

Ashmore Group Limited

Directors' report and consolidated financial statements

For the year ended 30 June 2004
Registered number 3675683



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

Principal activities

The principal activity of Ashmore Group Limited is that of a holding company. The principal activities of the subsidiaries are the provision of investment, corporate finance advisory and fund administration services. The directors do not anticipate any change in the nature of the principal activities of the company and its subsidiaries in the foreseeable future.

Business review

The results for the group are presented on page 5. The retained profit of the group for the year amounted to £29,156,147 (2003: £3,524,060). Results to date, for the year to 30 June 2005, are satisfactory.

Directors and directors' interests

The directors who held office during the year were as follows:

M Coombs
J Moulton
J Green

J Green resigned as a director on 30 April 2004.

The directors who held office at the end of the financial year had the following interests in the ordinary shares of group companies according to the register of directors' interests:

	Company	Class of share	Interest at end of year	Interest at start of year
M Coombs	Ashmore Group Limited	Ordinary 'A'	166,500	166,500
J Moulton	Ashmore Group Limited	Ordinary 'B'	21,000	21,000

Political and charitable contributions

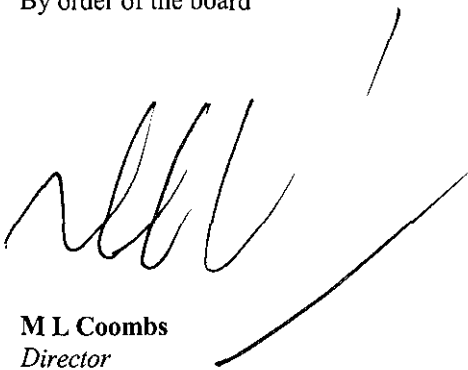
The group made charitable contributions during the year amounting to £19,018

Directors' report *(continued)*

Auditors

The company has elective resolutions in force to dispense with the laying of accounts before the shareholders in general meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually, pursuant to sections 252, 366A and 386 (1) of the Companies Act 1985. KPMG Audit Plc will therefore be deemed to have been re-appointed auditors of the Company at the end of the period of 28 days commencing on the day in which copies of the report and accounts are sent to the members, unless a resolution is passed under section 303 of the Companies Act 1985 to terminate their appointment.

By order of the board

A large, stylized handwritten signature in black ink, appearing to read 'MLC', is written over the text 'By order of the board'.

M L Coombs
Director

Registered Office:
110 Cannon Street
London
EC3N 6AR

15 December 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the independent auditors to the members of Ashmore Group Limited

We have audited the financial statements on pages 5 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 16 December 2004

Consolidated profit and loss account

	<i>Note</i>	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Fees - receivable	<i>1</i>	68,726,890	21,363,603
Operating expenses			
Administration expenses		(19,516,956)	(8,881,891)
Fees and commissions payable		(5,792,215)	(1,557,375)
Operating profit		43,417,719	10,924,337
Interest receivable and similar income		4,380,326	1,741,390
Profit on ordinary activities before taxation	<i>2</i>	47,798,045	12,665,727
Tax on profit on ordinary activities	<i>5</i>	(13,547,287)	(4,067,205)
Profit on ordinary activities after taxation		34,250,758	8,598,522
Minority interest		(89,631)	(74,462)
Ordinary dividends			
- Interim		(5,004,980)	(5,000,000)
Retained profit for the year		29,156,147	3,524,060

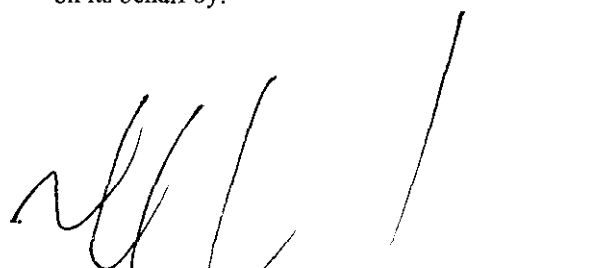
The group had no recognised gains or losses other than the profit for the year. All of the results relate to continuing operations.

