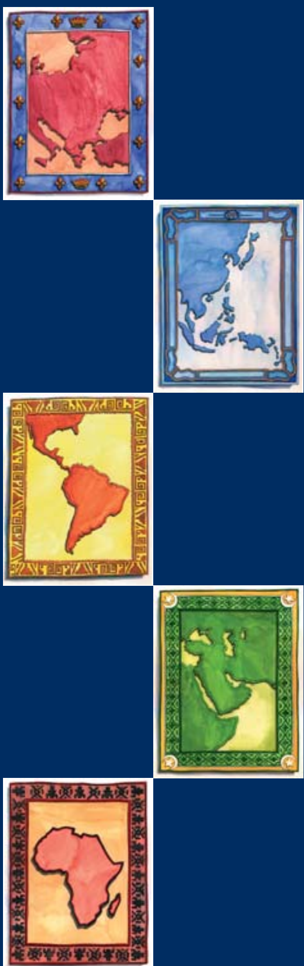
# Ashmore Group plc

## Interim Report

### Six months ended 31 December 2008



Ashmore

Ashmore

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Ashmore is one of the world's leading emerging market investment managers with a history of consistently outperforming the market. Ashmore specialises in a number of emerging market investment themes: external debt, local currency, special situations, equity and corporate high yield. More information is available on the Group's website www.ashmoregroup.com

## Financial Highlights

- Net management fees up 19% to £101.9 million (2007: £85.9 million), down 1% on a US$ basis
- Performance fees up 52% to £48.9 million (2007: £32.2 million)
- Foreign exchange loss of £49.8 million (2007: £0.4 million gain), principally from hedging of management fee income, including timing differences of £41.4m related to future fee income
- Total net revenue of £104.5 million (2007: £123.5 million)
- Profit before tax of £80.3 million (2007: £100.9 million)
- Operating margin of 70% (H1 2008: 75%)
- Basic EPS of 8.48p (2007: 10.47p) and diluted EPS of 7.90p (2007: 9.90p)
- An interim dividend of 3.66p per share will be paid on 24 April 2009 (2007: 3.66p)

## Operational Highlights

- Assets under management ("AuM") of US$24.6 billion at 31 December 2008, down US$12.9 billion (34%) from 30 June 2008
- Offices established in India, Turkey and New York during the period

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

"The results for the six months to 31 December 2008 represent a period where Ashmore Group plc has delivered satisfactory financial performance despite challenging operating conditions, in a period of significant global market turmoil.

Over the last twenty years, the investment team at Ashmore has had significant experience operating and outperforming during a number of economic crises affecting the emerging markets. With this experience and our strong balance sheet, we see significant opportunities to outperform going forward, particularly as the number of participants operating within emerging markets reduces. Ashmore is in an excellent position to continue to deliver on our strategy."

# Chief Executive Officer's Statement

## Financial performance

The results for the six months to 31 December 2008 represent a period where Ashmore Group plc ("Ashmore", the "Group") has delivered satisfactory financial performance despite challenging operating conditions, in a period of significant global market turmoil. The Group's net revenue comprised management fee income net of distribution costs of £101.9 million (2007: £85.9 million), performance fees of £48.9 million (2007: £32.2 million), other revenue of £3.5 million (2007: £5.0 million), and foreign exchange losses of £49.8 million (2007: £0.4 million gain). Within foreign exchange losses, £12.7 million relates to management fees earned in the first half, and £41.4 million relates to the hedging of management fee income to be earned in future periods, partially offset by other FX gains. The Group profit before tax for the six months to 31 December 2008 was £80.3 million (2007: £100.9 million) resulting in basic earnings per share of 8.48 pence (2007: 10.47 pence). The Group declared an interim dividend of 3.66 pence per share (2007: 3.66 pence).

