management platforms now manage nearly US$6 billion.

Ashmore's Indonesian subsidiary achieved a notable milestone in January 2020 when it listed its shares on the Jakarta stock exchange after undertaking an IPO, and attracting a premium price/earnings valuation of around 30x.

The IPO raised a small amount of primary capital to support future growth and there was no sale of shares by existing shareholders, meaning that Ashmore remains a committed majority shareholder and the local management team continues to hold a significant minority equity stake in the business, thereby ensuring there continues to be a strong alignment of long-term interests.

The listing is a logical step in the development of Ashmore's business in Indonesia and provides a relevant route map for the Group's other local platforms. Since its establishment in late 2012, Ashmore Indonesia has generated successful investment track records across a range of equity and fixed income products and delivered strong growth, meaning that the business currently manages AuM in excess of US$2 billion.

AuM development

As at 31 December 2019, assets under management were US$98.4 billion, an increase of US$6.6 billion during the six months and 28% higher than a year ago. Net inflows from the Group's diversified client base contributed US$5.7 billion to the growth in AuM over the six months, including US$0.4 billion from intermediary retail clients, and positive investment performance added a further US$0.9 billion. Over the past 12 months, the Group has delivered US$14.0 billion of net flows, equivalent to approximately two-thirds of the growth in AuM in calendar year 2019.

Average AuM of US$93.3 billion was 24% higher than in the same period in the prior year (H1 2018/19: US$75.5 billion).

Gross subscriptions of US$14.9 billion represent 16% of opening AuM (H1 2018/19: US$8.5 billion, 12% of opening AuM), higher than in the same period last year as investors continue to increase allocations to Emerging Markets.

Subscriptions were broadly spread across the fixed income and equities investment themes, and also overlay / liquidity. There was no particular pattern to the type or location of client, but there continued to be a bias towards additional allocations by existing clients, which represented approximately 75% of the net institutional flows in the period. There were notable new client mandates in the external debt, corporate debt and blended debt themes.

Gross redemptions of US$9.2 billion, or 10% of opening AuM, were higher than in the prior year period (H1 2018/19: US$6.1 billion, 8% of opening AuM), largely reflecting the impact of clients withdrawing capital from short duration strategies following the negative mark-to-market impact of political developments in Argentina in the summer. Towards the period end, performance recovered and there were early signs of a flow recovery in the short duration funds.

The Group's client base continues to be predominantly institutional, with 87% of AuM from such clients (30 June 2019: 85%) and the remainder sourced through intermediary retail channels. Segregated accounts including white-labelled funds represent 69% of AuM (30 June 2019: 66%) while 29% of the Group's AuM has been sourced from clients domiciled in Emerging Markets.

Ashmore's principal mutual fund platforms are in Europe and the US. The European SICAV range comprises 31 funds with AuM of US$18.9 billion (30 June 2019: US$19.6 billion in 30 funds) and the US 40-Act range has eight funds with AuM of US$3.5 billion (30 June 2019: US$3.7 billion in eight funds). In total, these funds represent 23% of Group AuM (30 June 2019: 24%).

The Group's investments are geographically diverse and broadly consistent with recent periods, with 39% of AuM invested in Latin America, 22% in Asia Pacific, 22% in Eastern Europe and 17% in the Middle East and Africa.

Investment performance

As at 31 December 2019, 24% of AuM is outperforming over one year, 75% over three years and 98% over five years (30 June 2019: 90%, 97% and 97%, respectively). This is a similar picture to this time last year when the combination of market volatility and the Group's investment committees adding risk at attractive price levels, had resulted in a period of short-term investment underperformance before a subsequent recovery in market levels and the delivery of strong absolute and relative investment performance.

The continuing structural inefficiencies in Emerging Markets allow an active manager to deliver meaningful outperformance over time, while also inevitably meaning that there will be shorter-term periods of underperformance if markets perform irrationally. Ashmore's response in this situation is to take advantage of more attractive price levels in order to deliver longer-term outperformance, and Ashmore's investment committees have implemented this approach consistently over more than 27 years of investing successfully in Emerging Markets. The past six months represent a good example of this, with short-term mark-to-market underperformance in certain Ashmore strategies, while the investment decisions taken in this period provide the potential for significant upside and outperformance in the future. This has been demonstrated by the recovery in asset prices towards the period end.

AuM movements by investment theme as classified by mandate

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

Investment theme	AuM 30 June 2019 US$bn	Gross subscriptions US$bn	Gross redemptions US$bn	Net flows US$bn	Performance US$bn	Other/ reclassification US$bn	**AuM 31 December 2019 US$bn**
External debt	19.1	1.4	(1.1)	0.3	0.3	–	19.7
Local currency	19.7	4.5	(1.9)	2.6	0.6	–	22.9
Corporate debt	15.5	4.1	(4.6)	(0.5)	(0.3)	(0.5)	14.2
Blended debt	24.3	2.4	(0.7)	1.7	0.2	0.5	26.7
Equities	4.4	1.1	(0.5)	0.6	0.1	–	5.1
Alternatives	1.6	0.1	–	0.1	(0.1)	–	1.6
Multi-asset	0.5	–	(0.1)	(0.1)	–	–	0.4
Overlay/liquidity	6.7	1.3	(0.3)	1.0	0.1	–	7.8
Total	**91.8**	**14.9**	**(9.2)**	**5.7**	**0.9**	**–**	**98.4**

Financial review

Fee income and net management fee margin by investment theme

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

	Net management fees		Performance fees		Net management fee margin	
Investment theme	**H1 2019/20 £m**	H1 2018/19 £m	**H1 2019/20 £m**	H1 2018/19 £m	**H1 2019/20 bps**	H1 2018/19 bps
External debt	**31.8**	27.2	**2.4**	0.5	**41**	46
Local currency	**31.6**	26.0	**–**	–	**39**	39
Corporate debt	**29.9**	23.5	**0.1**	0.2	**52**	58
Blended debt	**49.1**	39.2	**0.9**	0.2	**49**	50
Equities	**12.4**	12.7	**–**	–	**68**	80
Alternatives	**7.6**	7.5	**–**	0.3	**134**	131
Multi-asset	**1.7**	2.6	**–**	–	**98**	70
Overlay/liquidity	**4.2**	3.6	**–**	–	**16**	16
Total	**168.3**	142.3	**3.4**	1.2	**46**	49

Revenues

Statutory net revenue increased 16% to £176.8 million (H1 2018/19: £152.1 million) as a result of strong growth in net management fee income. On an adjusted basis, excluding foreign-exchange translation effects, net revenue increased 20% to £177.3 million (H1 2018/19: £148.2 million).

The Group's management fee income, net of distribution costs, increased 18% to £168.3 million (H1 2018/19: £142.3 million). This primarily reflects an increase of 24% in average AuM to US$93.3 billion (H1 2018/19: US$75.5 billion), coupled with the positive impact of a weaker average GBP:USD rate of 1.2657 (H1 2018/19: 1.2948) and a net management fee margin of 46bps (H1 2018/19: 49bps; H2 2018/19: 47bps). At constant exchange rates, net management fees increased by 16%.

The one basis point decline in the net management fee margin compared with the preceding six-month period primarily reflects the impact of additional allocations to existing large institutional mandates and a slight reduction in the proportion of AuM sourced from intermediary retail clients.

Performance fees of £3.4 million (H1 2018/19: £1.2 million) were generated in the period. At 31 December 2019, 13% of the Group's AuM was eligible to earn performance fees (30 June 2019: 14%), of which a substantial proportion is subject to rebate agreements. The Group continues to expect its diverse sources of net management fee income to generate the substantial majority of its net revenues.