Consolidated balance sheet

at 30 June

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Goodwill	6		4,055,265		4,924,250
Tangible assets	7		231,981		157,854
			4,287,246		5,082,104
Current assets					
Debtors	9	9,060,550		4,300,003	
Cash at bank and in hand	19	64,681,996		32,003,425	
			73,742,546		36,303,428
Creditors: amounts falling due within one year	10	(29,014,814)		(7,100,532)	
			44,727,732		29,202,896
Net current assets					
			49,014,978		34,285,000
Capital and reserves					
Called up share capital	11		2,918		3,000
Share premium account	12		307,692		297,000
Capital redemption reserve			190		-
Profit and loss account	12		57,068,563		33,808,616
Own shares held	13		(8,630,400)		-
Shareholders' funds - Equity			48,748,963		34,108,616
Minority interest			266,015		176,384
			49,014,978		34,285,000

These financial statements were approved by the board of directors on 15 December 2004 and were signed on its behalf by:

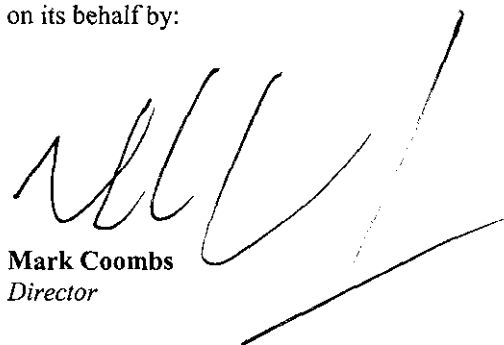

Mark Coombs
 Director

Company balance sheet

at 30 June

	<i>Note</i>	2004	2003
		£	£
Fixed assets			
Tangible assets	7	146,531	108,710
Investments	8	9,710,235	9,710,235
		<hr/>	<hr/>
		9,856,766	9,818,945
Current assets			
Debtors	9	2,828,619	379,386
Cash at bank and in hand		49,712,339	25,099,180
		<hr/>	<hr/>
Creditors: amounts falling due within one year	10	52,540,958 (21,290,329)	25,478,566 (4,452,727)
		<hr/>	<hr/>
Net current assets		31,250,629	21,025,839
		<hr/>	<hr/>
Net assets		41,107,395	30,844,784
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	2,918	3,000
Share premium account	12	307,692	297,000
Capital redemption reserve		190	
Profit and loss account	12	49,426,995	30,544,784
Own shares held	13	(8,630,400)	
		<hr/>	<hr/>
Shareholders' funds - Equity		41,107,395	30,844,784
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 15 December 2004 and were signed on its behalf by:



Mark Coombs
Director

Consolidated cash flow statement

	<i>Note</i>	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Cash inflow from operating activities	16	51,616,056	10,753,006
Returns on investments and servicing of finance	17	2,263,761	1,339,093
Taxation		(9,422,564)	(5,161,229)
Capital expenditure and financial investment	17	(174,567)	(56,259)
		44,282,686	6,874,611
Cash inflow before management of liquid resources and financing			
Equity dividends paid		(5,004,980)	(5,000,000)
Financing	18	(8,706,220)	-
		30,571,486	1,874,611
Increase in cash in the year			
Effects of foreign exchange gain on cash		2,107,085	506,406
Net funds at the start of the year		32,003,425	29,622,408
		64,681,996	32,003,425
Net funds at the end of the year	19		

Reconciliation of movements in shareholders' funds

	2004 Group £	2003 Group £
Profit for the financial year	29,156,147	3,524,060
Net movement in own shares held	(8,630,400)	-
New share capital subscribed	10,800	-
Consideration paid for cancellation of shares	(5,896,200)	-
Opening shareholders' funds	34,108,616	30,584,556
Closing shareholders' funds	<u>48,748,963</u>	<u>34,108,616</u>

	2004 Company £	2003 Company £
Profit for the financial year	24,778,411	5,733,235
Net movement in own shares held	(8,630,400)	-
New share capital subscribed	10,800	-
Consideration paid for cancellation of shares	(5,896,200)	-
Opening shareholders' funds	30,844,784	25,111,549
Closing shareholders' funds	<u>41,107,395</u>	<u>30,844,784</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, with the exception of the adoption of UITF 38 this year.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2004. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The company's retained profit for the year was £24,778,411 (2003 : £5,733,235)

UITF 38 Accounting for ESOP Trusts

During the year the company adopted UITF 38 "Accounting for ESOP trusts" which requires that any consideration paid for an entity's own shares held by the company-sponsored ESOP trust should be deducted in arriving at shareholders' funds. In accordance with this abstract own shares held have been deducted from shareholders' funds in the consolidated and company balance sheets.

Fees receivable

Management and administration fees are accrued on a monthly basis based upon funds under management. Performance fees are receivable based upon the performance of each fund for its financial year. These are recognised by the company when the underlying accounts of the funds are approved by all parties, or at such times when the performance fees can be reliably measured. Corporate finance fees are considered to have been earned in full and are credited to the profit and loss account upon reasonable certainty of receipt.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Under the requirements of FRS 10 the directors have estimated the useful life of goodwill arising in the period to be 10 years. In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes (continued)

1 Accounting policies (continued)

Fixed Assets

Fixed Assets comprising fixtures, fittings and equipment are depreciated on a straight line basis over 5 years (20% per annum).

