

Ashmore Group Limited

**Directors' report and consolidated
financial statements**

For the year ended 30 June 2003
Registered number 3675683



Directors' report and financial statements

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Ashmore Group Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Consolidated cash flow statement	8
Reconciliation of movements in shareholders' funds	9
Notes	10

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

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 its activity 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 £3,524,060. Results to date, for the year to 30 June 2004, have been encouraging.

Directors and directors' interests

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

M Coombs
J Moulton
J Green

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
J Green	Ashmore Group Limited	Ordinary 'C'	37,500	37,500

Political and charitable contributions

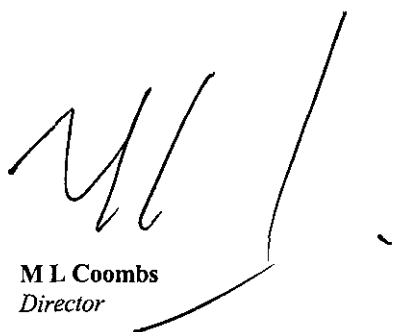
The group made no political or charitable contributions during the year.

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 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

A handwritten signature in black ink, appearing to read 'M.L. Coombs', is written over a horizontal line. The signature is stylized and cursive.

M L Coombs
Director

Registered Office:
110 Cannon Street
London
EC3N 6AR

18 December 2003

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 18.

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 2003 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: 18 December 2003

Consolidated profit and loss account

	<i>Note</i>	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Fees - receivable	<i>1</i>	21,363,603	19,523,513
Operating expenses			
Administration expenses		(8,881,891)	(7,780,766)
Fees and commissions payable		(1,557,375)	(1,129,258)
Operating profit		<u>10,924,337</u>	<u>10,613,489</u>
Interest receivable and similar income		1,741,390	1,736,907
Profit on ordinary activities before taxation	<i>2</i>	<u>12,665,727</u>	<u>12,350,396</u>
Tax on profit on ordinary activities	<i>5</i>	(4,067,205)	(4,057,794)
Minority interest		(74,462)	(69,856)
Ordinary dividends			
- Interim		(5,000,000)	-
Retained profit for the year		<u><u>3,524,060</u></u>	<u><u>8,222,746</u></u>

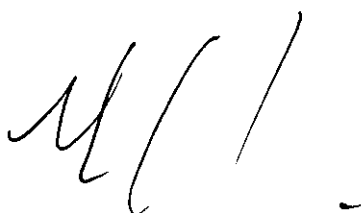
The group had no recognised gains or losses other than the profit for the year. All of the results relate to continuing operations.

Consolidated balance sheet

at 30 June

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Goodwill	6		4,924,250		5,793,236
Tangible assets	7		157,854		190,783
			<u>5,082,104</u>		<u>5,984,019</u>
Current assets					
Debtors	9	4,300,003		2,764,337	
Cash at bank and in hand	17	32,003,425		29,622,408	
			<u>36,303,428</u>		<u>32,386,745</u>
Creditors: amounts falling due within one year	10		<u>(7,100,532)</u>		<u>(7,684,286)</u>
Net current assets			29,202,896		24,702,459
Net assets			<u>34,285,000</u>		<u>30,686,478</u>
Capital and reserves					
Called up share capital	11		3,000		3,000
Share premium account	12		297,000		297,000
Profit and loss account	12		33,808,616		30,284,556
Minority interest			176,384		101,922
Shareholders' funds			<u>34,285,000</u>		<u>30,686,478</u>

These financial statements were approved by the board of directors on 18 December 2003 and were signed on its behalf by:



Mark Coombs
 Director

Balance sheet
at 30 June

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	7		108,710		123,711
Investments	8		9,710,235		9,710,235
			<hr/>		<hr/>
			9,818,945		9,833,946
Current assets					
Debtors	9	379,386		206,871	
Cash at bank and in hand		25,099,180		19,206,732	
			<hr/>		<hr/>
Creditors: amounts falling due within one year	10	25,478,566		19,413,603	
			<hr/>	(4,136,000)	
			<hr/>		<hr/>
Net current assets			21,025,839		15,277,603
			<hr/>		<hr/>
Net assets			30,844,784		25,111,549
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		3,000		3,000
Share premium account	12		297,000		297,000
Profit and loss account	12		30,544,784		24,811,549
			<hr/>		<hr/>
Shareholders' funds			30,844,784		25,111,549
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 18 December 2003 and were signed on its behalf by:



Mark Coombs
 Director

Consolidated cash flow statement

	<i>Note</i>	Year ended 30 June 2003	Year ended 30 June 2002
		£	£
Cash flow from operating activities	15	10,753,006	10,804,534
Returns on investments and servicing of finance	16	1,339,093	1,196,744
Taxation		(5,161,229)	(5,440,156)
Capital expenditure and financial investment	16	(56,259)	(19,136)
		<hr/>	<hr/>
Cash inflow before management of liquid resources and financing		6,874,611	6,541,986
Interim dividend paid		(5,000,000)	-
		<hr/>	<hr/>
Increase in cash in the -year		1,874,611	6,541,986
Effects of foreign exchange gain on cash		506,406	329,389
Net funds at the start of the year		29,622,408	22,751,033
		<hr/>	<hr/>
Net funds at the end of the year	17	32,003,425	29,622,408
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds

	2003 Group £	2003 Company £	2002 Group £	2002 Company £
Profit for the financial year	3,524,060	5,733,235	8,222,746	1,671,432
Opening shareholders' funds	30,686,478	25,111,549	22,393,876	23,440,117
Minority interest	74,462	-	69,856	-
Closing shareholders' funds	<u>34,285,000</u>	<u>30,844,784</u>	<u>30,686,478</u>	<u>25,111,549</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.

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 2003. 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 £5,733,235. (2002 : £1,671,432)

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

	2003	2002
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Group - audit	38,426	40,147
- fees paid to the auditor and its associates in respect of other services	65,751	49,500
Company - audit	29,351	30,600
- fees paid to the auditor and its associates in respect of other services	65,326	49,500
Depreciation of tangible fixed assets	89,188	80,551
Amortisation of goodwill	868,986	868,985
<i>after crediting</i>		
Exchange gains	403,606	647,201

3 Remuneration of directors

	2003	2002
	£	£
Directors' emoluments (highest: £553,724)	863,780	1,008,724
Company contributions to money purchase pension schemes	13,300	11,900
	877,080	1,020,624
	877,080	1,020,624

	Number of	directors
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
	2	2
	2	2

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	
	2003	2002
Investment management and administration	32	28
	32	28

The aggregate payroll costs of these persons were as follows:

	2003		2002	
	£		£	
Wages and salaries	4,968,830		4,297,898	
Social security costs	536,116		461,239	
Other pension costs	130,600		112,610	
	5,635,546		4,871,747	

Notes (continued)

5 Taxation

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

	2003	2002
	£	£
Corporation tax in current year at 30%	4,067,205	4,057,794
	<u> </u>	<u> </u>
Current-tax -reconciliation		
Tax on profit on ordinary activities		
UK Corporation tax charge for current year	3,894,176	3,920,165
Earlier-year-under provision	173,029	137,629
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u>4,067,205</u>	<u>4,057,794</u>
Profit on ordinary activities before tax	<u>12,665,727</u>	<u>12,350,396</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	3,799,718	3,705,953
Effects of:		
<i>Permanent differences</i>		
Expenses not deductible	73,677	16,380
Amortisation of Goodwill	260,696	260,696
<i>Timing Differences</i>		
Depreciation in excess of Capital Allowances	7,877	7,236
Bonus provision brought forward and released in year	(195,735)	-
<i>Other differences</i>		
Prior year adjustment	173,029	137,629
Difference in corporation tax due to change in band-profits are taxed and marginal relief	(5,387)	(8,423)
Foreign tax adjustments	<u>(46,670)</u>	<u>(61,677)</u>
Current corporation tax for period	<u>4,067,205</u>	<u>4,057,794</u>

Notes (continued)

6 Goodwill

	£
<i>Group</i>	
At beginning and end of period	8,689,854
<hr/>	
<i>Amortisation</i>	
At beginning of period	(2,896,618)
Charged in period	(868,986)
<hr/>	
At end of period	(3,765,604)
<hr/>	
<i>Net book value</i>	
At 30 June 2003	4,924,250
<hr/> <hr/>	

The cumulative amount of goodwill written off from acquisition of subsidiary undertaking in the current and earlier years is £3,765,604 (2002 : £2,896,618).

