# Ashmore Group Limited

**(formerly Jacktide Limited)**

## Directors' report and consolidated financial statements

For the seven month period ended 30 June 1999
Registered number 3675683

# Directors' report and financial statements

## Contents

# Directors' report

The directors present their annual report and the audited financial statements for the seven month period ended 30 June 1999.

### Principal activities

The company was incorporated on 30 November 1998, as Jacktide Limited. It changed its name on 24 February 1999 to Ashmore Group Limited.

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

### *Year 2000*

The Group, in common with other users of computer systems, could face potential disruption to its business as a result of the change of date from 1999 to 2000. The Group has established a plan to assess the impact of Year 2000 on its business and operations. A review of the software and operations of third parties who transact business with the Group has been undertaken and is nearing completion. Whilst it is not possible, given the inevitable reliance on third parties, to give absolute assurance that no Year 2000 problem will arise, the directors consider that all reasonable steps are being taken to ensure business continuity in the new millennium.

The total Year 2000 compliance costs have not been formally quantified, although in the opinion of the directors they are not considered to be material.

### Business review

The results for the group are presented on page 5. The retained profit of the group for the period amounted to £1,065,070.

On 24 February 1999, the company purchased the entire issued share capital of Ashmore Investments (UK) Limited (formerly ANZ Investments (UK) Limited) from ANZ Funds Pty Limited.

### Directors and directors' interests

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

| | |
|---|---|
| M Coombs | (appointed 8 December 1998) |
| J Moulton | (appointed 24 February 1999) |

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 or date of appointment |
|---|---|---|---|---|
| M Coombs | Ashmore Group Limited | Ordinary 'A' | 166,300 | - |
| | | Ordinary 'C' | 8,100 | - |
| J Moulton | Ashmore Group Limited | Ordinary 'B' | 21,000 | - |

The director's interests in debentures of the company are disclosed in note 13 to the financial statements.

# Directors' report

**Political and charitable contributions**

The group made no political or charitable contributions during the year.

**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 with the day on 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*

100 Cannon Street
London
EC3N 6AR

August 1999

## 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;
- 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.

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

# Report of the auditors to the members of Ashmore Group Limited (formerly Jacktide Limited)

We have audited the financial statements on pages 5 to 20.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 judgements 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 1999 and of the profit of the group for the seven month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc**
*Chartered Accountants*
*Registered Auditor*

31 August 1999

## Consolidated profit and loss account

***for the seven month period ended 30 June 1999***

| | Note | 1999 £ |
|---|---|---|
| Fees and commissions receivable | *1* | **3,212,721** |
| **Operating expenses** | | |
| Administration expenses | | **(1,540,233)** |
| Fees and commissions payable | | **(97,776)** |
| **Operating profit** | | **1,574,712** |
| **Interest receivable and similar income** | *5* | **55,390** |
| **Interest payable and other charges** | *6* | **(58,752)** |
| **Profit on ordinary activities before taxation** | | **1,571,350** |
| **Tax on profit on ordinary activities** | *7* | **(506,280)** |
| **Retained profit for the period** | | **1,065,070** |

The company had no recognised gains or losses other than the profit for the period. All of the results relate to continuing operations following the acquisition of Ashmore Investments (UK) Limited.

# Consolidated balance sheet

*at 30 June 1999*

| | Note | | 1999 |
|---|---|---|---|
| | | £ | £ |
| **Fixed assets** | | | |
| Goodwill | 8 | | 1,578,998 |
| Tangible assets | 9 | | 12,774 |
| | | | 1,591,772 |
| **Current assets** | | | |
| Debtors | 11 | 1,244,679 | |
| Cash at bank and in hand | | 1,841,494 | |
| | | 3,086,173 | |
| **Creditors:** amounts falling due within one year | 12 | (1,612,875) | |
| **Net current assets** | | | 1,473,298 |
| **Total assets less current liabilities** | | | 3,065,070 |
| **Creditors:** amounts falling due after more than one year | 13 | | (1,700,000) |
| **Net assets** | | | 1,365,070 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | | 3,000 |
| Share premium account | 17 | | 297,000 |
| Profit and loss account | 17 | | 1,065,070 |
| **Shareholders' funds** | | | 1,365,070 |

These financial statements were approved by the board of directors on 26 August 1999 and were signed on its behalf by:

**Mark Coombs**
*Director*

# Balance sheet

*at 30 June 1999*

| | Note | | 1999 |
|---|---|---|---|
| | | £ | £ |
| **Fixed assets** | 9 | | |
| Tangible assets | 10 | | 12,774 |
| Investments | | | 2,653,827 |
| | | | 2,666,601 |
| **Current assets** | | | |
| Debtors | 11 | 2,495,079 | |
| Cash at bank and in hand | | 8,387 | |
| | | 2,503,466 | |
| **Creditors:** amounts falling due within one year | 12 | (2,112,163) | |
| **Net current assets** | | | 391,303 |
| **Total assets less current liabilities** | | | 3,057,904 |
| **Creditors:** amounts falling due after more than one year | 13 | | (1,700,000) |
| **Net assets** | | | 1,357,904 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | | 3,000 |
| Share premium account | 17 | | 297,000 |
| Profit and loss account | 17 | | 1,057,904 |
| **Shareholders' funds** | | | 1,357,904 |

These financial statements were approved by the board of directors on 26 August 1999 and were signed on its behalf by:

**Mark Coombs**
*Director*

## Consolidated cash flow statement

*for the seven month period ended 30 June 1999*

| | Note | 30 June 1999 £ |
|---|---|---|
| **Cash flow statement** | | |
| **Cash flow from operating activities** | 20 | 1,672,036 |
| **Returns on investments and servicing of finance** | 21 | 2,335 |
| **Taxation** | | (1,008,923) |
| **Capital expenditure and financial investment** | 21 | (12,774) |
| **Acquisitions and disposals** | 21 | (811,180) |
| Cash outflow before management of liquid resources and financing | | **(158,506)** |
| **Management of liquid resources** | | - |
| **Financing** | 21 | 2,000,000 |
| **Increase in cash in the period** | | 1,841,494 |
| Net funds at the start of the period | | - |
| **Net funds at the end of the period** | 22 | 1,841,494 |

## Reconciliations of movements in shareholders' funds

*for the seven month period ended 30 June 1999*

| | 1999 | |
|---|---|---|
| | **Group** | **Company** |
| | **£** | **£** |
| **Profit for the financial year** | **1,065,070** | **1,057,904** |
| New share capital subscribed | 300,000 | 300,000 |
| Opening shareholders' funds | - | - |
| **Closing shareholders' funds** | **1,365,070** | **1,357,904** |

# 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 1999. 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 period was £1,057,904.

***Fees and commissions receivable***

Management fees are accrued on a quarterly 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 in the period in which each fund's year end falls. Corporate finance fees received at the inception of a new contract are considered to have been earned in full and are credited to the profit and loss account immediately.

***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)*

## 2 Profit on ordinary activities before taxation

| | 1999 £ |
|---|---|
| ***Profit on ordinary activities before taxation is stated*** | |
| *after charging* | |
| Auditors' remuneration: | |
| Group - audit | 23,000 |
| - fees paid to the auditor and its associates in respect of other services | 33,500 |
| Company - audit | 23,000 |
| Amortisation of goodwill | 54,448 |
| *after crediting* | |
| Exchange gains | 32,035 |

## 3 Remuneration of directors

| | 1999 £ |
|---|---|
| Directors' emoluments | 20,515 |
| Company contributions to money purchase pension schemes | 1,313 |
| | 21,828 |

| | Number of directors 1999 |
|---|---|
| Retirement benefits are accruing to the following number of directors under: | |
| Money purchase schemes | 1 |

## Notes *(continued)*

### 4 Staff numbers and costs

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

| | Number of employees 1999 £ |
|---|---|
| Investment Management Administration | 9 |

The aggregate payroll costs of these persons were as follows:

| | 1999 £ |
|---|---|
| Wages and salaries | 163,388 |
| Social security costs | 15,969 |
| Other pension costs | 11,609 |
| | 190,966 |

### 5 Other interest receivable and similar income

| | 1999 £ |
|---|---|
| Bank interest receivable | 23,355 |
| Foreign exchange earnings | 32,035 |
| | 55,390 |

### 6 Interest payable and similar charges - Group

| | 1999 £ |
|---|---|
| On loans and overdrafts | 58,752 |

### 7 Taxation

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

| | 1999 £ |
|---|---|
| Corporation tax in current period at 30.25% | 506,280 |

## Notes *(continued)*

### 8 Goodwill

| | £ |
|---|---|
| ***Group*** | |
| At beginning of period | - |
| Additions | **1,633,446** |
| At end of period | **1,633,446** |
| ***Amortisation*** | |
| At beginning of period | - |
| Charged in period | **54,448** |
| At end of period | **54,448** |
| ***Net book value*** | |
| **At 30 June 1999** | **1,578,998** |