2 Profit on ordinary activities before taxation

	2004	2003
	£	£
Profit on ordinary activities before taxation is stated		
after charging		
<i>Auditors' remuneration:</i>		
Group - audit	46,157	38,426
- fees paid to the auditor and its associates in respect of other services	205,700	65,751
Company - audit	37,007	29,351
- fees paid to the auditor and its associates in respect of other services	205,700	65,326
Depreciation of tangible fixed assets	100,440	89,188
Amortisation of goodwill	868,985	868,986
after crediting		
Exchange gains	2,070,985	403,606

3 Remuneration of directors

	2004	2003
	£	£
Directors' emoluments (highest: £403,958)	767,387	863,780
Company contributions to money purchase pension schemes	12,833	13,300
	780,220	877,080
	780,220	877,080

	Number of directors	
	2004	2003
Retirement benefits are accruing as at 30 June to the following number of directors under:		
Money purchase schemes	1	2
	1	2
	1	2

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004	2003
Investment management and administration	38	32

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages and salaries	5,489,141	4,968,830
Social security costs	693,377	536,116
Other pension costs	152,553	130,600
	6,335,071	5,635,546

Notes (continued)

5 Taxation

The charge is based on the taxable results of the group for the year and comprises

	2004 £	2003 £
Corporation tax in current year at 30%	13,547,287	4,067,205
Current tax reconciliation		
Tax on profit on ordinary activities		
UK Corporation tax charge for current year	13,832,965	3,894,176
Prior year (over)/under provision	(285,678)	173,029
Tax on profit on ordinary activities	<u>13,547,287</u>	<u>4,067,205</u>
Profit on ordinary activities before tax	<u>47,798,045</u>	<u>12,665,727</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	14,339,414	3,799,718
Effects of:		
<i>Permanent differences</i>		
Expenses not deductible	72,920	73,677
Amortisation of Goodwill	260,696	260,696
Share options exercised	(1,001,160)	-
<i>Timing Differences</i>		
Depreciation in excess of Capital Allowances	8,226	7,877
Bonus provision brought forward and released in year	-	(195,735)
Pension provision brought forward and released in year	(1,500)	-
Share options provision in year	211,685	-
<i>Other differences</i>		
Prior year adjustment	(285,678)	173,029
Difference in corporation tax due to change in how band-profits are taxed and marginal relief	-	(5,387)
Foreign tax adjustments	(57,316)	(46,670)
Current corporation tax for period	<u>13,547,287</u>	<u>4,067,205</u>

Notes (continued)

6 Goodwill

	£
<i>Group</i>	
At beginning and end of period	8,689,854
<i>Amortisation</i>	
At beginning of period	(3,765,604)
Charged in period	(868,985)
At end of period	(4,634,589)
<i>Net book value</i>	
At 30 June 2004	4,055,265

The cumulative amount of goodwill written off from the acquisition of subsidiary undertakings in current and earlier years is £4,634,589 (2003 : £3,765,604).

7 Tangible fixed assets

	Fixtures, fittings and equipment <i>Group</i> £	Fixtures, fittings and equipment <i>Company</i> £
<i>Cost</i>		
At beginning of period	441,302	303,106
Additions	174,567	108,124
At end of period	615,869	411,230
<i>Depreciation</i>		
At beginning of period	(283,448)	(194,396)
Charged in period	(100,440)	(70,303)
At end of period	(383,888)	(264,699)
<i>Net book value</i>		
At 30 June 2004	231,981	146,531

Notes *(continued)*

8 Fixed asset - Investments

	Shares in group undertakings £
<i>Company</i> At beginning and end of year	9,710,235

The subsidiary undertakings of the group are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Ashmore Investments (UK) Limited	England	Holding Company	Ordinary 100%
Ashmore Investment Management Limited*	England	Fund Management Investment Adviser	Ordinary 100%
Ashmore Corporate Finance Limited*	England	Dormant	Ordinary 100%
Ashmore Asset Management Limited*	England	Dormant	Ordinary 100%
Ashmore Management Company Limited*	Guernsey	Fund Management	Ordinary 100%
International Administration (Guernsey) Limited*	Guernsey	Fund Administration	Ordinary 75.1%
Ashmore AOF(GP) Limited*	Grand Cayman	Partnership Management	Ordinary 100%

* Held indirectly by Ashmore Investments (UK) Limited.