7 Tangible fixed assets

	Fixtures, fittings and equipment Company	Fixtures, fittings and equipment Group
<i>Cost</i>	£	£
At beginning of period	260,472	385,043
Additions	42,634	56,259
<hr/>		<hr/>
At end of period	303,106	441,302
<hr/>		<hr/>
<i>Depreciation</i>		
At beginning of period	(136,761)	(194,260)
Charged in period	(57,635)	(89,188)
<hr/>		<hr/>
At end of period	(194,396)	(283,448)
<hr/>		<hr/>
<i>Net book value</i>		
At 30 June 2003	108,710	157,854
<hr/> <hr/>		<hr/> <hr/>

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	Corporate Finance Adviser	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 2003 £	Company 2003 £	Group 2002 £	Company 2002 £
Trade debtors	3,853,936	8,030	2,194,649	9,605
Amounts owed by subsidiary undertakings	-	202,644	-	3,181
Other debtors	25,106	25,106	31,692	31,692
Prepayments and accrued income	420,961	143,606	537,996	162,393
	<u>4,300,003</u>	<u>379,386</u>	<u>2,764,337</u>	<u>206,871</u>

10 Creditors: amounts falling due within one year

	Group 2003 £	Company 2003 £	Group 2002 £	Company 2002 £
Taxation and social security	2,115,397	8,143	3,209,421	8,464
Accruals and deferred income	4,985,135	4,444,584	4,474,865	4,127,536
	<u>7,100,532</u>	<u>4,452,727</u>	<u>7,684,286</u>	<u>4,136,000</u>

11 Called up share capital

	2003 £	2002 £
<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
112,500 'C' Ordinary shares of 1 pence each	1,125	1,125
	<u>3,000</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.

Notes (continued)

12 Share premium and reserves

	2003 Group		2002 Group	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At beginning of period	297,000	30,284,556	297,000	22,061,810
Retained profit for the period	-	3,524,060	-	8,222,746
<u>At end of period</u>	<u>297,000</u>	<u>33,808,616</u>	<u>297,000</u>	<u>30,284,556</u>

	Company		Company	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At beginning of period	297,000	24,811,549	297,000	23,140,117
Retained profit for the period	-	5,733,235	-	1,671,432
<u>At end of period</u>	<u>297,000</u>	<u>30,544,784</u>	<u>297,000</u>	<u>24,811,549</u>

13 Pension scheme

The group operates a defined contribution scheme. The pension cost charge for the period of £130,600 (2002 : £112,610) represents contributions payable by the group to the fund. There were no outstanding or prepaid contributions at the year end.

14 Operating lease commitments

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

Operating leases which expire:	2003 £	2002 £
Within one year	8,204	177,803
Over one year but not more than five years	211,264	42,264

Notes (continued)

15 Reconciliation of operating profit to operating cash flows

	2003 £	2002 £
Operating profit	10,924,337	10,613,489
Depreciation, amortisation and impairment charges	958,174	949,537
Increase in debtors	(1,637,156)	(859,789)
Increase in creditors	507,651	101,297
	<hr/>	<hr/>
Net cash inflow from continuing activities	10,753,006	10,804,534
	<hr/> <hr/>	<hr/> <hr/>

16 Analysis of cash flows

	2003 £	£
Returns on investment and servicing of finance		
Interest received	1,196,375	
Other income received	142,718	
	<hr/>	1,339,093
		<hr/> <hr/>
Capital expenditure and financial investment		
Purchase of fixed assets	56,259	
	<hr/>	56,259
		<hr/> <hr/>

17 Analysis of net funds

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	29,622,408	2,381,017	32,003,425
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>