Translation of the Group's non-Sterling assets and liabilities, excluding seed capital, resulted in an unrealised foreign exchange loss of £0.5 million (H1 2018/19: £3.9 million gain) reflecting a higher GBP:USD dollar rate at the period end, mitigated by active management of the Group's foreign exchange balances. The net realised and unrealised gain on the Group's foreign exchange hedges was £3.1 million (H1 2018/19: £2.7 million gain). Therefore, the total foreign exchange gain recognised in revenues was £2.6 million (H1 2018/19: £6.6 million gain).

Other revenue increased slightly to £2.5 million (H1 2018/19: £2.0 million) as a consequence of higher advisory fees relating to alternatives funds.

Operating costs

Total operating costs of £57.5 million (H1 2018/19: 54.2 million) include £1.1 million of expenses incurred by seeded funds that are required to be consolidated (H1 2018/19: £1.4 million), as disclosed in note 15.

Excluding these costs, statutory operating expenses increased by 7% or £3.6 million compared with the prior year period, attributable to a higher variable compensation charge as a consequence of higher profits, partially offset by a reduction in other operating costs including depreciation and amortisation. At constant exchange rates, operating costs increased by 5%.

The Group's headcount increased from 307 to 310 employees over the six-month period, of which 294 are involved in investment management-related activities, and the average headcount was 5% higher than in the prior year period. The Group's fixed staff costs of £13.6 million increased by only 3% (and 2% at constant exchange rates) compared with the prior year period (H1 2018/19: £13.2 million).

As is usual at the half-year stage, variable compensation has been accrued at 20% of earnings before variable compensation, interest and tax, resulting in a charge of £30.1 million (H1 2018/19: £24.8 million).

Other operating costs, excluding consolidated fund expenses and depreciation and amortisation, fell by £1.2 million, or 10%, to £11.0 million largely as a result of the adoption of IFRS 16, as described below. Like-for-like other operating costs increased by 2% (and 1% at constant exchange rates), with lower travel expenses and professional fees offset by higher information technology and communications costs.

The combined depreciation and amortisation charges for the period were £1.7 million (H1 2018/19: £2.6 million).

The adoption of IFRS 16 had a small negative impact of £0.2 million on profit before tax in the current period. It removed the rental expense relating to the Group's properties (£1.4 million) and replaced it with depreciation of the right-of-use asset (£1.3 million) and a lease finance expense (£0.3 million).

Adjusted EBITDA

Adjusted EBITDA increased by 24% from £98.8 million to £122.5 million, ahead of the 20% growth in adjusted net revenue due to adjusted cost growth being limited to 11%, and delivering an adjusted EBITDA margin of 69%. The impact of IFRS 16 contributed 0.8% to the adjusted EBITDA margin.

Finance income

Net finance income of £9.5 million (H1 2018/19: £6.3 million) includes items relating to seed capital investments, which are described in more detail below. Excluding these items, interest income for the period was £4.0 million (H1 2018/19: £3.8 million).

Profit before tax

Statutory profit before tax increased by 42% to £132.4 million (H1 2018/19: £93.0 million), reflecting the strong operational performance and 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 six-month period of £20.9 million (H1 2018/19: £17.9 million), £11.8 million relates to UK corporation tax (H1 2018/19: £13.0 million).

The Group's effective tax rate for the six-month period is 13.7% (H1 2018/19: 20.4%), which is lower than the prevailing UK corporation tax rate of 18.5% (H1 2018/19: 19.0%). This reflects the impact of the increase in the Group's share price on the valuation of deferred tax assets relating to share-based remuneration provided to employees, the impact of non-taxable unrealised seed capital gains and the geographic mix of the Group's profits in the period. Note 9 to the interim condensed financial statements provides a full reconciliation of this difference compared to the UK corporation tax rate.

The Group's ongoing effective tax rate, based on its current geographic mix of profits, is expected to be approximately 16%, although this will be affected by any changes to the expected UK tax rate of 17%, which may be enacted before the end of the financial year.

Earnings per share

Basic earnings per share for the period increased by 57% to 16.9 pence (H1 2018/19: 10.8 pence) and diluted earnings per share increased by 56% from 10.1 pence to 15.8 pence, reflecting the operational performance, the positive contribution from seed capital investments and the lower effective tax rate.

On an adjusted basis, excluding the effects of foreign exchange translation, seed capital-related items and relevant tax, diluted earnings per share increased by 35% to 14.7 pence (H1 2018/19: 10.9 pence).

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 31 December 2019, total equity attributable to shareholders of the parent was £810.5 million (31 December 2018: £756.6 million, 30 June 2019: £843.2 million). Capital resources available to the Group totalled £700.7 million as at 31 December 2019, equivalent to 98 pence per share, and significantly exceeded the Group's regulatory capital requirement of £121.0 million, equivalent to 17 pence per share. The Group has no debt.

Cash

Ashmore's business model continues to deliver a high conversion rate of operating profits to cash. Based on operating profit of £123.0 million for the period (H1 2018/19: £87.1 million), the Group generated £113.5 million of cash from operations (H1 2018/19: £83.3 million). The operating cash flows after excluding consolidated funds represent 94% of the adjusted EBITDA for the period of £122.5 million (H1 2018/19: 86%).

Cash and cash equivalents by currency

	31 December 2019 £m	30 June 2019 £m
Sterling	**77.1**	157.8
US dollar	**318.6**	269.5
Other	**31.7**	49.9
Total	**427.4**	477.2

It is normal for the Group's cash balance to decline in the first half of the financial year as the Group distributes the final ordinary dividend to shareholders and pays cash variable remuneration to employees, both of which relate to the prior financial year.

Seed capital investments

The Group's actively managed seed capital programme has delivered growth in third-party AuM with more than US$13 billion of AuM in funds that have been seeded, representing 14% of total Group AuM.

During the six-month period, the Group made new investments of £15.2 million and realised £34.6 million from previous investments. The consequent net redemption of £19.4 million together with negative market and foreign exchange movements of £3.1 million, means the value of the Group's seed capital investments declined from £277.8 million as at 30 June 2019 to £255.3 million as at 31 December 2019.

Ashmore has also made seed capital commitments to funds of £18.8 million that were undrawn at the period end, giving a total committed value for the Group's seed capital programme of approximately £274 million.

As at 31 December 2019, the original cost of the Group's current seed capital investments was £220.2 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 new investments were primarily into corporate debt and equity SICAVs together with some draw down of commitments by alternatives funds. The redemptions were mainly achieved in the equities and local currency themes, as a consequence of client flows, and also in alternatives.

Seed capital market value by currency

	31 December 2019 £m	30 June 2019 £m
US dollar	**227.2**	250.7
Colombian peso	**16.3**	14.8
Other	**11.8**	12.3
Total market value	**255.3**	277.8

The table below summarises the principal IFRS line items to assist in the understanding of the financial impact of the Group's seed capital programme. The seed capital investments generated a total gain of £8.4 million in the period of which £1.5 million was realised (H1 2018/19: £9.7 million loss). This comprises a £4.6 million gain in respect of consolidated funds, including £2.0 million of finance income, and a £3.8 million gain in respect of unconsolidated funds that is reported in finance income.

Foreign exchange

The majority of the Group's fee income is received in US dollars and it is the Group's policy to hedge up to two-thirds of the notional value of budgeted foreign currency-denominated net management fees, using either forward or option foreign exchange contracts. Ashmore's Foreign Exchange Management Committee determines the proportion of budgeted fee income to hedge or sell by regular reference to expected non-US dollar, and principally Sterling, cash requirements. 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.

