Franklin Templeton Fund Management Limited

Registration number: 1938417

Report and Financial Statements
for the year ended September 30, 2019

Franklin Templeton Fund Management Limited
Table of Contents

Franklin Templeton Fund Management Limited
Company Information

Directors
Martyn C. Gilbey (Chairman and Chief Executive Officer)
David Brigstocke (Non-executive Director)
Paul Collins
Kathleen Davidson
William Jackson
Henrietta Jowitt (Non-executive Director)
Gwen L. Shaneyfelt

Registered Office
Cannon Place
78 Cannon Street
London
EC4N 6HL

Independent Auditors
PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Franklin Templeton Fund Management Limited
Strategic Report
For the fiscal year ended September 30, 2019

The Directors present their Strategic Report on Franklin Templeton Fund Management Limited ("FTFML" or the "Company") for the year ended September 30, 2019.

Review of the business

The Company provides investment management and related services to investors in Franklin Templeton Funds ("FTF"), a United Kingdom ("UK") registered open-ended investment company ("OEIC") for which the Company is the Authorised Corporate Director ("ACD"), as well as institutional separate accounts. In addition to investment management ("IM"), the Company's services include fund administration, sales, distribution, marketing, shareholder servicing and other services. The Company distributes its OEIC through third-party financial intermediaries including fund of funds managers, fund supermarkets and other independent financial advisers. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

The Company is a wholly-owned subsidiary of Franklin Templeton Global Investors Limited ("FTGIL" or the "Parent"), which is an indirect wholly-owned subsidiary of Franklin Resources, Inc. ("Franklin").

Results and performance

The results of the Company for the year, as set out on page 12, show net income before taxes of £1,064 thousand (2018: £2,817 thousand). The total stockholder's equity of the Company is £7,501 thousand (2018: £11,645 thousand).

During the year ended September 30, 2019, total operating revenues have increased by £1,053 thousand to £25,964 thousand of which IM fees contributed 90% (2018: 94%). An increase in IM fees from the separate accounts of £2,683 thousand is partly offset by a reduction in IM fees from FTF funds of £1,189 thousand or 5%. IM fees are aligned with the underlying assets under management ("AUM") which have increased by £0.2 billion to £4.7 billion at September 30, 2019. The increase in AUM was predominately due to additional inflows to institutional separate account mandates. Excluding the separate accounts, the AUM of FTF has fallen by £0.2 billion or 6% to £3.1 billion, compared to the prior year.

As ACD and distributer of FTF, the Company incurs expenses from fellow Franklin subsidiaries and third parties for services provided to FTF which include: intra-group promotional services provided by Franklin Templeton Investment Management Limited ("FTIML"); sub-delegated business management ("BM") and transfer agency ("TA") activities provided by FTGIL; and sales, distribution and marketing expenses charged by third party broker-dealers. In addition, the Company has sub-delegated the investment advisory function of several FTF sub-funds to fellow Franklin subsidiaries. Where expenses are incurred for sub-delegated FTF sub-funds these are charged to the relevant Franklin subsidiary as promotional service fees or sales and distribution fees, within operating revenue.

Total operating expenses have increased by £2,825 thousand to £24,884 thousand. Advertising and promotion charges, which relate to promotional services provided by FTIML, have risen by £1,568 thousand to £7,030 thousand, due in part to additional charges associated with separate account mandates. Compensation and benefits increased by £737 thousand to £3,915 thousand. During the year the average headcount increased to eight compared to six in 2018. General, administrative and other expenses have increased by £644 thousand to £12,303 thousand. This is as a result of an increase of £644 thousand in irrecoverable VAT and an increase in broker research fees of £211 thousand, partly offset by a decrease of £191 thousand in sub-delegated BM & TA expenses, linked to a decrease in the average FTF AUM. These movements have been partially offset by a reduction of £291 thousand to £766 thousand in sales, distribution and marketing expenses linked to the continued move to clean share classes, paying no retrocession expense.

The Company's effective tax rate as a percentage of net income before tax is 19.5% (2018: 20.3%).

The Board of Directors undertake a quarterly examination of capital adequacy as part of the review of the Internal Capital Adequacy Assessment Process, representing the Company's Pillar 2 Capital. At September 30, 2019, and throughout the year, the Company has maintained a buffer which exceeds the minimum regulatory requirements.