## Market background

The first half has been a time of extreme turbulence in the world's markets, culminating in the sale, reorganisation, nationalisation or bankruptcy of a number of major financial institutions in the developed world and structural changes within those organisations that remain. The principal impact of these structural changes has been a severe reduction in the amount of leverage employed in the markets with an extreme fall in asset values as liquidity has been withdrawn. The crisis did not originate in the emerging markets and the economic fundamentals for many of these markets remain significantly more positive than for a number of the developed ones. Nevertheless, whilst not historically over-levered, the emerging markets have seen liquidity withdrawn – partly reflecting US dollar and other hard currency repatriation – as investors have moved away from markets traditionally viewed as riskier than the developed world, regardless of current relative risk measures.

| Investment theme | AuM as at 30 June 2008 AUM US$bn | Net redemptions US$bn | Performance US$bn | AuM as at 31 December 2008 AUM US$bn |
|---|---|---|---|---|
| External debt | 22.7 | (3.9) | (4.1) | **14.7** |
| Local currency | 8.5 | (1.2) | (1.9) | **5.4** |
| Special situations | 5.5 | (0.3) | (0.8) | **4.4** |
| Equity | 0.8 | (0.4) | (0.3) | **0.1** |
| **Total** | **37.5** | **(5.8)** | **(7.1)** | **24.6** |

## Assets under Management ("AuM") and theme review

Assets under management at 31 December 2008 were US $24.6 billion, a decrease of US$12.9 billion (-34%) in the period resulting from net redemptions of US$5.8 billion, and negative investment performance of US$7.1 billion.

Gross subscriptions in the first half were US$2.2 billion, down 58% from US$5.2 billion in the same period last year, reflecting the difficult market conditions and the absence of any new fund launches.

Gross redemptions have increased substantially to US$8.0 billion (2007: US$2.6 billion), largely reflecting the liquidity needs of clients in the extreme market conditions, rather than any adverse allocation away from emerging market assets. Included within redemptions is US$0.3 billion in respect of the first Global Special Situations Fund which matured at the end of its 5 year term in July 2008 with gross annualised performance of 39%. A number of redemptions have been at lower fee rates, which has contributed to average management fee margins increasing to 114 basis points ("bps"), (FY08: 103bps; 1H08 103bps).

The adverse investment performance of US$7.1 billion in the period reflects the extreme market conditions, where there were significant month-on-month declines in all relevant emerging market indices up to the end of November and all relevant indices ended the half down, some significantly. Prior to the period end markets have stabilised somewhat, with December 2008 providing the first overall positive performance month across all themes since May 2008.

### *External debt*

In line with terminology widely used within the emerging markets the dollar debt theme has been renamed "external debt". The external debt investment theme comprises US dollar and other G7 currency denominated instruments, which may include derivatives, investing principally in sovereign bonds.

AuM at 31 December 2008 were US$14.7 billion, a decrease of US$8.0 billion (35%) from 30 June 2008, with net redemptions accounting for US$3.9 billion. During the period the theme contributed £45.9 million in management fees at an average margin of 88bps, and £17.4 million of performance fees (2007: £44.6 million; 83bps; and £13.2 million).

### *Local currency*

The local currency investment theme comprises local currency and local currency denominated debt instruments, principally sovereign in nature, and it may include derivatives.

AuM at 31 December 2008 were US$5.4 billion; a decrease of US$3.1 billion (36%) from 30 June 2008, with net redemptions of US$1.2 billion. There has however been continued demand for the Group's local currency products with reasonable gross subscriptions of US$1.2 billion (2007: US$1.6 billion). During the period the theme contributed £26.6 million in management fees at an average margin of 125 bps, and £14.9 million of performance fees (2007: £16.6 million; 117 bps; and £14.4 million).

### *Special situations*

The special situations theme comprises investments in debt, equity, and other

# Chief Executive Officer's Statement continued

instruments in specialist corporate investments or projects. Situations include distressed assets or distressed sellers of assets, where our approach often incorporates restructuring, reorganisations, or other private equity techniques.

AuM at 31 December 2008 were US$4.4 billion, a decrease of US$1.1 billion (20%). Net redemptions of US$0.3 billion overall included US$0.3 billion as a result of the first Global Special Situations Fund maturing at the end of its 5 year term which, as previously announced, crystallised a £15.6m performance fee. During the period the theme contributed £28.1 million in management fees at an average margin of 191bps, and £16.5 million of performance fees (2007: £18.9 million; 191bps; and £2.1 million).

## *Equity, Corporate High Yield, Multi Strategy and other assets*

The equity investment theme comprises public equity and equity-related securities. The instruments invested in by the funds can include equities, convertibles, warrants and equity derivatives. AuM at 31 December 2008 was US$0.1 billion, a decrease of US$0.7 billion (88%) from 30 June 2008, reflecting negative market sentiment towards equities, especially during the first four months of the financial year.