Financial impact of seed capital investments

	H1 2019/20 £m	H1 2018/19 £m
Consolidated funds (note 15):		
Gains/(losses) on investment securities	**4.2**	(18.6)
Change in third-party interests in consolidated funds	**(0.5)**	7.8
Operating costs	**(1.1)**	(1.4)
Finance income	**2.0**	5.8
Sub-total: consolidated funds	**4.6**	(6.4)
Unconsolidated funds (note 7):		
Market return	**0.6**	(2.9)
Foreign exchange	**3.2**	(0.4)
Sub-total: unconsolidated funds	**3.8**	(3.3)
Total seed capital profit/(loss)	**8.4**	(9.7)
– realised	**1.5**	1.0
– unrealised	**6.9**	(10.7)

Goodwill and intangible assets

At 31 December 2019, goodwill and intangible assets on the Group's balance sheet totalled £84.0 million (30 June 2019: £87.3 million). The movement in the period is the result of an amortisation charge of £0.1 million (H1 2018/19: £2.3 million) and a foreign exchange revaluation loss in reserves of £3.2 million (H1 2018/19: £3.6 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 31 December 2019, the EBT owned 43,648,181 ordinary shares (30 June 2019: 40,355,103 ordinary shares), representing 6.1% of the Group's issued share capital (30 June 2019: 5.7%).

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.

Accordingly, the Board has determined that an interim dividend of 4.80 pence per share (H1 2018/19: 4.55 pence per share) will be paid on 30 March 2020 to all shareholders on the register on 6 March 2020.

Mark Coombs
Chief Executive Officer

5 February 2020

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. The calculation of APMs is consistent with the prior year period and the financial year ending 30 June 2019 and unless otherwise stated reconciliations to statutory IFRS results are provided in the Chief Executive's report. Historical reconciliations of APMs to statutory IFRS results can be found in the respective interim financial reports and annual reports and accounts.

Net revenue

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

Variable compensation ratio

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

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.

EBITDA

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

Adjusted net revenue, adjusted operating costs and adjusted EBITDA

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

Adjusted EBITDA margin

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

Conversion of operating profits to cash

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

Risk management

A detailed description of the Group's risk management function and internal control framework, which provides an ongoing process for identifying, evaluating and managing the Group's emerging and principal risks, was included in the 2019 Annual Report and Accounts, together with a list of principal risks and examples of associated controls and mitigants. This disclosure covered strategy and business, client, treasury, investment and operational risks. There have been no material changes to the principal risks and associated controls and mitigants during the six-month period.

As disclosed previously, the establishment of Ashmore Ireland addressed the risk associated with the most severe potential Brexit scenario, as it provides the Group with continued access to EU-based clients after the UK has left the EU and in the absence of any equivalence arrangements.

Interim condensed consolidated statement of comprehensive income
For the six months ended 31 December 2019

	Notes	**Unaudited 6 months to 31 December 2019 £m**	Unaudited 6 months to 31 December 2018 £m	Audited 12 months to 30 June 2019 £m
Management fees		**177.5**	148.3	307.6
Performance fees		**3.4**	1.2	2.8
Other revenue		**2.5**	2.0	5.9
Total revenue	5	**183.4**	151.5	316.3
Distribution costs		**(9.2)**	(6.0)	(13.3)
Foreign exchange	6	**2.6**	6.6	11.3
Net revenue		**176.8**	152.1	314.3
Gains/(losses) on investment securities	15	**4.2**	(18.6)	0.5
Change in third-party interests in consolidated funds	15	**(0.5)**	7.8	3.8
Personnel expenses		**(43.7)**	(38.0)	(84.2)
Other expenses		**(13.8)**	(16.2)	(31.6)
Operating profit		**123.0**	87.1	202.8
Finance income	7	**9.5**	6.3	17.4
Share of losses from associates and joint ventures		**(0.1)**	(0.4)	(0.3)
Profit before tax		**132.4**	93.0	219.9
Tax expense	9	**(18.2)**	(19.0)	(38.4)
Profit for the period		**114.2**	74.0	181.5
Other comprehensive income, net of related tax effect				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising on foreign operations		**(31.4)**	15.9	14.7
Cash flow hedge intrinsic value gains		**0.1**	–	–
Other comprehensive income, net of related tax effect		**(31.3)**	15.9	14.7
Total comprehensive income for the period		**82.9**	89.9	196.2
Profit attributable to:				
Equity holders of the parent		**112.9**	72.4	178.6
Non-controlling interests		**1.3**	1.6	2.9
Profit for the period		**114.2**	74.0	181.5
Total comprehensive income attributable to:				
Equity holders of the parent		**81.8**	88.2	193.2
Non-controlling interests		**1.1**	1.7	3.0
Total comprehensive income for the period		**82.9**	89.9	196.2
Earnings per share				
Basic	10	**16.85p**	10.75p	26.57p
Diluted	10	**15.84p**	10.13p	25.04p

The notes on pages 16 to 27 form an integral part of these financial statements.

Interim condensed consolidated balance sheet

As at 31 December 2019

	Notes	Unaudited 31 December 2019 £m	Unaudited 31 December 2018 £m	Audited 30 June 2019 £m
Assets				
Non-current assets				
Goodwill and intangible assets	12	**84.0**	89.3	87.3
Property, plant and equipment	13	**12.9**	1.4	1.5
Investment in associates and joint ventures		**1.2**	1.8	1.8
Non-current financial assets measured at fair value	15	**31.1**	40.1	31.6
Deferred acquisition costs		**0.7**	0.8	0.8
Deferred tax assets		**32.7**	25.4	30.2
		162.6	158.8	153.2
Current assets				
Investment securities	15	**222.4**	207.2	278.7
Financial assets measured at fair value	15	**45.5**	24.4	16.0
Trade and other receivables		**89.4**	75.7	79.4
Derivative financial instruments		**1.4**	–	–
Cash and cash equivalents		**427.4**	425.4	477.2
		786.1	732.7	851.3
Non-current assets held for sale	15	**14.3**	4.3	44.7
Total assets		**963.0**	895.8	1,049.2
Equity and liabilities				
Capital and reserves – attributable to equity holders of the parent				
Issued capital	17	**0.1**	0.1	0.1
Share premium		**15.6**	15.6	15.6
Retained earnings		**811.0**	724.8	812.6
Foreign exchange reserve		**(16.3)**	16.1	14.9
Cash flow hedging reserve		**0.1**	–	–
		810.5	756.6	843.2
Non-controlling interests		**10.2**	11.5	10.9
Total equity		**820.7**	768.1	854.1
Liabilities				
Non-current liabilities				
Lease liabilities	13	**9.0**	–	–
Deferred tax liabilities		**8.3**	7.9	8.4
		17.3	7.9	8.4
Current liabilities				
Lease liabilities	13	**2.2**	–	–
Current tax		**2.9**	10.2	22.5
Third-party interests in consolidated funds	15	**66.3**	71.3	107.0
Derivative financial instruments		**–**	1.2	1.1
Trade and other payables		**50.8**	37.1	56.1
		122.2	119.8	186.7
Non-current liabilities held for sale	15	**2.8**	–	–
Total liabilities		**142.3**	127.7	195.1
Total equity and liabilities		**963.0**	895.8	1,049.2

The notes on pages 16 to 27 form an integral part of these financial statements.