Franklin Templeton Fund Management Limited
Strategic Report
For the fiscal year ended September 30, 2019

Business environment

At total assets managed of £9.1 trillion, the UK asset management industry is the second largest market in the world after the United States of America. It is highly competitive, innovative and strategically important to the UK economy. Institutional clients are the largest client group accounting for 80% of AUM. Equities account for 36% of allocations (down from 40% in 2017) with UK equities representing 30% of this allocation. Fixed income allocations increased by 7% to 49%. 74% of all assets remain actively managed. The UK industry functions as the asset management centre for Europe, with 37% of European investors assets managed from the UK.[1]

UK investors continue to require diversification, capital growth and income. These needs cannot be met by general market returns alone. A combination of diversification beyond traditional asset classes and geographies with potential of active asset management is required to maximise returns. The Company continues to develop and offer a wide range of products to meet these income and growth needs whilst offering clients certainty of investment approach through our robust and repeatable investment processes.

The regulatory environment remains busy, impactful and to some extent uncertain in the face of the withdrawal of the UK from the European Union ("Brexit"). The full implementation of MiFID II, the FCA's Asset Management Market Study including the Assessment of Value report, Senior Manager and Certification Regime and Brexit dominate the regulatory environment. The Company is focused on both product and service development to ensure it can meet the needs of both clients' and regulators' requirements, whilst continuing to focus on delivering the best performance we can over the long term, managing investments in line with our clients' expectations.

Strategy

The Company is focused on understanding our customers' investment challenges and needs, working to meet these demands through engagement, collaboration and construction of appropriate solutions that seek to deliver consistent, risk-adjusted performance.

The Company's clients require access to global markets and look beyond traditional investment strategies to diversify their portfolios, mitigate volatility and maximise returns. Asset managers who combine broad capabilities in traditional markets and alternative asset classes can provide effective diversification. We are well placed to deliver diversification through our asset allocation, traditional and alternative investment capabilities.

Franklin and its subsidiaries (the "Franklin Group") has more than 600 investment professionals who are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With offices in over 30 countries, the California-based company has more than 70 years of investment experience.

Key performance indicators ("KPIs")

The progress of the Company is monitored by considering a number of financial KPIs, including AUM, operating revenues, operating expenses, operating income and operating income margin. Regulatory capital measures such as Pillar 2 capital are also considered.

for the fiscal years ended September 30,		2019		2018
AUM, in billions, at September 30,	£	4.7	£	4.5
Total operating revenues, in millions	£	26.0	£	24.9
Total operating expenses, in millions	£	24.9	£	22.1
Operating income, in millions	£	1.1	£	2.9
Operating income margin		4%		11%
Return on assets		6%		12%

In addition, there is a regular review of the level of gross and net sales against AUM together with the level of operating expenditure against budgeted levels set.

[1] The Investment Association - Investment Management in the UK 2018-2019

Principal risks and uncertainties

In addition to the risks discussed within the financial risk management section of the Directors' report, the Board of Directors has identified principal risks facing the business and employ a mitigation strategy to each risk as follows:

Principal Risk:	Investment performance
Mitigation:	Diversification by fund objective, investment clientele, management brand and geographic region Close monitoring by the Portfolio Analysis and Investment Risk group
Principal Risk:	Loss of key employees
Mitigation:	Compensation targets retention of key employees Company has a team-based approach to investment management
Principal Risk:	Uncertain economic outlook
Mitigation:	Maintenance of significant retained earnings, cash balances and capital buffers
Principal Risk:	Concentration of AUM and operating revenues
Mitigation:	Diversification by fund objective, investment clientele, management brand and geographic region
Principal Risk:	Political unrest (including Brexit) or local economic developments changes which could restrict flow of capital
Mitigation:	Limit exposure to companies which are in any way impacted by sanctions Portfolio managers monitor and assess political situation with countries
Principal Risk:	Business impact of increasing privacy regulations
Mitigation:	Development of a global set of privacy requirements which has lead to the implementation of the Global Privacy Toolset Enhancement project

The process of identifying risk, risk acceptance and risk management is addressed through a framework discussed in the Directors' Report.

Future developments

The potential departure of the UK from the European Union at the end of January 2020 continues to dominate our risk assessment of our operating environment. We have advanced plans in place to adjust our business model for a post-Brexit operating environment in the UK, albeit the details of the final withdrawal agreement and basis for a future trading agreement will remain unknown for some time.