The corporate high yield theme comprises investments in corporate debt within emerging markets. This asset class offers investors a risk-return profile distinct from other segments of emerging market fixed income. AuM at 31 December 2008 had increased by 20% to US$1.3 billion, across our funds, reflecting our assessment of the value within this theme at this point in the economic cycle.

In both the multi-strategy funds and Ashmore Global Opportunities Limited, the LSE listed permanent capital vehicle, Ashmore makes the asset allocations based on analysis across the investment themes. At the end of the period the total AuM within the five themes arising from the multi strategy funds was US$1.6 billion, a decrease of 43% from 30 June 2008.

The liquidity fund, with its Standard & Poors "AAAm" rating, is principally used to manage the cash components of the underlying Ashmore funds, retained by the funds for liquidity purposes, with a view to enhancing the absolute return received on this. The level of funds at the period end was US$1.3 billion drawn from across the investment themes and funds, a US$1.1 billion (46%) decrease from 30 June 2008.

## Development of the Ashmore platform

In line with the Group's strategy of developing asset management operations in a number of the key emerging markets, the period has seen developments in two markets. Firstly, following receipt of regulatory approval from the Capital Markets Board in Turkey, the Group established an asset management operation with equity and fixed income capabilities, which manages listed onshore investment companies and offshore open ended funds focussed on Turkey. Secondly, during the period the Group increased its presence in India by adding locally based special situations resources co-located with the mid market private equity venture it established there two years ago. Finally, in line with the Group's strategy to increase the number of global emerging markets themes the Group acquired a majority interest in New York based Dolomite Capital in November, which provides a platform and expertise as a specialist emerging markets fund of funds manager and independent advisor on emerging market investments.

## Operating costs and margins

The Group's cost structure is maintained with a low proportion of tightly controlled recurring costs and a large proportion of variable performance related costs.
The majority of the Group's costs are personnel expenses, where recurring costs have increased during the period in line with the planned increase in headcount to 138 at 31 December 2008 from 93 at 30 June 2008. These increases include the recruitment of investment professionals and infrastructure staff within the global operating business together with those joining the Group in the subsidiary operations described above. Variable compensation, including performance related bonuses, share based payments and associated social security costs is calculated as a percentage of profit before tax, interest and variable compensation which has been accrued at a rate of 20% (six months to 31 December 2007: 20%; year ended 30 June 2008: 18.2%).
Other operating costs are in line with the levels outlined at the time of the Group's full year results but ahead of the equivalent period last year reflecting the increases in rental expense in the Group's London office and the amortisation of deferred acquisition costs.

As a result of the reduction in net income, particularly the foreign exchange loss relating to future management fee income, and the increases to costs outlined above, including the early stage of some of the new business ventures established in the period, the overall operating margin has reduced to 70% from 75% in the equivalent period last year. This continues to place Ashmore amongst the leading asset managers in terms of operational efficiency, a position we strive to maintain in our global business and to develop within our subsidiary asset management operations.

## Balance sheet, cash flow and foreign exchange

The Group maintains a strong balance sheet in order to support its regulatory capital, commercial and business developmental requirements, including seeding new funds. Cash has increased during the six months to 31 December 2008 to £301.8 million (31 December 2007: £221.0 million; 30 June 2008: £279.2 million). The Group's operating activities are highly cash-generative, as demonstrated by net operating cash inflows during the period of £79.9 million, after payments in respect of taxation liabilities of £28.2 million. Material non-operating cash outflows during the period were in respect of business acquisitions (£3.7 million), share purchases held in Treasury (£6.5 million), and the payment in December of the final dividend in respect of the year ended 30 June 2008 (£57.0 million).