Interim condensed consolidated statement of changes in equity

For the six months ended 31 December 2019

	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
Audited balance at 30 June 2018	0.1	15.6	743.2	0.3	–	759.2	1.3	760.5
Profit for the period	–	–	72.4	–	–	72.4	1.6	74.0
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	–	–	–	15.8	–	15.8	0.1	15.9
Total comprehensive income/(loss)	–	–	72.4	15.8	–	88.2	1.7	89.9
Transactions with owners:								
Purchase of own shares	–	–	(21.9)	–	–	(21.9)	–	(21.9)
Acquisition of subsidiary	–	–	5.2	–	–	5.2	9.0	14.2
Share-based payments	–	–	11.9	–	–	11.9	–	11.9
Dividends to equity holders	–	–	(86.0)	–	–	(86.0)	–	(86.0)
Dividends to non-controlling interests	–	–	–	–	–	–	(0.5)	(0.5)
Total contributions and distributions	–	–	(90.8)	–	–	(90.8)	8.5	(82.3)
Unaudited balance at 31 December 2018	0.1	15.6	724.8	16.1	–	756.6	11.5	768.1
Profit for the period	–	–	106.2	–	–	106.2	1.3	107.5
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	–	–	–	(1.2)	–	(1.2)	–	(1.2)
Total comprehensive income/(loss)	–	–	106.2	(1.2)	–	105.0	1.3	106.3
Transactions with owners:								
Purchase of own shares	–	–	(1.8)	–	–	(1.8)	–	(1.8)
Share-based payments	–	–	15.7	–	–	15.7	–	15.7
Dividends to equity holders	–	–	(32.3)	–	–	(32.3)	–	(32.3)
Dividends to non-controlling interests	–	–	–	–	–	–	(1.9)	(1.9)
Total contributions and distributions	–	–	(18.4)	–	–	(18.4)	(1.9)	(20.3)
Audited balance at 30 June 2019	0.1	15.6	812.6	14.9	–	843.2	10.9	854.1
Adjustment on application of IFRS 16 (note 3)	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Adjusted balance at 1 July 2019	**0.1**	**15.6**	**812.4**	**14.9**	**–**	**843.0**	**10.9**	**853.9**
Profit for the period	**–**	**–**	**112.9**	**–**	**–**	**112.9**	**1.3**	**114.2**
Other comprehensive income/(loss):								
Foreign currency translation differences arising on foreign operations	**–**	**–**	**–**	**(31.2)**	**–**	**(31.2)**	**(0.2)**	**(31.4)**
Cash flow hedge intrinsic value gains	**–**	**–**	**–**	**–**	**0.1**	**0.1**	**–**	**0.1**
Total comprehensive income/(loss)	**–**	**–**	**112.9**	**(31.2)**	**0.1**	**81.8**	**1.1**	**82.9**
Transactions with owners:								
Purchase of own shares	**–**	**–**	**(41.1)**	**–**	**–**	**(41.1)**	**–**	**(41.1)**
Share-based payments	**–**	**–**	**12.8**	**–**	**–**	**12.8**	**–**	**12.8**
Dividends to equity holders	**–**	**–**	**(86.0)**	**–**	**–**	**(86.0)**	**–**	**(86.0)**
Dividends to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(1.8)**	**(1.8)**
Total contributions and distributions	**–**	**–**	**(114.3)**	**–**	**–**	**(114.3)**	**(1.8)**	**(116.1)**
Unaudited balance at 31 December 2019	**0.1**	**15.6**	**811.0**	**(16.3)**	**0.1**	**810.5**	**10.2**	**820.7**

The notes on pages 16 to 27 form an integral part of these financial statements.

Interim condensed consolidated cash flow statement

For the six months ended 31 December 2019

	Unaudited 6 months to 31 December 2019 £m	Unaudited 6 months to 31 December 2018 £m	Audited 12 months to 30 June 2019 £m
Operating activities			
Operating profit	**123.0**	87.1	202.8
Adjustments for non-cash items:			
Depreciation and amortisation	**1.7**	2.6	4.8
Accrual for variable compensation	**12.8**	12.3	27.6
Unrealised foreign exchange losses/(gains)	**(2.6)**	(3.1)	(11.3)
Other non-cash items	**(3.7)**	8.0	(4.3)
Cash generated from operations before working capital changes	**131.2**	106.9	219.6
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**(10.0)**	(4.5)	(8.2)
Decrease/(increase) in derivative financial instruments	**(2.5)**	1.1	1.0
Increase/(decrease) in trade and other payables	**(5.2)**	(20.2)	(1.2)
Cash generated from operations	**113.5**	83.3	211.2
Taxes paid	**(37.9)**	(13.8)	(22.1)
Net cash from operating activities	**75.6**	69.5	189.1
Investing activities			
Interest and investment income received	**5.3**	8.6	15.4
Proceeds on disposal of associate	**0.5**	–	–
Acquisition of subsidiary, net of cash acquired	**–**	(4.9)	(4.9)
Purchase of non-current financial assets measured at fair value	**(1.4)**	(3.0)	(4.8)
Purchase of financial assets held for sale	**(11.6)**	(3.8)	(64.0)
Purchase of financial assets measured at fair value	**–**	–	(0.3)
Sale of non-current financial assets measured at fair value	**1.9**	11.4	24.0
Sale of financial assets held for sale	**8.4**	–	19.4
Sale of financial assets measured at fair value	**11.6**	3.5	4.4
Sale of investment securities	**16.5**	8.4	4.7
Net cash on initial consolidation of seed capital investments	**(0.2)**	0.1	3.5
Purchase of property, plant and equipment	**(0.8)**	(0.1)	(0.8)
Net cash generated/(used) in investing activities	**30.2**	20.2	(3.4)

	Unaudited 6 months to 31 December 2019 £m	Unaudited 6 months to 31 December 2018 £m	Audited 12 months to 30 June 2019 £m
Financing activities			
Dividends paid to equity holders	**(86.0)**	(86.0)	(118.3)
Dividends paid to non-controlling interests	**(1.8)**	(0.5)	(2.4)
Third-party subscriptions into consolidated funds	**9.6**	5.4	2.7
Third-party redemptions from consolidated funds	**(6.1)**	(5.8)	(10.3)
Distributions paid by consolidated funds	**(12.8)**	(0.7)	(1.5)
Payment of lease liabilities (note 13)	**(1.2)**	–	–
Interest paid (note 13)	**(0.3)**	–	–
Purchase of own shares	**(41.1)**	(21.9)	(23.7)
Net cash used in financing activities	**(139.7)**	(109.5)	(153.5)
Net increase/(decrease) in cash and cash equivalents	**(33.9)**	(19.8)	32.2
Cash and cash equivalents at beginning of period	**477.2**	433.0	433.0
Effect of exchange rate changes on cash and cash equivalents	**(15.9)**	12.2	12.0
Cash and cash equivalents at end of period	**427.4**	425.4	477.2
Cash and cash equivalents comprise:			
Cash at bank and in hand	**62.2**	60.1	73.9
Daily dealing liquidity funds	**296.0**	208.5	243.3
Deposits	**69.2**	156.8	160.0
	427.4	425.4	477.2

The notes on pages 16 to 27 form an integral part of these financial statements.

Notes to the interim condensed consolidated financial statements

1) General information

These interim condensed consolidated financial statements of Ashmore Group plc and its subsidiaries (the Group) for the six months ended 31 December 2019 were authorised for issue by the Directors on 5 February 2020.

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

2) Basis of preparation

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

These interim condensed consolidated financial statements and accompanying notes are unaudited, do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and do not include all the information and disclosures required in annual statutory financial statements. They should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 June 2019 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 6 September 2019 and have been filed with Companies House. The report of the auditors on those accounts was unqualified.

3) New accounting standards and interpretations

Accounting standards and interpretations adopted

The accounting policies applied in these interim results are consistent with those applied in the Group's annual statutory financial statements for 2019, except for the adoption of new International Financial Reporting Standards (IFRS) and interpretations below.