Not withstanding, the Company will continue to focus on producing long-term risk adjusted investment performance and on providing high quality customer service to our clients.

The asset management industry is predicted to benefit from an increase in AUM over the years ahead as investors, often under government incentives, continue to use its products to provide for future capital and income needs. The Company is focused on enhancing its brand recognition as a provider of such products whilst refining and building the appropriate service models for the different distribution channels.

Investors' expectations of their investment managers are evolving in significant ways. These investors expect a diverse set of investment choices to help them achieve their financial goals. They also expect those investment choices to consistently deliver compelling investment performance in cost-efficient vehicles with the ability to access them where and how they want. No longer satisfied to simply take what the industry offers, the investor is demanding that investment managers respond to these shifting preferences. Our strategy is straightforward and focused to help our clients meet their investment goals with more diversified choices of investment strategies, products, vehicles and access to meet their changing investment requirements.

On behalf of the Board

Martyn C. Gilbey
Chairman and Chief Executive Officer

December 16, 2019

The Directors present their report and the audited financial statements of Franklin Templeton Fund Management Limited for the year ended September 30, 2019. For the review of the business and the results and performance refer to the Strategic Report.

Future developments

Likely future developments in the business of the Company are discussed in the Strategic Report.

Dividends

Ordinary share dividends of £50 (2018: £nil) per £1 ordinary share amounting to £5,000 thousand (2018: £nil) were approved and paid during the year. No further dividends have been proposed at September 30, 2019 (2018: nil).

Directors and Officers

The Directors and Officers who held office during the year ended September 30, 2019 and up to the date of signing the financial statements are as follows:

Martyn C. Gilbey (Chairman and Chief Executive Officer)
Paul J. Brady (resigned May 10, 2019)
David Brigstocke (Non-executive Director, appointed May 10, 2019)
Caroline E. Carroll (resigned May 10, 2019)
Paul Collins (appointed May 10, 2019)
Kathleen Davidson (appointed May 10, 2019)
Kellie A. Hargraves (resigned May 10, 2019)
William Jackson
Anthony John (Non-executive Director, appointed May 10, 2019, resigned December 3, 2019)
Henrietta Jowitt (Non-executive Director, appointed May 10, 2019)
Gwen L. Shaneyfelt (appointed May 10, 2019)
Adrian White (resigned May 10, 2019)

Directors' and Officers' insurance

The Company has secured third party indemnity insurance on behalf of the Directors and Officers against claims for error, omission, misstatement, neglect or breach of duty. This policy has been in force throughout the last financial year and is currently in force.

Employees

Franklin and its subsidiaries (the "Franklin Group") is an equal opportunities employer and considers qualified applicants for employment without regard to race, sex, religion, colour, national origin, disability, medical condition, marital status, age, sexual orientation or any other basis protected by local employment legislation. Specifically, applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the unfortunate event an employee becomes disabled, every effort is made to ensure that their employment with the Company can continue and they are fully supported with reasonable adjustments being made where required.

In the Franklin Group individual differences and the wealth of perspectives brought by diversity are embraced. Our respect for individuals bringing their whole selves to the workplace guides how we communicate, work and learn together. It inspires innovation and enables us to pursue common goals that support the success of our Company. The Franklin Group strives to attract the best people and develop their talents and skills to their full potential. Diversity and inclusion are considered to be an integral part of the Franklin Group's employment practices and procedures. Therefore, this applies, but is not limited to, the recruitment and selection of employees, terms and conditions of employment, training and development, career progression and any other specific employment practices which are carried out in line with local legislation. Furthermore, all employees have ongoing opportunities to enhance their knowledge, competencies and professional skills through various types of training and development. The Company has participated in the Stonewall Workplace Equality Index for six consecutive years (Stonewall is a lesbian, gay, bisexual, transgender plus ("LGBT+") charity campaigning for the progression of equality) and supports various local charters which encourage action to improve the Franklin Group's gender balance. In addition, the Company participates in the Human Rights Campaign Corporate Equality Index and the Bloomberg Gender Equality Index. It is also signatory to the UK's HMT Women in Finance Charter and voluntarily reports on its Gender Pay Gap in the UK.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and the Franklin Group as a whole. Communication with all employees takes place through the intranet portal, email communications and departmental updates. In addition, there are at least quarterly Executive Communications via video or townhall that aim to achieve awareness of the Franklin Group's strategy, performance and direction, and pertaining financial and economic factors. The use of Yammer (a social networking service for communications across the Franklin Group) is also widely encouraged. As well as building a common awareness of Company performance, the Franklin Group also encourages employees to participate in the success of the Company through the provision of an Employee Stock Investment Plan ("ESIP").