The Group's foreign exchange hedging activities have had a material impact in the period following the sharp fall in sterling between September and December 2008 to levels not anticipated and not experienced in many years. In line with the Group's hedging policy a significant proportion of its management fee income, which is almost entirely denominated in US dollars, is hedged using forward foreign exchange contracts providing certainty over the exchange rates that will be achieved. Following the reduction in AuM, the Group's FY08/09 effective management fee income reported in GBP will not benefit from the current strength of the US Dollar, being fully hedged at current AuM levels at a rate of GBP1:1.95USD as a result of these forward foreign exchange contracts. Hedge contracts of US$100m are also in place to partially hedge FY09/10 management fees at a rate of GBP1:1.79USD. Included within the overall

# Chief Executive Officer's Statement continued

foreign exchange loss of £49.8 million recognised as at 31 December 2008, is £41.4 million, in respect of the unrealised marked-to-market loss on open forward foreign exchange contracts. These are valued at the year end rate of GBP1: 1.46USD and will be offset by either gains on management fees as they crystallise, or hedge contracts as they mature, during the second half of this financial year and the next financial year.

## Dividend

The Board has determined that an interim dividend of 3.66 pence per share (2007: 3.66 pence) will be paid on 24 April 2009 to all shareholders who are on the register on 27 March 2009.

## Purchase of own shares

In line with authorities granted at the AGM in October 2008, the Company purchased 4,966,587 shares for an aggregate consideration of £6.5 million which are held in treasury.

## Strategy and outlook

The current global economic environment has resulted in markets where the dominant characteristic is the severe reduction in liquidity which exacerbates the traditionally lower levels of liquidity seen in the emerging markets, accompanied by asset repatriation to the US Dollar and a lesser extent the Euro.

The investment team at Ashmore has significant experience operating and outperforming during a number of economic crises affecting the emerging markets over the last twenty years, which share many characteristics with the current conditions. We continue to believe that global and regional macroeconomic, demographic and political factors underpin the long term growth prospects of the emerging market asset classes and these trends will see the long term allocation to the emerging markets increase, particularly as their relative growth prospects become ever clearer over the next two years.

We see significant investment opportunities for our funds, where asset valuations have been driven lower by uncertainty surrounding the economic backdrop and reduced market liquidity – basically we are a buyer from here. However the environment for asset raising remains difficult, as it always does at the right time to invest, with investors still digesting the impact of recent events and their large losses in developed markets.

The Group, with its strong balance sheet and significant cash reserves, is in an excellent position to deliver on its strategy, as the number of participants operating within emerging markets reduces, and a large number of global financial institutions retreat to their home markets. This provides both increased visibility of Ashmore's commitment to these markets as well as the potential opportunities to establish or acquire interesting asset management capabilities.

**Mark Coombs**

Chief Executive Officer

24 February 2009

# Consolidated Income Statement

| | Notes | **Unaudited 6 months to 31 December 2008 £m** | Unaudited 6 months to 31 December 2007 £m | Audited 12 months to 30 June 2008 £m |
|---|---|---|---|---|
| Management fees | | **104.6** | 88.7 | 186.7 |
| Performance fees | | **48.9** | 32.2 | 44.7 |
| Other revenue | | **3.5** | 5.0 | 10.1 |
| **Total revenue** | | **157.0** | 125.9 | 241.5 |
| Less: Distribution costs | | **(2.7)** | (2.8) | (4.7) |
| Less: Foreign exchange | 2 | **(49.8)** | 0.4 | 3.2 |
| **Net revenue** | | **104.5** | 123.5 | 240.0 |
| Personnel expenses | | **(23.2)** | (26.6) | (47.7) |
| Other expenses | | **(8.1)** | (4.0) | (11.1) |
| **Operating profit** | | **73.2** | 92.9 | 181.2 |
| Interest income | | **7.1** | 8.0 | 15.0 |
| **Profit before tax** | | **80.3** | 100.9 | 196.2 |
| Tax expense | | **(23.3)** | (30.8) | (55.2) |
| **Profit for the period** | | **57.0** | 70.1 | 141.0 |
| **Attributable to:** | | | | |
| Equity holders of the parent | | **56.9** | 70.0 | 140.8 |
| Minority interest | | **0.1** | 0.1 | 0.2 |
| **Profit for the period** | | **57.0** | 70.1 | 141.0 |
| **Earnings per share:** | | | | |
| Basic | 3 | **8.48p** | 10.47p | 21.03p |
| Diluted | 3 | **7.90p** | 9.90p | 19.89p |