IFRS 16 Leases

The Group has applied IFRS 16 Leases (IFRS 16) for the first time for its annual reporting period commencing on 1 July 2019. IFRS 16 replaces IAS 17 Leases and is effective for reporting periods beginning on or after 1 January 2019. Where the Group is a lessee, IFRS 16 requires operating leases to be recorded in the Group's statement of financial position, reflecting a lease liability and an associated right-of-use (ROU) asset.

The lease liability is initially measured at the present value of the future contractual cash flows remaining under the lease term, discounted using the Group's incremental borrowing rate. Interest is subsequently accrued on the lease liability and presented as a component of finance costs, and calculated using the effective interest method to give a constant rate of return over the life of the lease whilst the liability is reduced by the lease payments. The ROU asset is initially measured at the amount of the lease liability plus initial direct costs incurred by the lessee, adjusted for any lease incentives and the estimated cost of restoration obligations. The ROU asset is presented within property, plant and equipment and depreciated over the lease term as the benefit of the lease is consumed. The Group applies judgement in assessing whether to include options to extend or cancel the lease. All relevant factors that could create an economic incentive to exercise the option are considered and the option is included if it is reasonably certain to be exercised. After the lease commencement date, the Group reassesses the lease term if there is a significant change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option.

The Group has measured the IFRS 16 ROU assets and lease liabilities as if the standard had always been applied but based on an incremental borrowing rate at the date of initial adoption, 1 July 2019. Comparative information has not been restated as the Group has applied the modified retrospective approach with the cumulative effect of initially applying the standard recognised as an adjustment to the opening retained earnings at 1 July 2019. The Group has applied the optional exemption in the standard which permits the cost of short-term (less than 12 months) leases to be expensed on a straight-line basis over the lease term. These lease arrangements are not material to the Group.

At 30 June 2019, the Group had non-cancellable operating lease commitments of £13.8 million. As a result of applying IFRS 16, the Group has recognised lease liabilities and ROU assets at 1 July 2019 of £12.8 million and £12.6 million respectively. This reduced the Group's net assets by £0.2 million, recognised as a reduction in retained earnings at 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.8%. Additional disclosure on the impact of IFRS 16 to the Group's ROU assets and lease liabilities is provided in note 13.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23) became effective on 1 January 2019 and provides clarification as to how the recognition and measurement requirements of IAS 12 Income Tax should be applied. IFRIC 23 does not have a material impact on the Group.

Accounting standards and interpretations not yet adopted

The Group did not implement the requirements of any other standards or interpretations that were in issue but were not required to be adopted by the Group at the half year. No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's consolidated financial statements.

Going concern

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

4) Segmental information

The Group's operations are reported to and reviewed by the Board on the basis of the investment management business as a whole, hence the Group is treated as a single segment. The key management information considered is adjusted EBITDA which is £122.5 million for the period as reconciled on page 2 (H1 2018/19: adjusted EBITDA of £98.8 million was derived by adjusting operating profit by £2.6 million of depreciation and amortisation expense, £12.2 million expense related to seed capital and £3.1 million of foreign exchange gains). The additional disclosures below provide the location of the Group's non-current assets at year end other than financial instruments, deferred tax assets and post-employment benefit assets. Disclosures relating to revenue by location are provided in note 5 below.

Analysis of non-current assets by geography

	As at 31 December 2019 £m	As at 31 December 2018 £m	As at 30 June 2019 £m
United Kingdom and Ireland	**26.1**	20.9	20.6
United States	**67.7**	71.0	69.3
Other	**5.0**	1.4	1.5
Total non-current assets	**98.8**	93.3	91.4

5) Revenue

Management fees are accrued throughout the period in line with prevailing levels of assets under management and performance fees are recognised when the specific assessment criteria have been met and it is highly probable that a significant income reversal will not subsequently occur. The Group is not considered to be reliant on any single source of revenue. None of the Group's funds provided more than 10.0% of total revenue in the period (H1 2018/19: none; FY2018/19: none) when considering management fees and performance fees on a combined basis.

Analysis of revenue by geography

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
United Kingdom and Ireland	**158.9**	129.8	265.1
United States	**10.4**	9.4	24.1
Other	**14.1**	12.3	27.1
Total revenue	**183.4**	151.5	316.3

6) Foreign exchange

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

£1	**Closing rate as at 31 December 2019**	Closing rate as at 31 December 2018	Closing rate as at 30 June 2019	**Average rate 6 months ended 31 December 2019**	Average rate 6 months ended 31 December 2018	Average rate 12 months ended 30 June 2019
US dollar	**1.3248**	1.2736	1.2727	**1.2657**	1.2948	1.2958
Euro	**1.1802**	1.1141	1.1176	**1.1381**	1.1231	1.1345
Indonesian rupiah	**18,391**	18,314	17,980	**17,816**	18,912	18,660
Colombian peso	**4,347**	4,136	4,082	**4,264**	3,981	4,058

Foreign exchange gains and losses are shown below.

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Net realised and unrealised hedging gains	**3.1**	2.7	5.1
Translation gains/(losses) on non-Sterling denominated monetary assets and liabilities	**(0.5)**	3.9	6.2
Total foreign exchange gains	**2.6**	6.6	11.3

7) Finance income

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Interest and investment income	**6.0**	9.6	13.2
Net realised gains on seed capital investments measured at fair value	**1.5**	1.0	2.4
Net unrealised gains/(losses) on seed capital investments measured at fair value	**2.3**	(4.3)	1.8
Interest expense on lease liabilities (note 13)	**(0.3)**	–	–
Net finance income	**9.5**	6.3	17.4

Included within net realised and unrealised gains/(losses) on seed capital investments measured at fair value are £0.9 million gains in relation to held for sale investments (note 15a), £2.2 million gains on financial assets measured at FVTPL (note 15b) and £0.7 million gains on non-current financial assets measured at fair value (note 15c).

Included within interest and investment income are gains of £2.0 million from investment securities on consolidated funds (note 15d).

8) Share-based payments

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

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Omnibus Plan	**16.6**	12.2	31.3
Phantom Bonus Plan	**0.5**	0.1	–
Total share-based payments expense	**17.1**	12.3	31.3

The total expense recognised for the period in respect of equity-settled share-based payment awards was £13.1 million (H1 2018/19: £11.4 million; FY2018/19: £27.3 million).

The Executive Omnibus Incentive Plan (Omnibus Plan)

Share awards outstanding under the Omnibus Plan were as follows:

	6 months to 31 December 2019 Number of shares subject to awards	6 months to 31 December 2018 Number of shares subject to awards	12 months to 30 June 2019 Number of shares subject to awards
Equity-settled awards			
At the beginning of the period	**40,668,934**	40,470,000	40,470,000
Granted	**8,180,778**	9,493,131	9,493,131
Vested	**(5,038,093)**	(7,762,847)	(8,308,886)
Forfeited	**(104,792)**	(827,519)	(985,311)
Outstanding at the end of the period	**43,706,827**	41,372,765	40,668,934
Cash-settled awards			
At the beginning of the period	**255,622**	316,888	316,888
Granted	**69,125**	56,104	56,104
Vested	**(9,062)**	(60,047)	(60,047)
Forfeited	**–**	(57,323)	(57,323)
Outstanding at the end of the period	**315,685**	255,622	255,622
Total awards			
At the beginning of the period	**40,924,556**	40,786,888	40,786,888
Granted	**8,249,903**	9,549,235	9,549,235
Vested	**(5,047,155)**	(7,822,894)	(8,368,933)
Forfeited	**(104,792)**	(884,842)	(1,042,634)
Outstanding at the end of the period	**44,022,512**	41,628,387	40,924,556

The weighted average share price of awards granted to employees under the Omnibus Plan during the period was £4.38 (H1 2018/19: £3.33; FY2018/19: £3.33), as determined by the average Ashmore Group plc closing share price for the five business days prior to grant.