Financial risk management

In the normal course of business, the Company is exposed to a number of risks which it seeks to identify, assess, monitor, mitigate and control in order to provide reasonable assurance that it will meet its objectives. In doing so, the Company considers the qualitative and quantitative aspects of these risks, assesses their impact and probability and seeks to monitor and control them.

The Company believes that accepting risks in a controlled manner is core to the financial business and is an inevitable consequence of being in business. FTFML's aim is therefore to achieve an appropriate balance between risk and return and to minimise potential adverse effects on its financial performance.

The Franklin Group operates an independent global risk management function called Enterprise Risk Management ("ERM"). ERM is an integrated, consistent and strategic method to the management of risk. The methodology is applied in strategy setting both regionally and across the Franklin Group to identify, measure and manage potential events that may affect the business. ERM practices support the achievements of Franklin's objectives and goals.

Everyone in Franklin has some responsibility for risk management.

- The Franklin Group CEO has ultimate ownership.
- Board of Directors - the legal entity boards provide oversight by being aware of ERM practices and their deployment within the firm, staying apprised of significant risks and management responses.
- Enterprise Risk Management Committee ("ERMC") - the ERMC provides oversight of the risk management process at Franklin.
- Europe, Middle East and Africa Risk Management Committee ("EMEA RMC") - the EMEA RMC provides oversight of key risk practices for the EMEA businesses. The committee facilitates, challenges, and drives the EMEA risk management function.
- EMEA management supports the ERM philosophy and manages risks within their spheres of influence.
- Enterprise Risk Management Organisation ("ERMO") - the ERMO is responsible for facilitating the identification, assessment, and reporting of key risks across the company in the annual risk assessment process. The enterprise key risks are reported to the Audit Committee quarterly, and annually to the FRI Board of Directors. ERMO also tracks audit issues from internal and external sources in a central repository; reports from the database are provided monthly to corresponding line of business leaders.
- Risk & Control groups - individual business units conduct internal assessments specific to their business functions. Results are reported to line of business management.

The principal risks and uncertainties of the business of the Company are discussed in the Strategic Report. Specific risks and the risk management policies that are in place are addressed below.

Regulatory and operational risks

The Company is subject to MiFID which requires some common business conduct standards across EU member states. The Company also adheres to the EU Capital Requirements Directive ("CRD"). This legislation introduced the Basel II risk-based prudential standards for banks and investment firms. The Company is subject to capital requirement rules under CRD III.

FTFML is regulated solely by the FCA for both its business conduct and prudential matters. The FCA's prudential supervision approach is focused on minimising the impact of failure on consumers and market participants. In the FCA 2019/2020 Business Plan, Risk Outlook section, the below risk areas have been identified as key areas of focus for the FCA.

As in prior years the FCA intend to continue to focus on firms culture and governance via implementation of the Senior Managers & Certification regime and implementation of new Directory, financial crime and money laundering, operational resilience (reinforcing clear expectation on outsourcing to third party service providers), fair treatment of existing customers by ensuring fairness in pricing and product value including perhaps more significantly ensuring a smooth transition post-Brexit.

The main priorities put forward and which directly impact FTFML include:

- Accountability and culture - as noted above the FCA intend to pursue this objective through implementation of the SMCR regime, which comes into force in December 2019 but intend also to conduct a review of firms remuneration practices to ensure they do not encourage staff to act in ways that could harm consumers or markets.

  The FCA expectation is for firms to be able to demonstrate awareness of their expectation on culture and to reflect these in their practices.

- Stewardship - FCA consulted on implementing the EU Shareholder Rights Directive which also takes account of the revision to the FRC UK Stewardship Code. Given the wide-ranging impact to the advisor groups in the UK such as the Emerging Markets Group; Global Equity and similarities in Codes being issued internationally, a working group has been established to conduct a detailed gap analysis and evaluation of whether the group should adopt a global stewardship policy.