# Consolidated Balance Sheet

| | Notes | **Unaudited As at 31 December 2008 £m** | Unaudited As at 31 December 2007 £m | Audited As at 30 June 2008 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | | **4.0** | 0.5 | 3.3 |
| Intangible assets | 5 | **6.7** | 4.1 | 4.1 |
| Deferred acquisition costs | 6 | **12.4** | 14.5 | 13.4 |
| Other receivables | | **1.0** | – | – |
| Deferred tax assets | | **8.0** | 14.8 | 13.8 |
| **Total non-current assets** | | **32.1** | 33.9 | 34.6 |
| Trade and other receivables | | **32.9** | 57.0 | 34.7 |
| Derivative financial instruments | | **–** | – | 1.2 |
| Cash and cash equivalents | | **301.8** | 221.0 | 279.2 |
| **Total current assets** | | **334.7** | 278.0 | 315.1 |
| Non-current assets held for sale | | **16.6** | – | 16.4 |
| **Total assets** | | **383.4** | 311.9 | 366.1 |
| **Equity** | | | | |
| Issued capital | | **–** | – | – |
| Share premium | | **0.3** | 0.3 | 0.3 |
| Retained earnings | | **262.0** | 223.8 | 271.5 |
| **Total equity attributable to equity holders of the parent** | | **262.3** | 224.1 | 271.8 |
| Minority interest | | **2.4** | 0.6 | 1.5 |
| **Total equity** | | **264.7** | 224.7 | 273.3 |
| **Liabilities** | | | | |
| Deferred tax liabilities | | **2.1** | 4.1 | 3.8 |
| **Total non-current liabilities** | | **2.1** | 4.1 | 3.8 |
| Current tax | | **20.3** | 24.4 | 24.5 |
| Derivative financial instruments | | **41.4** | 1.2 | 0.7 |
| Trade and other payables | | **54.9** | 57.5 | 63.7 |
| **Total current liabilities** | | **116.6** | 83.1 | 88.9 |
| Non-current liabilities held for sale | | **–** | – | 0.1 |
| **Total liabilities** | | **118.7** | 87.2 | 92.8 |
| **Total equity and liabilities** | | **383.4** | 311.9 | 366.1 |

# Consolidated Statement of Changes in Equity

| | Issued capital £m | Share premium £m | Retained earnings £m | Total equity attributable to equity holders of the parent £m | Minority interest £m | Total equity £m |
|---|---|---|---|---|---|---|
| **Audited balance at 1 July 2007** | – | 0.3 | 195.6 | 195.9 | 0.1 | 196.0 |
| Profit for the period | – | – | 70.0 | 70.0 | 0.1 | 70.1 |
| Issue of share capital | – | – | – | – | 0.4 | 0.4 |
| Share based payments | – | – | 2.7 | 2.7 | – | 2.7 |
| Current tax related to share based payments | – | – | 0.7 | 0.7 | – | 0.7 |
| Dividends | – | – | (45.2) | (45.2) | – | (45.2) |
| **Unaudited balance at 31 December 2007** | – | 0.3 | 223.8 | 224.1 | 0.6 | 224.7 |
| Profit for the period | – | – | 70.8 | 70.8 | 0.1 | 70.9 |
| Issue of share capital | – | – | – | – | 0.8 | 0.8 |
| Share based payments | – | – | 6.1 | 6.1 | – | 6.1 |
| Current tax related to share based payments | – | – | (2.0) | (2.0) | – | (2.0) |
| Deferred tax related to share based payments | – | – | (2.7) | (2.7) | – | (2.7) |
| Net gains on available-for-sale financial assets | – | – | 0.4 | 0.4 | – | 0.4 |
| Dividends | – | – | (24.9) | (24.9) | – | (24.9) |
| **Audited balance at 30 June 2008** | – | 0.3 | 271.5 | 271.8 | 1.5 | 273.3 |
| Profit for the period | – | – | 56.9 | 56.9 | 0.1 | 57.0 |
| Issue of share capital | – | – | – | – | 0.8 | 0.8 |
| Share based payments | – | – | 0.9 | 0.9 | – | 0.9 |
| Current tax related to share based payments | – | – | 0.2 | 0.2 | – | 0.2 |
| Deferred tax related to share based payments | – | – | (5.3) | (5.3) | – | (5.3) |
| Net gains on available-for-sale financial assets | – | – | 0.6 | 0.6 | – | 0.6 |
| Treasury shares | – | – | (6.5) | (6.5) | – | (6.5) |
| Dividends | – | – | (57.0) | (57.0) | – | (57.0) |
| Exchange adjustments on translation of foreign operations | – | – | 0.7 | 0.7 | – | 0.7 |
| **Unaudited balance at 31 December 2008** | **–** | **0.3** | **262.0** | **262.3** | **2.4** | **264.7** |