### 9 Tangible fixed assets

| | **Fixtures, fittings tools and equipment £** |
|---|---|
| ***Group and Company*** | |
| At beginning of period | - |
| Additions | **12,774** |
| At end of period | **12,774** |
| ***Depreciation*** | |
| At beginning of period | - |
| Charged in period | - |
| At end of period | - |
| ***Net book value*** | |
| **At 30 June 1999** | **12,774** |

# Notes *(continued)*

## 10 Fixed asset investment

| | Shares in group undertaking £ |
|---|---|
| ***Company*** | |
| At beginning of year | - |
| Additions | 2,653,827 |
| At end of year | 2,653,827 |

The subsidiary undertakings of the group are as follows:

| | Country of incorporation | Principal activity | Class and percentage of shares held |
|---|---|---|---|
| ***Subsidiary undertakings*** | | | |
| 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 | Corporate Finance Adviser | Ordinary 100% |
| Ashmore Management Company Limited* | Guernsey | Fund Management | Ordinary 100% |

* Held indirectly by Ashmore Investments (UK) Limited.

# Notes *(continued)*

## 11 Debtors

| | Group 1999 £ | Company 1999 £ |
|---|---|---|
| Trade debtors | 1,107,763 | - |
| Amounts owed by subsidiary undertakings | - | 2,358,163 |
| Other debtors | 73,747 | 73,747 |
| Prepayments and accrued income | 63,169 | 63,169 |
| | 1,244,679 | 2,495,079 |

## 12 Creditors: amounts falling due within one year

| | Group 1999 £ | Company 1999 £ |
|---|---|---|
| Amounts owed to subsidiary undertakings | - | 881,087 |
| Taxation and social security | 325,320 | - |
| Other creditors | 384,242 | 327,763 |
| Accruals and deferred income (see note 14) | 903,313 | 903,313 |
| | 1,612,875 | 2,112,163 |

## 13 Creditors: amounts falling due after more than one year

| | Company 1999 £ |
|---|---|
| Unsecured 10% Loan Notes 2004 | 1,700,000 |

The loan notes which were issued on 24 February 1999 and which have remained outstanding since that date, are repayable in 2004 with interest being accrued at 10% per annum if paid on a cash basis or 12% per annum if rolled-up. Interest of £58,685 has been accrued but not paid at the balance sheet date.

1,236,023 of the loan notes are held by the directors of the company (M Coombs: 736,023, J Moulton: 500,000), with the remaining 463,977 loan notes being held by key management.

## Notes *(continued)*

### 14 Provision for liabilities and charges

| | Other provision £ |
|---|---|
| **Group and Company** | |
| At beginning of period | - |
| Utilised during period | - |
| Charge for the period | 700,000 |
| At end of period | 700,000 |

A provision has been set up in relation to discretionary bonuses, expected to be paid, depending upon the financial position of the company at the time, to employees of the company. The provision is included with accruals and deferred income (see note 12).

### 15 Acquisitions

On 24 February 1999 the company acquired all of the issued share capital of ANZ Investments (UK) Limited. The resulting goodwill of £1,633,446 was capitalised and will be written off over 10 years.

| | Fair value £ |
|---|---|
| **Current assets** | |
| ACT recoverable | 328,263 |
| Sundry debtors | 5,697 |
| Cash | 1,842,647 |
| **Total assets** | 2,176,607 |
| Tax payable | (1,156,226) |
| **Fair value of net assets** | 1,020,381 |
| **Fair value of purchase consideration** | 2,653,827 |
| **Goodwill** | 1,633,446 |

## Notes *(continued)*

### 15 Acquisitions *(continued)*

The aggregated results of the acquired undertaking from 1 October 1998 to the date of acquisition by Ashmore Group Limited are shown in summary as follows:

| | £ |
|---|---|
| Turnover | 1,861,089 |
| Operating profit | 832,203 |
| Loss on sale of subsidiary undertaking | (876,604) |
| Loss before taxation | (44,401) |
| Taxation | (255,904) |
| Loss after taxation | (300,305) |

There are no other gains and losses for the acquired undertaking for the period from 1 October 1998 to the date of acquisition by Ashmore Group Limited. The consolidated profit after tax for ANZ Investments (UK) Limited for the year ended 30 September 1998 was £1,326,239.