- Prudential regime for MiFID investment firms - the FCA will be consulting on introducing new prudential regime and which is expected to be aligned with the EU Investment Firms Directive and Regulation, which is expected to be operational for 2020/2021.

- Overseeing compliance with the Market Abuse Regulation ("MAR") - the FCA intend to continue their work with issuers to increase knowledge of MAR, focus on firms control framework such as control of insider information and firm's capability to detect and report on suspected market abuse with particular focus on fixed income markets.

Capital requirements directive

Part Eight of the Capital Requirements Regulation ("CRR") specifies the disclosure requirements, known as the Pillar 3 disclosure, with which institutions must comply. The aim of the disclosure is to promote the transparency of institutions and to provide information to stakeholders on the solvency, risks and risk exposure of institutions. The FTGIL Group, inclusive of FTFML, has published this unaudited disclosure and it is available on Franklin's UK website, www.franklintempleton.co.uk. Regulatory capital is closely monitored by the Company.

Competition

The UK asset management industry competitive market is discussed within the business environment section of the Strategic Report.

Market risk

Market risk is the risk of adverse movements of global securities markets, exchange rates or interest rates causing higher expenses or lower revenues. The capital and credit markets continue to experience volatility and disruption. A decline in global market conditions has in the past resulted in significant decreases in AUM, revenues and profits. Such declines have had, and may in the future have, an adverse impact on our operational results.

This risk has been identified by the EMEA RMC, is closely monitored and is mitigated through diversification of products across investment objectives, diversified distribution channels and clients.

Foreign exchange risk

The Company is subject to foreign exchange risk through its international operations and its balance sheet cash and accounts payable. FTFML does not use derivative financial instruments to manage foreign exchange risk exposure. As a result, both positive and negative currency fluctuations against the Pound Sterling may affect its results. This risk is mitigated by close monitoring by the Corporate Treasury group.

Credit risk

Credit risk is the risk of loss due to a counterparty or borrower being unable to meet its obligations. As FTFML does not have a history of conducting lending activities, the risk associated with this category is narrowed to cover only counterparty risk. Experience has shown counterparty risk relating to debtors is minimal as the majority of the Company's debtors are other Franklin Group companies or Franklin sponsored funds that settle within one month, with the Company experiencing minimal historical bad debts.

The Company is also exposed to counterparty risk relating to its banking partners. Franklin has developed procedures to monitor and mitigate credit risk, including the Corporate Investment Committee and Counterparty Credit Committee's ("CCC") oversight of firm-wide exposure with both monthly and ad-hoc CCC meetings to address current events with counterparties.

Liquidity and cash flow risk

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or, can secure resources only at excessive cost.

The Company's liquidity risk is considered low as it holds significant cash balances which are available on demand. Furthermore, a significant portion of FTFML's revenues are earned from Franklin sponsored funds, which are settled on a monthly basis and, therefore, are readily convertible into cash.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at a Board meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Martyn C. Gilbey
Chairman and Chief Executive Officer

December 16, 2019

Independent Auditors' Report to the Members of Franklin Templeton Fund Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, Franklin Templeton Fund Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its net income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 September 2019; the Statement of Comprehensive Income; the Statement of Stockholder's Equity for the year then ended; and the notes to the financial statements, which includes a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities set out on pages 8 and 9, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Christopher Meyrick (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
16 December 2019

Franklin Templeton Fund Management Limited
Statement of Comprehensive Income

(in £ thousands)

For the fiscal years ended September 30,	Note	2019	2018
Operating Revenues			
Investment management fees		23,488	23,362
Promotional service fees		1,035	1,158
Sales and distribution fees		1,360	329
Functional and corporate service fees		81	62
Total operating revenues	4	25,964	24,911
Operating Expenses			
Sales, distribution and marketing		766	1,057
Compensation and benefits	5	3,915	3,178
Information systems and technology		807	662
Occupancy		63	41
Advertising and promotion		7,030	5,462
General, administrative and other	7	12,303	11,659
Total operating expenses		24,884	22,059
Operating Income	5	1,080	2,852
Other Expenses			
Other expenses		(16)	(35)
Income before income taxes		1,064	2,817
Taxes on income	8	(208)	(571)
Net Income		**856**	**2,246**
Other Comprehensive Loss			
Items that will not be reclassified to retained earnings:			
Movement on deferred tax relating share-based compensation	9	—	(6)
Other comprehensive loss		—	(6)
Total Comprehensive Income		**856**	**2,240**

The notes on pages 15 to 23 are an integral part of the financial statements.

