

Ashmore Group Limited

**Directors' report and consolidated
financial statements**

For the year ended 30 June 2005
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 2005.

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 £22,905,547 (2004: £29,156,147). Results to date, for the year to 30 June 2006, are satisfactory.

Directors and directors' interests

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

M Coombs
J Moulton

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

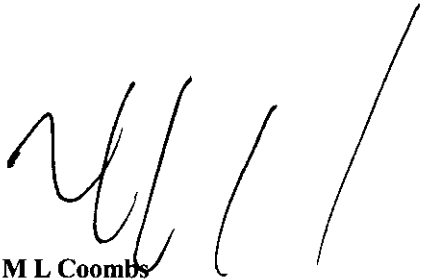
The group made charitable contributions during the year amounting to £27,045 (2004 : £19,018)

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



M L Coombs
Director

Registered Office:
110 Cannon Street
London
EC3N 6AR

2 December 2005

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 2005 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: 7 December 2005

Consolidated profit and loss account

	<i>Note</i>	Year ended 30 June 2005 £	Year ended 30 June 2004 £
Fees - receivable	<i>1</i>	73,938,936	68,726,890
Operating expenses			
Administration expenses		(20,229,809)	(19,516,956)
Fees and commissions payable		(9,256,311)	(5,792,215)
Operating profit		<hr/> 44,452,816	<hr/> 43,417,719
Interest receivable and similar income		4,678,618	4,380,326
Profit on ordinary activities before taxation	<i>2</i>	<hr/> 49,131,434	<hr/> 47,798,045
Tax on profit on ordinary activities	<i>5</i>	(16,011,012)	(13,547,287)
Profit on ordinary activities after taxation		<hr/> 33,120,422	<hr/> 34,250,758
Minority interest		(214,875)	(89,631)
Ordinary dividends - Interim		(10,000,000)	(5,004,980)
Retained profit for the year		<hr/> <hr/> 22,905,547	<hr/> <hr/> 29,156,147


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	2005		2004	
		£	£	£	£
Fixed assets					
Goodwill	6		3,186,280		4,055,265
Tangible assets	7		314,332		231,981
			3,500,612		4,287,246
Current assets					
Debtors	9	11,947,804		9,060,550	
Cash at bank and in hand	19	86,554,261		64,681,996	
			98,502,065		73,742,546
Creditors: amounts falling due within one year	10	(30,247,670)		(29,014,814)	
			68,254,395		44,727,732
Net current assets			68,254,395		44,727,732
Net assets			71,755,007		49,014,978
Capital and reserves					
Called up share capital	11		2,797		2,918
Share premium account	12		307,692		307,692
Capital redemption reserve			311		190
Profit and loss account	12		75,811,718		57,068,563
Own shares held	13		(4,848,400)		(8,630,400)
Shareholders' funds - Equity			71,274,118		48,748,963
Minority interest			480,889		266,015
			71,755,007		49,014,978

These financial statements were approved by the board of directors on 2 December 2005 and were signed on its behalf by:

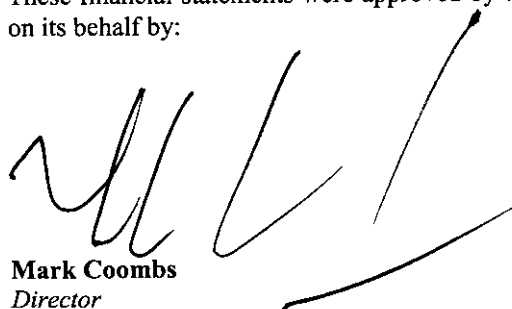

Mark Coombs
 Director

Company balance sheet

at 30 June

	Note	2005	2004
		£	£
Fixed assets			
Tangible assets	7	261,968	146,531
Investments	8	9,710,235	9,710,235
		9,972,203	9,856,766
Current assets			
Debtors	9	5,059,646	2,828,619
Cash at bank and in hand		54,014,315	49,712,339
		59,073,961	52,540,958
Creditors: amounts falling due within one year	10	(22,681,587)	(21,290,329)
		36,392,374	31,250,629
Net current assets			
		46,364,577	41,107,395
Capital and reserves			
Called up share capital	11	2,797	2,918
Share premium account	12	307,692	307,692
Capital redemption reserve		311	190
Profit and loss account	12	50,902,177	49,426,995
Own shares held	13	(4,848,400)	(8,630,400)
		46,364,577	41,107,395
Shareholders' funds - Equity			
		46,364,577	41,107,395

These financial statements were approved by the board of directors on 2 December 2005 and were signed on its behalf by:



Mark Coombs
 Director

Consolidated cash flow statement

	<i>Note</i>	Year ended 30 June 2005 £	Year ended 30 June 2004 £
Cash inflow from operating activities	<i>16</i>	49,591,528	51,616,056
Returns on investments and servicing of finance	<i>17</i>	4,107,006	2,263,761
Taxation		(15,155,732)	(9,422,564)
Capital expenditure and financial investment	<i>17</i>	(213,565)	(174,567)
		<hr/>	<hr/>
Cash inflow before management of liquid resources and financing		38,329,237	44,282,686
Equity dividends paid		(10,000,000)	(5,004,980)
Financing	<i>18</i>	(7,316,447)	(8,706,220)
		<hr/>	<hr/>
Increase in cash in the year		21,012,790	30,571,486
Effects of foreign exchange gain on cash		859,475	2,107,085
Net funds at the start of the year		64,681,996	32,003,425
		<hr/>	<hr/>
Net funds at the end of the year	<i>19</i>	86,554,261	64,681,996
		<hr/>	<hr/>

Reconciliation of movements in shareholders' funds

	2005 Group £	2004 Group £
Profit for the financial year	22,905,547	29,156,147
Net movement in own shares held : sale / (purchase)	3,782,000	(8,630,400)
New Share capital subscribed	-	10,800
Consideration paid for cancellation of shares	(3,738,600)	(5,896,200)
Sale of own shares held	(423,792)	-
Opening shareholders' funds	48,748,963	34,108,616
Closing shareholders' funds	71,274,118	48,748,963
	2005 Company £	2004 Company £
Profit for the financial year	5,637,574	24,778,411
Net movement in own shares held : sale / (purchase)	3,782,000	(8,630,400)
New Share capital subscribed	-	10,800
Consideration paid for cancellation of shares	(3,738,600)	(5,896,200)
Sale of own shares held	(423,792)	-
Opening shareholders' funds	41,107,395	30,844,784
Closing shareholders' funds	46,364,577	41,107,395

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.

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 2005. 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 £5,637,574 (2004 : £24,778,411)

UITF 38 Accounting for ESOP Trusts

UITF 38 "Accounting for ESOP Trusts" 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 relevant 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

	2005	2004
	£	£
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Group - audit	53,732	46,157
- fees paid to the auditor and its associates in respect of other services	46,457	205,700
Company - audit	44,000	37,007
- fees paid to the auditor and its associates in respect of other services	46,457	205,700
Depreciation of tangible fixed assets	125,723	100,440
Amortisation of goodwill	868,985	868,985
after crediting		
Net exchange gains	468,275	2,070,985

3 Remuneration of directors

	2005	2004
	£	£
Directors' emoluments (highest: £903,820)	905,820	767,387
Company contributions to money purchase pension schemes	7,000	12,833
	912,820	780,220
	912,820	780,220

Number of directors
 2005 2004

Retirement benefits are accruing as at 30 June to the following number of directors under:

Money purchase schemes	1	1
	1	1

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	
	2005	2004
Investment management and administration	47	38

The aggregate payroll costs of these persons were as follows:

	2005		2004	
	£	£	£	£
Wages and salaries	8,749,669	5,489,141	1,112,400	693,377
Social security costs	1,112,400	693,377	176,113	152,553
Other pension costs	176,113	152,553		
	10,038,182	6,335,071		

Notes (continued)

5 Taxation

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

	2005	2004
	£	£
Corporation tax in current year at 30%	16,011,012	13,547,287
Current tax reconciliation	<hr/>	<hr/>
Tax on profit on ordinary activities		
UK Corporation tax charge for current year	14,539,872	13,832,965
Prior year under/(over) provision	1,471,140	(285,678)
	<hr/>	<hr/>
Tax on profit on ordinary activities	16,011,012	13,547,287
	<hr/>	<hr/>
Profit on ordinary activities before tax	49,131,434	47,798,045
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	14,739,430	14,339,414
Effects of:		
<i>Permanent differences</i>		
Expenses not deductible	20,261	72,920
Amortisation of Goodwill	260,696	260,696
Share options exercised	(291,600)	(1,001,160)
<i>Timing Differences</i>		
Depreciation in excess of Capital Allowances	(2,894)	8,226
Pension provision brought forward and released in year	-	(1,500)
Share options provision in year	62,151	211,685
Dividend from IAGL	4,506	-
<i>Other differences</i>		
Prior year adjustment	1,471,140	(285,678)
Difference in corporation tax due to change in rate paid including marginal relief	(1,648)	-
Foreign tax adjustments	(251,030)	(57,316)
	<hr/>	<hr/>
Current corporation tax for period	16,011,012	13,547,287
	<hr/>	<hr/>

Notes (continued)

6 Goodwill

<i>Group</i>	£
Cost at beginning and end of period	8,689,854
<i>Amortisation</i>	
At beginning of period	(4,634,589)
Charged in period	(868,985)
At end of period	(5,503,574)
<i>Net book value</i>	
At 30 June 2005	3,186,280

The cumulative amount of goodwill written off from the acquisition of subsidiary undertakings in this and earlier years is £5,503,574 (2004 : £4,634,589).