### 16 Called up share capital

| | 1999 £ |
|---|---|
| ***Authorised*** | |
| 166,500 'A' Ordinary shares of 1 pence each | 1,665 |
| 21,000 'B' Ordinary shares of 1 pence each | 210 |
| 172,000 'C' Ordinary shares of 1 pence each | 1,725 |
| | 3,600 |
| ***Allotted, called up and fully paid*** | |
| 166,500 'A': Ordinary shares of 1 pence each | 1,665 |
| 21,000 'B' Ordinary shares of 1 pence each | 210 |
| 112,500 'C' Ordinary shares of 1 pence each | 1,125 |
| | 3,000 |

All the above ordinary shares represent equity of the company and rank pari passu in respect of participation and voting rights. During the set up of the company, 166,500 ordinary 'A' shares and 8,100 ordinary 'C' shares were issued for a consideration of £1,746 of cash with a premium of 99 pence per share. On 24 February 1999, 21,000 ordinary 'C' shares and 104,400 ordinary 'B' shares were issued for a consideration of £1,254 of cash with a premium of 99 pence per share.

## Notes *(continued)*

### 17 Share premium and reserves

| | Group | |
|---|---|---|
| | **Share premium account** | **Profit and loss account** |
| | **£** | **£** |
| At beginning of period | - | - |
| Retained profit for the period | - | 1,065,070 |
| Premium on share issues, less expenses | 297,000 | - |
| At end of period | **297,000** | **1,065,070** |

| | Company | |
|---|---|---|
| | **Share premium account** | **Profit and loss account** |
| | **£** | **£** |
| At beginning of period | - | - |
| Retained profit for the period | - | 1,057,904 |
| Premium on share issues, less expenses | 297,000 | - |
| At end of period | **297,000** | **1,057,904** |

### 18 Deferred consideration

Deferred consideration is payable being a percentage of performance fees receivable by AIML over the next three years, in respect of funds under management at the date of acquisition. These performance fees are calculated for each underlying fund at each fund's financial year end and because of the nature of these fees it is not possible to estimate in advance the amount which will be payable.

### 19 Pension scheme

The group operates a defined contribution scheme. The pension cost charge for the period of £11,609 represents contributions payable by the group to the fund. There were no payments outstanding at year end.

# Notes *(continued)*

## 20 Reconciliation of operating profit to operating cash flows

| | 1999 |
|---|---|
| | £ |
| Operating profit | 1,574,712 |
| Depreciation, amortisation and impairment charges | 54,448 |
| Increase in debtors | (1,244,679) |
| Increase in creditors | 1,287,555 |
| Net cash inflow from continuing activities | 1,672,036 |

## 21 Analysis of cash flows

| | *Notes* | 1999 | |
|---|---|---|---|
| | | £ | £ |
| **Returns on investment and servicing of finance** | | | |
| Interest received | | 61,087 | |
| Interest paid | | (58,752) | |
| | | | 2,335 |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (12,774) | |
| | | | (12,774) |
| **Acquisitions and disposals** | | | |
| Purchase of subsidiary undertaking | *23* | (2,653,827) | |
| Net cash acquired with subsidiary | | 1,842,647 | |
| | | | (811,180) |
| **Financing** | | | |
| Issue of ordinary share capital | | 300,000 | |
| Debt due after more than one year: | | | |
| New unsecured loan repayable in 2004 | | 1,700,000 | |
| | | | 2,000,000 |

# Notes *(continued)*

## 22 Analysis of net funds

| | At beginning of year | Cash flow | At end of year |
|---|---|---|---|
| | £ | £ | £ |
| Cash in hand, at bank | - | 1,841,494 | 1,841,494 |

## 23 Purchase of subsidiary undertaking

| | £ |
|---|---|
| **Net assets acquired** | |
| Debtors | 333,960 |
| Cash at bank and in hand | 1,842,647 |
| Creditors | (1,156,226) |
| | 1,020,381 |
| Goodwill | 1,633,446 |
| | 2,653,827 |
| **Satisfied by:** | |
| Shares allotted | - |
| Cash | 2,653,827 |
| | 2,653,827 |

The subsidiary undertaking acquired during the year contributed £1.48 million to the group's net operating cash flows, paid £0.1 million in respect of net returns on investments and servicing of finance and paid £1 million in respect of taxation.

There are no fair value adjustments necessary to the net assets acquired of the subsidiary undertaking.