Franklin Templeton Fund Management Limited
Balance Sheet

(in £ thousands, except share and per share data)

As at September 30,	Note	2019	2018
Assets			
Non-Current Assets			
Deferred taxes	9	335	268
Total non-current assets		335	268
Current Assets			
Prepayments and accrued income		579	380
Receivables	10	2,593	2,730
Cash		11,430	15,981
Total current assets		14,602	19,091
Total Assets		**14,937**	**19,359**
Liabilities			
Current Liabilities			
Compensation and benefit payables	11	3,420	2,723
Accounts payable and accrued expenses	12	3,619	4,246
Commissions		397	745
Total current liabilities		7,436	7,714
Total liabilities		7,436	7,714
Stockholder's Equity			
Common stock, £1 par value, 100,000 shares authorised; 100,000 shares issued, outstanding and fully paid, at September 30, 2019 and 2018		100	100
Other reserves	14	—	—
Retained earnings		7,401	11,545
Total stockholder's equity		7,501	11,645
Total Liabilities and Stockholder's Equity		**14,937**	**19,359**

The notes on pages 15 to 23 are an integral part of the financial statements.

The financial statements of the Company on pages 12 to 23 for the year ended September 30, 2019 were authorised for issue by its Board of Directors on December 16, 2019 and were signed on its behalf by:

Martyn C. Gilbey
Chairman and Chief Executive Officer

Franklin Templeton Fund Management Limited
Statement of Stockholder's Equity

(in thousands) for the fiscal year ended September 30, 2019 and 2018	Common Stock Shares	Common Stock £	Other Reserves £	Retained Earnings £	Total Stockholder's Equity £
Balance at October 1, 2017	**100**	**100**	**6**	**9,299**	**9,405**
Total comprehensive (loss) income	—	—	(6)	2,246	2,240
Share-based compensation	—	—	380	—	380
Share-based compensation recharge by ultimate parent company	—	—	(380)	—	(380)
Balance at September 30, 2018	**100**	**100**	—	**11,545**	**11,645**
Total comprehensive income	—	—	—	856	856
Cash dividends on shares	—	—	—	(5,000)	(5,000)
Share-based compensation	—	—	463	—	463
Share-based compensation recharge by ultimate parent company	—	—	(463)	—	(463)
Balance at September 30, 2019	**100**	**100**	—	**7,401**	**7,501**

An ordinary share dividend of £50 (2018: £nil) per £1 ordinary share amounting to £5,000 thousand (2018: £nil) were approved and paid during the year.

The notes on pages 15 to 23 are an integral part of the financial statements.

Note 1 - Business

Franklin Templeton Fund Management Limited ("FTFML" or the "Company") is incorporated and domiciled in the United Kingdom ("UK"). The Company provides investment management and related services to Franklin Templeton Funds ("FTF"), a sponsored UK registered open-ended investment company ("OEIC") for which the Company is the Authorised Corporate Director ("ACD"), as well as institutional separate accounts. In addition to investment management, the Company's services include fund administration, sales, distribution, marketing, shareholder servicing and other services. The Company is a wholly-owned subsidiary of Franklin Templeton Global Investors Limited, a wholly-owned subsidiary of the ultimate parent company, Franklin Resources, Inc. ("Franklin"). Franklin, headquartered in San Mateo, California, United States of America, is a public company registered with the U.S. Securities and Exchange Commission. The Company's registered address is Cannon Place, 78 Cannon Street, London, EC4N 6HL, UK.

Franklin is the parent company of the largest and smallest group of undertakings to consolidate these financial statements at September 30, 2019. The consolidated financial statements of Franklin are prepared in accordance with the Generally Accepted Accounting Principles of the United States of America, as defined by the Financial Accounting Standards Board and are available at www.franklinresources.com.

Note 2 - Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100. Accordingly, the financial statements are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), under the historical cost convention. Therefore, the recognition and measurement requirements of European Union ("EU") adopted International Financial Reporting Standards ("IFRS") have been applied, with amendments where necessary in order to comply with Companies Act 2006, as applicable to companies using FRS 101, and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 financial statements.

The financial statements have been prepared on a going concern basis, as further explained in the Directors' Report.

Disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available. Where required, equivalent disclosures are given in the Franklin consolidated financial statements. Please see the full list of exemptions taken below.