# Consolidated Cash Flow Statement

| | Notes | Unaudited 6 months to 31 December 2008 £m | Unaudited 6 months to 31 December 2007 £m | Audited 12 months to 30 June 2008 £m |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash receipts from customers | | **159.2** | 105.9 | 242.8 |
| Cash paid to suppliers and employees | | **(51.1)** | (38.8) | (47.3) |
| Cash generated from operations | | **108.1** | 67.1 | 195.5 |
| Taxes paid | | **(28.2)** | (17.9) | (46.5) |
| **Net cash from operating activities** | | **79.9** | 49.2 | 149.0 |
| **Investing activities** | | | | |
| Interest received | | **6.6** | 8.0 | 15.4 |
| Acquisition of subsidiary | | **(3.7)** | – | – |
| Purchase of non-current assets held for sale | | **–** | – | (15.1) |
| Purchase of deferred acquisition costs | | **–** | (10.3) | (14.6) |
| Purchase of property, plant and equipment | | **(1.1)** | (0.3) | (3.5) |
| **Net cash from/(used in) investing activities** | | **1.8** | (2.6) | (17.8) |
| **Financing activities** | | | | |
| Dividends paid | 4 | **(57.0)** | (45.2) | (70.1) |
| Purchase of treasury shares | 9 | **(6.5)** | – | – |
| **Net cash used in financing activities** | | **(63.5)** | (45.2) | (70.1) |
| Effect of exchange rate changes on cash and cash equivalents | | **4.4** | 1.6 | 0.1 |
| **Net increase in cash and cash equivalents** | | **22.6** | 3.0 | 61.2 |
| **Cash and cash equivalents at beginning of period** | | **279.2** | 218.0 | 218.0 |
| **Cash and cash equivalents at end of period** | | **301.8** | 221.0 | 279.2 |
| **Cash and cash equivalents comprise:** | | | | |
| Cash at bank and in hand as shown in balance sheet | | **301.8** | 221.0 | 279.2 |
| | | **301.8** | 221.0 | 279.2 |

# Notes to the Financial Statements

## 1) Basis of preparation and significant accounting policies

The interim report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Listing Rules of the Financial Services Authority ("FSA").

The accounting policies applied in these interim financial statements are consistent with those applied in the Group's annual report and accounts for the year ended 30 June 2008. The annual report and accounts is available on the Group's website. Certain comparative amounts relating to foreign exchange have been reclassified to conform to the current period presentation. None of the changes are significant in nature.

In addition to the accounting policies applied in the Group's annual report, the following accounting policies were adopted:

### *Basis of consolidation*

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

### *Deferred acquisition costs*

Costs that are directly attributable to securing an investment management contract are deferred and charged to the income statement over the expected life of the relevant management contract where they can be identified separately, measured reliably, and it is probable that they will be recovered.

### *Treasury Shares*

Treasury Shares are recognised in equity and are measured at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and original cost being taken to revenue reserves.

## 2) Foreign exchange

The only foreign exchange rate which has a material impact on the reporting of the Group's results is the US dollar.

| | **Closing rate as at 31 December 2008** | Closing rate as at 31 December 2007 | Closing rate as at 30 June 2008 | **Average rate six months ended 31 December 2008** | Average rate six months ended 31 December 2007 | Average rate year ended 30 June 2008 |
|---|---|---|---|---|---|---|
| US dollar | **1.4593** | 1.9850 | 1.9923 | **1.6984** | 2.0368 | 2.0119 |

Net foreign exchange losses in the six months to 31 December 2008 comprise £54.2 million (six months to 31 December 2007: £0.6 million net gains) of realised and unrealised hedging losses relating to the management of the Group's US dollar denominated revenue. This was partially offset by a £4.4 million gain (six months to 31 December 2007: £0.2 million loss) from foreign exchange movements on the Group's non-sterling denominated net assets.