Notes (continued)

9 Debtors

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Trade debtors	6,702,831	66,429	3,853,936	8,030
Amounts owed by subsidiary undertakings	-	711,001	-	202,644
Other debtors	1,745,331	1,745,431	25,106	25,106
Prepayments and accrued income	612,388	305,758	420,961	143,606
	<u>9,060,550</u>	<u>2,828,619</u>	<u>4,300,003</u>	<u>379,386</u>

10 Creditors: amounts falling due within one year

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Taxation and social security	6,240,120	532,708	2,115,397	8,143
Accruals and deferred income	22,774,694	20,757,621	4,985,135	4,444,584
	<u>29,014,814</u>	<u>21,290,329</u>	<u>7,100,532</u>	<u>4,452,727</u>

11 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
166,500 'A' Ordinary shares of 1 pence each	1,665	1,665
21,000 'B' Ordinary shares of 1 pence each	210	210
172,500 'C' Ordinary shares of 1 pence each	1,725	1,725
	<u>3,600</u>	<u>3,600</u>
<i>Allotted, called up and fully paid</i>		
166,500 'A' Ordinary shares of 1 pence each	1,665	1,665
21,000 'B' Ordinary shares of 1 pence each	210	210
104,280 'C' Ordinary shares of 1 pence each	1,043	1,125
	<u>2,918</u>	<u>3,000</u>

All the above ordinary shares represent equity of the company and rank pari passu in respect of participation and voting rights. During the year 10,800 'C' Ordinary shares of 1 pence each with a nominal value of £108 were issued for consideration of £10,800. Also during the year the company purchased 19,020 'C' Ordinary shares with a nominal value of £190.

Notes (continued)

At 30 June 2004 there were a total of 17,750 options in issue with contingent rights to the allotment of "C" ordinary shares of 1p in the company. The exercise period for these options ranges from December 2004 to July 2014 and the allotment price ranges from £13 to £310.

12 Share premium and reserves

	2004 Group		2003 Group	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At beginning of period	297,000	33,808,616	297,000	30,284,556
New share capital subscribed	10,692	-	-	-
Share cancellation	-	(5,896,200)	-	-
Retained profit for the period	-	29,156,147	-	3,524,060
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<u>At end of period</u>	<u>307,692</u>	<u>57,068,563</u>	<u>297,000</u>	<u>33,808,616</u>
	<hr/>	<hr/>	<hr/>	<hr/>
	Company		Company	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At beginning of period	297,000	30,544,784	297,000	24,811,549
New share capital subscribed	10,692	-	-	-
Share cancellation	-	(5,896,200)	-	-
Retained profit for the period	-	24,778,411	-	5,733,235
	<hr/>	<hr/>	<hr/>	<hr/>
<u>At end of period</u>	<u>307,692</u>	<u>49,426,995</u>	<u>297,000</u>	<u>30,544,784</u>
	<hr/>	<hr/>	<hr/>	<hr/>

Notes *(continued)*

13 Employee Benefit Trust

During the year the Ashmore 2004 Employee Benefit Trust ("EBT") was established. The Ashmore 2004 Employee Benefit Trust has been 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 27,480 ordinary C shares of 1 pence with a nominal value of £278 and shareholders' funds is reduced by £8,630,400 in this respect. It is the intention to make these shares available to employees by way of sale and optionality.

14 Pension scheme

The group operates a defined contribution scheme. The pension cost charge for the period of £152,553 (2003 : £130,600) represents contributions payable by the group to the fund. There were no outstanding or prepaid contributions at the year end.

15 Operating lease commitments

Annual commitments under non-cancellable operating leases were as follows:

<i>Operating leases which expire:</i>	2004	2003
	£	£
Within one year	7,416	8,204
Over one year but not more than five years	450,033	211,264

16 Reconciliation of operating profit to operating cash flows

	2004	2003
	£	£
Operating profit	43,417,719	10,924,337
Depreciation, amortisation and impairment charges	969,425	958,174
Increase in debtors	(3,076,967)	(1,637,156)
Increase in creditors	10,305,879	507,651
	<hr/>	<hr/>
Net cash inflow from continuing activities	51,616,056	10,753,006
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

17 Analysis of cash flows

	2004	
	£	£
Returns on investment and servicing of finance		
Interest received	2,008,378	
Other income received	255,383	
		2,263,761
		2,263,761
Capital expenditure and financial investment		
Purchase of fixed assets	174,567	
		174,567
		174,567

18 Financing

	2004	
	£	£
Issue of ordinary share capital	10,800	
Repurchase of ordinary share capital	(5,896,200)	
Purchase of own shares	(2,820,820)	
		(8,706,220)
		(8,706,220)

19 Analysis of net funds

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	32,003,425	32,678,571	64,681,996