The liability arising from cash-settled awards under the Omnibus Plan at the end of the period and reported within trade and other payables in the interim condensed consolidated balance sheet is £1.0 million (H1 2018/19: £0.4 million; FY2018/19: £0.5 million) of which £nil relates to vested awards.

9) Taxation

Analysis of tax charge for the period

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Current tax			
UK corporation tax on profits for the period	**11.8**	13.0	36.3
Overseas corporation tax charge	**9.1**	4.9	8.2
Adjustments in respect of prior periods	**–**	–	(2.7)
	20.9	17.9	41.8
Deferred tax			
Origination and reversal of temporary differences	**(2.7)**	1.1	(3.4)
Tax expense for the period	**18.2**	19.0	38.4

Factors affecting tax charge for the period

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Profit before tax	**132.4**	93.0	219.9
Profit on ordinary activities multiplied by the blended UK tax rate for the financial year of 18.5% (H1 2018/19: 19.0%; FY2018/19: 19.0%)	**24.5**	17.7	41.8
Effects of:			
Non-deductible expenses	**0.1**	0.1	0.3
Deduction in respect of vested shares	**(3.8)**	(1.9)	(1.1)
Different rate of taxes on overseas profits	**(1.2)**	1.2	1.5
Non-deductible expenses/(non-taxable income)	**(1.5)**	2.1	(0.3)
Recognition of historical deferred tax assets	**0.2**	–	(0.8)
Other items	**(0.1)**	(0.2)	(0.3)
Adjustments in respect of prior periods	**–**	–	(2.7)
Tax expense for the period	**18.2**	19.0	38.4

10) Earnings per share

Basic earnings per share at 31 December 2019 of 16.85 pence (H1 2018/19: 10.75 pence; FY2018/19: 26.57 pence) is calculated by dividing the profit after tax for the financial period attributable to equity holders of the parent of £112.9 million (H1 2018/19: £72.4 million; FY2018/19: £178.6 million) by the weighted average number of ordinary shares in issue during the period, excluding own shares.

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

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

	6 months to 31 December 2019 Number of ordinary shares	6 months to 31 December 2018 Number of ordinary shares	12 months to 30 June 2019 Number of ordinary shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**670,451,921**	672,150,906	672,361,489
Effect of dilutive potential ordinary shares – share awards	**42,895,334**	41,175,121	41,007,535
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**713,347,255**	713,326,027	713,369,024

11) Dividends

Dividends paid

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Final dividend for FY2018/19: 12.10p (FY2017/18: 12.10p)	**86.0**	86.0	86.0
Interim dividend for FY2018/19: 4.55p	**–**	–	32.3
	86.0	86.0	118.3

In addition, the Group paid £1.8 million (H1 2018/19: £0.5 million; FY2018/19: £2.4 million) in dividends to non-controlling interests.

Dividends declared/proposed

Company	**6 months to 31 December 2019 pence**	6 months to 31 December 2018 pence	12 months to 30 June 2019 pence
Interim dividend declared per share	**4.80**	4.55	4.55
Final dividend proposed per share	**–**	–	12.10
	4.80	4.55	16.65

The Board has approved an interim dividend for the six months to 31 December 2019 of 4.80 pence per share (six months to 31 December 2018: 4.55 pence per share; final dividend for the year to 30 June 2019: 12.10 pence per share) payable on 30 March 2020 to shareholders on the register on 6 March 2020.

12) Goodwill and intangible assets

	Goodwill £m	Fund management contracts £m	Total £m
Cost (at original exchange rate)			
At 31 December 2018	70.4	40.4	110.8
Fully amortised	–	(39.5)	(39.5)
At 31 December 2019 and 30 June 2019	**70.4**	**0.9**	**71.3**
Accumulated amortisation and impairment			
At 30 June 2018	–	(39.9)	(39.9)
Amortisation charge for the period	–	(2.3)	(2.3)
At 31 December 2018	–	(42.2)	(42.2)
Amortisation charge for the period	–	(1.8)	(1.8)
Fully amortised		43.9	43.9
At 30 June 2019	–	(0.1)	(0.1)
Amortisation charge for the period	**–**	**(0.1)**	**(0.1)**
At 31 December 2019	**–**	**(0.2)**	**(0.2)**
Net book value			
At 30 June 2018	70.3	3.9	74.2
Acquisition of subsidiary	12.9	0.9	13.8
Accumulated amortisation for the period	–	(2.3)	(2.3)
FX revaluation through reserves*	3.4	0.2	3.6
At 31 December 2018	86.6	2.7	89.3
Accumulated amortisation for the period	–	(1.8)	(1.8)
FX revaluation through reserves*	(0.1)	(0.1)	(0.2)
At 30 June 2019	86.5	0.8	87.3
Accumulated amortisation for the period	**–**	**(0.1)**	**(0.1)**
FX revaluation through reserves*	**(3.2)**	**–**	**(3.2)**
At 31 December 2019	**83.3**	**0.7**	**84.0**

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

12) Goodwill and intangible assets continued

Goodwill

The Group's goodwill balance relates to the acquisition of subsidiaries.

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.

During the period to 31 December 2019, no factors indicating potential impairment of goodwill were noted. Based on the calculation as at 31 December 2019, the recoverable amount was in excess of the carrying value of goodwill and no impairment was implied. The key assumptions used to determine the recoverable amount are based on a fair value less costs to sell calculation using the Company's market share price. 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 periods.

Fund management contracts

Intangible assets comprise fund management contracts and contractually agreed share of carried interest recognised by the Group on business combinations.

During the period to 31 December 2019, a review process was undertaken to identify factors indicating whether the Group's fund management contracts intangible assets were impaired. None were identified and as a consequence, no impairment charge has been recognised (H1 2018/19: £nil; FY2018/19: £nil).

The sensitivity of the recoverable amounts of intangible assets to a 5% increase in pre-tax discount rate used in calculating the recoverable amount was immaterial. The remaining amortisation periods for fund management contracts range between two to five years.

13) Leases

Information about leases for which the Group is a lessee is presented below.

The Group leases office property under operating lease arrangements. In accordance with IFRS 16, the Group measures and presents right-of-use assets in relation to operating leases within property, plant and equipment.

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Property, plant and equipment owned by the Group	**2.0**	1.4	1.5
Right-of-use assets	**10.9**	–	–
Net book value	**12.9**	1.4	1.5

The carrying value of the Group's right-of-use assets, associated lease liabilities and the movements during the period are set out below.

	Right-of-use assets £m	**Lease liabilities £m**
At 1 July 2019	12.6	12.8
Lease payments	–	(1.5)
Interest expense (recognised in finance expense)	–	0.3
Depreciation charge (recognised in other expenses)	(1.3)	–
FX revaluation through reserves	(0.4)	(0.4)
At 31 December 2019	**10.9**	**11.2**

Lease liabilities are presented in the consolidated balance sheet as follows:

	31 December 2019 £m
Current	2.2
Non-current	9.0
Total lease liabilities	**11.2**

Total cash outflow included within financing activities in the consolidated cash flow statement in respect of principal and interest paid on lease liabilities during the period amounted to £1.5 million.

14) Fair value of financial instruments

The accounting policies relating to the estimation of fair values are consistent with those applied in the preparation of the Group's Annual Report and Accounts for the year ended 30 June 2019.

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

Fair value hierarchy

The Group measures fair values using the following fair value 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 each reporting period.