7 Tangible fixed assets

<i>Cost</i>	Fixtures, fittings and equipment Group £	Fixtures, fittings and equipment Company £
At beginning of period	615,869	411,230
Additions	213,565	191,162
Disposals	(60,862)	(50,358)
At end of period	768,572	552,034
<i>Depreciation</i>		
At beginning of period	(383,888)	(264,699)
Charged in period	(125,723)	(70,234)
Disposals	55,371	44,867
At end of period	(454,240)	(290,066)
<i>Net book value</i>		
At 30 June 2005	314,332	261,968

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 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Trade debtors	8,357,423	-	6,702,831	66,429
Amounts owed by subsidiary undertakings	-	1,381,837	-	711,001
Other debtors	2,980,072	3,198,230	1,745,331	1,745,431
Prepayments and accrued income	610,309	479,579	612,388	305,758
	<u>11,947,804</u>	<u>5,059,646</u>	<u>9,060,550</u>	<u>2,828,619</u>

10 Creditors: amounts falling due within one year

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Taxation and social security	7,095,400	586,475	6,240,120	532,708
Accruals and deferred income	23,152,270	22,095,112	22,774,694	20,757,621
	<u>30,247,670</u>	<u>22,681,587</u>	<u>29,014,814</u>	<u>21,290,329</u>

11 Called up share capital

	2005 £	2004 £
<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
92,220 'C' Ordinary shares of 1 pence each	922	1,043
	<u>2,797</u>	<u>2,918</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 12,060 'C' Ordinary shares of 1 pence each were cancelled.

Notes (continued)

At 30 June 2005 there were a total of 11,250 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 2005 to April 2015 and the allotment price ranges from £13 to £310.

12 Share premium and reserves

	2005 Group		2004 Group	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At beginning of year	307,692	57,068,563	297,000	33,808,616
New share capital subscribed	-	-	10,692	-
Share cancellation	-	(3,738,600)	-	(5,896,200)
Sale of own shares held	-	(423,792)	-	-
Retained profit for the year	-	22,905,547	-	29,156,147
	<hr/>	<hr/>	<hr/>	<hr/>
<u>At end of year</u>	<u>307,692</u>	<u>75,811,718</u>	<u>307,692</u>	<u>57,068,563</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Company		Company	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At beginning of year	307,692	49,426,995	297,000	30,544,784
New share capital subscribed	-	-	10,692	-
Share cancellation	-	(3,738,600)	-	(5,896,200)
Sale of own shares held	-	(423,792)	-	-
Retained profit for the year	-	5,637,574	-	24,778,411
	<hr/>	<hr/>	<hr/>	<hr/>
<u>At end of year</u>	<u>307,692</u>	<u>50,902,177</u>	<u>307,692</u>	<u>49,426,995</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Employee Benefit Trust

The Ashmore 2004 Employee Benefit Trust 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 15,640 ordinary C shares of 1 pence with a nominal value of £156 and shareholders' funds are reduced by £4,848,400 in this respect. It is the intention to make these shares available to employees by way of sale through the share option scheme.

14 Pension scheme

The group operates a defined contribution scheme. The pension cost charge for the period of £176,113 (2004 : £152,553) 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:

Operating leases which expire:	2005	2004
	£	£
Within one year	5,359	7,416
Over one year but not more than five years	477,648	450,033

16 Reconciliation of operating profit to operating cash flows

	2005	2004
	£	£
Operating profit	44,452,816	43,417,719
Depreciation and amortisation	994,708	969,425
Increase in debtors	(1,765,590)	(3,076,967)
Increase in creditors	5,909,594	10,305,879
	<hr/>	<hr/>
Net cash inflow from continuing activities	49,591,528	51,616,056
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

17 Analysis of cash flows

	2005	2004
	£	£
Returns on investment and servicing of finance		
Interest received	3,836,898	2,008,378
Other income received	270,108	255,383
	<u>4,107,006</u>	<u>2,263,761</u>
 Capital expenditure and financial investment		
Purchase of fixed assets	<u>(213,565)</u>	<u>(174,567)</u>

18 Financing

	2005	2004
	£	£
Issue of ordinary share capital	-	10,800
Consideration paid for the cancellation of shares	(3,738,600)	(5,896,200)
Consideration received from the sale of own shares	1,406,953	-
Purchase of own shares	(4,984,800)	(2,820,820)
	<u>(7,316,447)</u>	<u>(8,706,220)</u>

19 Analysis of net funds

	At beginning of year	Cash flow	At end of year
	£	£	£
Cash in hand, at bank	<u>64,681,996</u>	<u>21,872,265</u>	<u>86,554,261</u>