Included within the overall foreign exchange loss of £49.8 million recognised at 31 December 2008 is £41.4 million in respect of the unrealised marked-to-market loss on open forward foreign exchange contracts. These are valued at the year end rate of GBP1:1.46USD and will be offset by either gains on management fees as they crystallise, or hedge contracts as they mature, during the second half of this financial year and the next financial year.

# Notes to the Financial Statements continued

## 2) Foreign exchange continued

| | Maturity date | |
|---|---|---|
| | Second half 08/09 | Full year 09/10 |
| Hedge contracts maturing (US$m) | 165.0 | 100.0 |
| Average contract rate (GBP:USD) | 1.95 | 1.79 |
| Exchange rate at 31 December 2008 (GBP:USD) | 1.46 | 1.46 |
| Hedge loss recognised at 31/12/08 (£m) | **(28.7)** | **(12.7)** |

## 3) Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the parent of £56.9 million (six months to 31 December 2007:£70.0 million) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated as for basic earnings per share with an adjustment to the weighted average number of ordinary shares to reflect the effects of all dilutive potential ordinary shares. There is no difference between the profit for the financial year attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

A reconciliation of the figures used in calculating basic and diluted earnings per share is shown below:

| | **6 months to 31 December 2008** | 6 months to 31 December 2007 | 12 months to 30 June 2008 |
|---|---|---|---|
| Weighted average number of ordinary shares used in calculation of basic earnings per share | **670,469,341** | 668,501,230 | 669,671,683 |
| Effect of dilutive potential ordinary shares – share options | **49,804,829** | 38,428,080 | 38,322,426 |
| **Weighted average number of ordinary shares used in calculation of diluted earnings per share** | **720,274,170** | 706,929,310 | 707,994,109 |

## 4) Dividends

An analysis of dividends is as follows:

| | **6 months to 31 December 2008** | 6 months to 31 December 2007 | 12 months to 30 June 2008 |
|---|---|---|---|
| Interim dividend declared per share (p) | **3.66** | 3.66 | 3.66 |
| Final dividend declared per share (p) | **–** | – | 8.34 |
| Interim dividend paid (£m) | **–** | – | 24.9 |
| Dividend per share (p) | **–** | – | 3.66 |
| Final dividend paid (£m) | **57.0** | 45.2 | 45.2 |
| Dividend per share (p) | **8.34** | 6.70 | 6.70 |

## 4) Dividends continued

Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend when approved by the shareholders.

The board has approved an interim dividend for the six months to 31 December 2008 of 3.66p per share (six months 2007: 3.66p). This will be payable on 24 April 2009 to shareholders on the register on 27 March 2009.

## 5) Intangible assets

| | **6 months to 31 December 2008 £m** | 6 months to 31 December 2007 £m | 12 months to 30 June 2008 £m |
|---|---|---|---|
| **Cost** | | | |
| At beginning of period | **4.1** | 4.1 | 4.1 |
| Additions | **2.6** | – | – |
| At end of period | **6.7** | 4.1 | 4.1 |
| **Net book value** | **6.7** | 4.1 | 4.1 |

The goodwill balance of £4.1 million at the beginning of the period relates to the acquisition of the business from ANZ in 1999. Goodwill arising in the year relates to the acquisition of Dolomite on 3 November 2008. For further details on this acquisition please refer to note 7.

The annual impairment review of goodwill was undertaken at 30 June 2008, and has subsequently been re-performed as at 31 December 2008, in recognition of the extent of subsequent market turmoil. No impairment was deemed necessary.

The recoverable amounts of the business are determined based upon future forecast profitability and cash flow projections. The key assumptions on which management has based their projections are the expected fund flows and performance, which determine management and performance fee income.