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

	At 31 December 2019				At 31 December 2018				At 30 June 2019			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets												
Investment securities	**97.7**	**75.5**	**49.2**	**222.4**	79.1	57.2	70.9	207.2	170.4	35.8	72.5	278.7
Non-current assets held for sale	**–**	**14.3**	**–**	**14.3**	–	4.3	–	4.3	–	44.7	–	44.7
Financial assets at FVTPL	**–**	**44.7**	**0.8**	**45.5**	–	21.4	3.0	24.4	–	14.4	1.6	16.0
Non-current financial assets	**–**	**0.5**	**30.6**	**31.1**	–	9.3	30.8	40.1	–	–	31.6	31.6
Derivative financial instruments	**–**	**1.4**	**–**	**1.4**	–	–	–	–	–	–	–	–
Total financial assets	**97.7**	**136.4**	**80.6**	**314.7**	79.1	92.2	104.7	276.0	170.4	94.9	105.7	371.0
Financial liabilities												
Third-party interests in consolidated funds	**34.7**	**20.1**	**11.5**	**66.3**	31.8	15.1	24.4	71.3	70.6	12.6	23.8	107.0
Derivative financial instruments	**–**	**–**	**–**	**–**	–	1.2	–	1.2	–	1.1	–	1.1
Non-current financial liabilities held for sale	**–**	**2.8**	**–**	**2.8**	–	–	–	–	–	–	–	–
Total financial liabilities	**34.7**	**22.9**	**11.5**	**69.1**	31.8	16.3	24.4	72.5	70.6	13.7	23.8	108.1

The Group recognises transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between level 1, level 2 and level 3 of the fair value hierarchy during the period.

Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value include cash and cash equivalents, trade and other receivables, and trade and other payables. The carrying value of financial assets and financial liabilities not measured at fair value is considered a reasonable approximation of fair value as at 31 December 2019, 31 December 2018 and 30 June 2019.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period.

	Investment securities £m	Financial assets at FVTPL £m	Non-current financial assets £m	Third-party interests in consolidated funds £m
At 31 December 2018	70.9	3.0	30.8	24.4
Additions/(disposals)	1.0	(0.2)	0.5	0.7
Unrealised gains/(losses) recognised in profit or loss	2.3	(1.2)	0.3	(1.3)
Unrealised gains/(losses) recognised in reserves	(1.7)	–	–	–
At 30 June 2019	72.5	1.6	31.6	23.8
Additions/(disposals)	**(20.7)**	**–**	**(1.1)**	**(10.4)**
Unrealised gains/(losses) recognised in profit or loss	**0.5**	**(0.8)**	**0.7**	**(0.4)**
Unrealised gains/(losses) recognised in reserves	**(3.1)**	**–**	**(0.6)**	**(1.5)**
At 31 December 2019	**49.2**	**0.8**	**30.6**	**11.5**

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 in the estimation of fair values are consistent with those applied in the preparation of the Group's Annual Report and Accounts for the year ended 30 June 2019.

The following tables show the valuation techniques and the significant unobservable inputs used to estimate the fair value of level 3 investments as at 31 December 2019 and 30 June 2019, and the associated sensitivity to changes in unobservable inputs to a reasonable alternative:

Asset class and valuation technique	Fair value at 31 December 2019 £m	Significant unobservable input	Range of estimates	Sensitivity factor	Change in fair value £m
Unquoted securities					
Market approach using comparable traded multiples, recent transaction	**8.5**	EBITDA multiple	10x-20x	+/- 1x	+/- £0.5
		Marketability adjustment	20%-30%	+/- 5%	-/+ £0.6
Market multiple, break up basis (80:20)	**8.5**	Market multiple	5x-10x	+/- 1x	+/- £1.1
		Marketability adjustment	10%-20%	+/- 5%	-/+ £0.5
Market multiple, discounted cash flows (75:25)	**30.7**	Market multiple	5x-10x	+/- 1x	+/- £2.1
		WACC	10%-20%	n/a*	
Adjusted value	**1.2**	Marketability adjustment	20%-35%	+/- 5%	-/+ £0.1
Unquoted funds					
Net assets approach	**31.7**	Net asset value	1x	+/- 5%	+/- £1.6
Total level 3 investments	**80.6**				

Asset class and valuation technique	Fair value at 30 June 2019 £m	Significant unobservable input	Range of estimates	Sensitivity factor	Change in fair value £m
Unquoted securities					
Market approach using comparable traded multiples, recent transaction	32.6	EBITDA multiple	10x-20x	+/- 1x	+/- £0.9
		Marketability adjustment	10%-30%	+/- 5%	-/+ £0.8
Market multiple, break up basis (80:20)	10.0	Market multiple	5x-10x	+/- 1x	+/- £1.2
		Marketability adjustment	10%-20%	+/- 5%	-/+ £0.6
Market multiple, discounted cash flows (75:25)	26.2	Market multiple	5x-10x	+/- 1x	+/- £1.8
		WACC	10%-20%	n/a*	
Adjusted value, broker quotes	3.1	Marketability adjustment	20%-35%	+/- 5%	-/+ £0.2
Unquoted funds					
Net assets approach	33.8	Net asset value	1x	+/- 5%	+/- £1.7
Total level 3 investments	105.7				

* Given the number of different factors affecting the estimate, specific sensitivity analysis cannot be reliably quantified.

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.

15) Seed capital investments

The Group considers itself a sponsor of an investment fund when it facilitates the establishment of the fund in which the Group is the investment manager. The Group ordinarily invests seed capital in order to provide initial scale and facilitate the marketing of funds to third-party investors. Aggregate interests held by the Group include seed capital, management fees and performance fees.

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

Where Group companies invest seed capital into funds operated and controlled by the Group and the Group is actively seeking to reduce its investment, and it is considered highly probable that it will relinquish control within a year, the interests in the funds are treated as held for sale and are recognised as financial assets and liabilities held for sale. During the period, two funds (H1 2018/19: one fund; FY2018/19: four funds) were seeded in this manner and met the above criteria, and consequently the assets and liabilities of these funds were initially classified as held for sale.

The non-current assets and liabilities held for sale at 31 December 2019 were as follows:

	31 December 2019 £m	31 December 2018 £m	30 June 2019 £m
Non-current financial assets held for sale	**14.3**	4.3	44.7
Non-current financial liabilities held for sale	**(2.8)**	–	–
Non-current assets held for sale	**11.5**	4.3	44.7

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 measured at FVTPL. During the period, no fund (H1 2018/19: none; FY2018/19: none) was transferred to the FVTPL category.

If the fund remains under the control of the Group for more than one year from the original investment date, it will cease to be classified as held for sale, and will be consolidated line by line after it is assessed that the Group controls the investment fund in accordance with the requirements of IFRS 10. During the period, three funds (H1 2018/19: one fund; FY2018/19: two funds) with an aggregate carrying amount of £35.6 million (H1 2018/19: £6.3 million; FY2018/19: £10.9 million) were transferred to consolidated funds. There was no impact on net assets or total comprehensive income as a result of the transfer.

Included within finance income are net gains of £0.9 million (H1 2018/19: net gains of £0.4 million; FY2018/19: net gains of £3.2 million) in relation to held for sale investments (refer to note 7).