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

# Notes to the Financial Statements continued

## 6) Deferred acquisition costs

| | 6 months to 31 December 2008 £m | 6 months to 31 December 2007 £m | 12 months to 30 June 2008 £m |
|---|---|---|---|
| **Cost** | | | |
| At beginning of period | **14.6** | 14.5 | 14.6 |
| At end of period | **14.6** | 14.5 | 14.6 |
| **Accumulated charge** | | | |
| At beginning of period | **1.2** | – | – |
| Charge for the period | **1.0** | – | 1.2 |
| At end of period | **2.2** | – | 1.2 |
| **Carrying value at end of period** | **12.4** | 14.5 | 13.4 |

The deferred acquisition costs shown above are in respect of the launch of AGOL, the Group's listed permanent capital vehicle, and are being charged to the Group's income statement over seven years.

## 7) Acquisitions

On 3 November 2008, the Group acquired a 75% stake in Dolomite Capital Management ("Dolomite"). In addition to the consideration to date outlined in the following table, the Group has made arrangements to be able to acquire the remaining equity of Dolomite Capital Limited, using call and put options. The call option allows the Group to acquire the minority interest stake in full after 2013 whilst the put option allows the minority to sell their ownership interest in full to the Group from 2016. The value of both options is capped, and based on the performance of the underlying business, and will be marked-to-market and held on the Group's balance sheet. At 31 December 2008 this value was negligible.

Dolomite is an emerging markets focused fund-of-funds manager and independent advisor on emerging market investments based in New York and had approximately US$0.1 billion of assets under management at 31 December 2008. In the two months to 31 December 2008 the subsidiary contributed net revenue of £0.1 million. Its profit before tax contribution for the same period was negligible. Had the acquisition occurred on 1 July 2008, the impact on the Group's net revenue for the full period would have been £0.4 million accretive, with no impact on the profit before tax.

### *Effect of acquisition*

The acquisition had the following effect on the Group's assets and liabilities.

| | £m |
|---|---|
| **Book value of assets and liabilities acquired at the transaction date:** | |
| Trade and other receivables | **0.2** |
| Cash and cash equivalents | **0.1** |
| Trade and other payables | **(0.1)** |
| **Net identifiable assets and liabilities** | **0.2** |
| **Goodwill arising in the Group on acquisition** | **2.6** |
| Consideration paid, satisfied in cash | **2.8** |
| Prepaid compensation | **0.9** |
| **Net cash outflow for the Group** | **3.7** |

## 8) Own shares

The Ashmore 2004 Employee Benefit Trust ("EBT") was established to encourage and facilitate the acquisition and holding of shares in the company by the employees of the company with a view to facilitating the recruitment and motivation of the employees of the company. As at the period end, the EBT owned 33,550,000 ordinary shares of 0.01p with a nominal value of £3,355 and shareholders' funds are reduced by £5.3 million in this respect.

## 9) Treasury shares

In line with authorities granted at the AGM in October 2008 the Company purchased shares which are held in treasury. An analysis of treasury shares is as follows:

**Treasury shares held by Ashmore Group plc**

| | **As at 31 December 2008 £m** | As at 31 December 2007 £m | As at 30 June 2008 £m |
|---|---|---|---|
| Ashmore Group plc ordinary shares | **6.5** | – | – |

| | **Number** | Number | Number |
|---|---|---|---|
| Ashmore Group plc ordinary shares | **4,966,587** | – | – |

Reconciliation of treasury shares

| | **Number** | Number | Number |
|---|---|---|---|
| At 1 July 2008 | **–** | – | – |
| Purchase of own shares | **4,966,587** | – | – |
| **At 31 December 2008** | **4,966,587** | – | – |

Market value of treasury shares:

| | **£m** | £m | £m |
|---|---|---|---|
| Ashmore Group plc | **6.6** | – | – |

## 10) Group risks

The Group's principal risks remain as detailed within the Business review and Corporate governance report in the Group's Annual Report and are categorised as strategic and business, investment, and operational.

## 11) Related party transactions

There were no material changes to the related party transactions during the six months to 31 December 2008.

## 12) Post balance sheet events

There are no post balance sheet events for the six months to 31 December 2008.

# Responsibility Statement of the Directors' in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- 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 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.

**Mark Coombs**

Chief Executive Officer

24 February 2009

# Independent Review Report to Ashmore Group plc

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2008 which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

## Directors' responsibilities

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

As disclosed in note one, the annual financial statements of the Ashmore Group plc are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## Our responsibility

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

## Scope of review

We conducted our review in accordance with International Standard of 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 the use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

**KPMG Audit Plc**
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24 February 2009

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