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

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

Financial assets measured at FVTPL at 31 December 2019 comprise shares held in debt and equity funds as follows:

	31 December 2019 £m	31 December 2018 £m	30 June 2019 £m
Equity funds	**36.7**	15.4	4.8
Debt funds	**8.8**	9.0	11.2
Financial assets measured at fair value	**45.5**	24.4	16.0

Included within finance income are net gains of £2.2 million (H1 2018/19: net gains of £0.7 million; FY2018/19: net gains of £0.3 million) on the Group's financial assets measured at FVTPL.

c) Non-current financial assets measured at fair value

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

	31 December 2019 £m	31 December 2018 £m	30 June 2019 £m
Real estate funds	**4.2**	5.2	4.9
Infrastructure funds	**19.4**	15.8	17.8
Other funds	**7.5**	19.1	8.9
Non-current financial assets measured at fair value	**31.1**	40.1	31.6

Included within finance income are net gains of £0.7 million (H1 2018/19: net losses of £0.6 million; FY2018/19: net gains of £0.7 million) on the Group's non-current financial assets measured at fair value.

15) Seed capital investments continued

d) Consolidated funds

The Group has consolidated 14 investment funds as at 31 December 2019 (31 December 2018: 12 investment funds; 30 June 2019: 13 investment funds), over which the Group is deemed to have control. Consolidated funds represent seed capital investments where the Group has held its position for a period greater than one year and its interest represents a controlling stake in the fund in accordance with IFRS 10. Consolidated fund assets and liabilities are presented line by line after intercompany eliminations.

The table below sets out an analysis of the carrying amounts of interests held by the Group in consolidated investment funds.

	31 December 2019 £m	31 December 2018 £m	30 June 2019 £m
Investment securities*	**222.4**	207.2	278.7
Cash and cash equivalents	**10.2**	9.3	14.1
Other*	**0.9**	(0.5)	(0.3)
Third-party interests in consolidated funds	**(66.3)**	(71.3)	(107.0)
Consolidated seed capital investments	**167.2**	144.7	185.5

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

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

Included within the interim condensed consolidated statement of comprehensive income are net gains of £4.6 million (H1 2018/19: net losses of £6.4 million; FY2018/19: net gains of £6.5 million) relating to the Group's share of the results of the individual statements of comprehensive income for each of the consolidated funds, as follows:

	31 December 2019 £m	31 December 2018 £m	30 June 2019 £m
Investment income	**2.0**	5.8	5.5
Gains/(losses) on investment securities	**4.2**	(18.6)	0.5
Change in third-party interests in consolidated funds	**(0.5)**	7.8	3.8
Other expenses	**(1.1)**	(1.4)	(3.3)
Net gains/(losses) on consolidated funds	**4.6**	(6.4)	6.5

Included in the Group's cash generated from operations is £1.9 million cash utilised in operations (H1 2018/19: £1.6 million cash utilised in operations; FY2018/19: £3.1 million cash utilised in operations) relating to consolidated funds.

As at 31 December 2019, the Group's consolidated funds were domiciled in Guernsey, Luxembourg, Saudi Arabia and the United States.

16) Financial risk management

The Group is subject to strategic, business, client, investment, operational and treasury risks throughout its business as discussed in the Risk management section of the Group's Annual Report for the year ended 30 June 2019, which provides further detail on the Group's exposure to and the management of risks derived from the financial instruments it uses.

Those risks and the risk management policies have not changed significantly during the six months to 31 December 2019.

17) Share capital

Authorised share capital

	Number of shares	Nominal value £'000
Ordinary shares of 0.01p each at 31 December 2019, 30 June 2019 and 31 December 2018	**900,000,000**	**90**

Issued share capital – allotted and fully paid

	As at 31 December 2019 Number of shares	**As at 31 December 2019 Nominal value £'000**	As at 31 December 2018 Number of shares	As at 31 December 2018 Nominal value £'000	As at 30 June 2019 Number of shares	As at 30 June 2019 Nominal value £'000
Ordinary shares of 0.01p each	**712,740,804**	**71**	712,740,804	71	712,740,804	71

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

As at 31 December 2019, there were equity-settled share awards issued under the Omnibus Plan totalling 43,706,827 shares (31 December 2018: 41,101,885 shares; 30 June 2019: 40,668,934 shares) that have release dates ranging from September 2020 to October 2024.

18) 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 31 December 2019, the EBT owned 43,648,181 (31 December 2018: 40,501,941; 30 June 2019: 40,355,103) ordinary shares of 0.01p with a nominal value of £4,365 (31 December 2018: £4,050; 30 June 2019: £4,036) and shareholders' funds are reduced by £144.8 million (31 December 2018: £118.9 million; 30 June 2019: £119.1 million) in this respect. It is the intention of the Directors to make these shares available to employees through the share-based compensation plans. The EBT is periodically funded by the Company for these purposes.

19) Related party transactions

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

Key management personnel

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

	6 months to 31 December 2019 £m	6 months to 31 December 2018 £m	12 months to 30 June 2019 £m
Short-term employee benefits	**0.1**	0.1	1.7
Defined contribution pension costs	**–**	–	–
Share-based payment benefits	**–**	–	1.6
	0.1	0.1	3.3

Short-term benefits include salary and fees, benefits and cash bonus. Share-based payment benefits represent the fair value charge to the interim condensed consolidated statement of comprehensive income of share awards.

During the period, there were no other transactions entered into with key management personnel (H1 2018/19 and FY2018/19: none). Aggregate key management personnel interests in consolidated funds at 31 December 2019 were £29.3 million (31 December 2018: £42.7 million; 30 June 2019: £44.6 million).

Transactions with Ashmore funds

During the period, the Group received £88.7 million of gross management fees and performance fees (H1 2018/19: £80.5 million; FY2018/19: £158.9 million) from the 111 funds (H1 2018/19: 103 funds; FY2018/19: 109 funds) it manages and which are classified as related parties. As at 31 December 2019, the Group had receivables due from funds of £4.6 million (31 December 2018: £5.5 million; 30 June 2019: £6.7 million).

Transactions with the EBT

The EBT has been provided with a loan facility to allow it to acquire Ashmore shares in order to satisfy outstanding unvested share awards. The EBT is included within the results of the Group. As at 31 December 2019, the loan outstanding was £135.1 million (31 December 2018: £114.1 million; 30 June 2019: £106.3 million).

Transactions with the Ashmore Foundation

The Ashmore Foundation is a related party to the Group. The Foundation was set up to provide financial grants to worthwhile causes within the Emerging Markets countries in which Ashmore invests and/or operates with a view to giving back into the countries and communities. The Group made donations of £12,600 to the Foundation during the period to 31 December 2019 (H1 2018/19: £70,500; FY2018/19: £70,500).

20) Commitments

Undrawn investment commitments

	As at 31 December 2019 £m	As at 31 December 2018 £m	As at 30 June 2019 £m
AA Development Capital India Fund 1 LLC	**–**	1.2	–
Ashmore Andean Fund II, LP	**0.1**	0.9	0.5
Ashmore Emerging Markets Corporate Private Debt Fund	**–**	0.3	–
Ashmore I – CAF Colombian Infrastructure Senior Debt Fund	**11.2**	13.6	12.7
Ashmore Special Opportunities Fund LP	**7.4**	7.7	7.7
Avenida Colombia Real Estate Fund I (Cayman) LP	**0.1**	0.6	0.3
KCH Healthcare LLC	**–**	0.6	–
Total undrawn investment commitments	**18.8**	24.9	21.2

21) Post-balance sheet events

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

22) Accounting estimates and judgements

In preparing these interim condensed consolidated financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were substantially the same as those that applied to the Annual Report and Accounts for the year ended 30 June 2019.

Cautionary statement regarding forward looking statements

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

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

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

We confirm that to the best of our knowledge:

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

By order of the Board

Mark Coombs
Chief Executive Officer

5 February 2020

Independent Review Report to Ashmore Group plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 which comprises the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

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

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

Our responsibility

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

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

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

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

5 February 2020

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