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share-based payments, and how the fair value of goods or services received was determined).

- IFRS 7, 'Financial Instruments: Disclosures'.

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1.

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  (i) 10(d), (statement of cash flows),
  (ii) 16 (statement of compliance with all IFRS),
  (iii) 38A (requirement for minimum of two primary statements, including cash flow statements),
  (iv) 38B-D (additional comparative information),
  (v) 111 (cash flow statement information), and
  (vi) 134-136 (capital management disclosures).

- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions, entered into, between two or more members of a group.

Key management estimates and judgements

Management has used estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Management believes that the accounting estimates are appropriate, and the resulting balances are reasonable, however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates. Estimates and judgements are used in share-based compensation, allocation of intercompany costs and income tax provisions. A description of the judgements made is provided in the relevant notes below.

Cash

Cash represents deposits held with financial institutions and is carried at cost.

The Company maintains cash with financial institutions in the UK, limits the amount of credit exposure with any given financial institution and conducts ongoing evaluations of the creditworthiness of the financial institutions with which it does business.

Receivables

Receivables consist primarily of fee receivables. Receivables do not contain a significant financing component and are carried at invoiced amount. The Company recognises a loss allowance based on a lifetime expected losses at each reporting period incorporating the Company's historical default experience adjusted for debtor-specific and macroeconomic factors.

Accounts Payables

Accounts payables consist of unpaid liabilities for goods and services provided to the Company. Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income taxes

The Company recognises current income tax expense at the amount expected to be paid or recovered from the tax authorities using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date.

Deferred tax asset and liabilities are recorded using the liability method based on the differences between the financial reporting and income tax bases of assets and liabilities and are measured using substantively enacted income tax rates and laws in effect when the deferred income tax assets and liabilities are expected to be settled or reversed. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Judgement is required in determining the deductibility of certain expenses and taxability of certain income during the estimation of the current income tax expense. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events; it is more likely than not an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Other reserves

Other reserves include a compensation reserve and are non-distributable.

Revenues

The Company earns revenue primarily from providing investment management and related services to its customers, which are generally investment products or investors in separate accounts; related services include fund administration, sales and distribution, and shareholder servicing. The Company also earns revenues from its affiliates for investment management, promotional support, investment research and general corporate support services. Revenues are recognised when the Company's obligations related to the services are satisfied and it is probable that a significant reversal of the revenue amount would not occur in future periods. The obligations are satisfied over time as the services are rendered, except for the sales and distribution obligations for the sale of shares of sponsored funds which are satisfied on trade date. Multiple services included in customer contracts are accounted for separately when the obligations are determined to be distinct.

Fees from providing investment management and fund administration services, other than performance-based investment management fees, are determined based on a percentage of assets under management ("AUM"), primarily on a monthly basis using daily average AUM, and are recognised as the services are performed over time. Performance-based investment management fees are generated when investment products' performance exceeds targets established in customer contracts. These fees are recognised when the amount is no longer probable of significant reversal and may relate to investment management services that were provided in prior periods.

Sales and distribution fees primarily consist of upfront sales commissions and ongoing distribution fees. Sales commissions are based on contractual rates for sales of certain classes of sponsored funds and are recognized on trade date. Distribution service fees are determined based on a percentage of AUM, primarily on a monthly basis using daily average AUM. As the fee amounts are uncertain on trade date, they are recognized over time as the amounts become known and may relate to sales and distribution services provided in prior periods.

Revenue from affiliates are calculated based on contractual fee splits with the affiliates and recognised as the services are performed over time.

Revenue is recorded gross of payments made to third-party service providers in the Company's role as principal as it controls the delegated services provided to customers.

Interest income is recognised using the effective interest method and is included in other income.

Post-retirement benefits

The Company has a post-retirement benefit plan available to its employees.

For defined contribution plans the Company pays fixed contributions and has no legal or constructive obligations to make further contributions. The costs under these plans are expensed as incurred. The Company participates in the Franklin Templeton Group Personal Pension Scheme ("Group Personal Pension Scheme"), a multi-employer pension scheme which operates as a defined contribution scheme.

Share-based compensation

The Company participates in various share-based compensation plans of Franklin. These plans include the Amended and Restated Annual Incentive Compensation Plan (the "AIP") and the 2002 Universal Stock Incentive Plan, as amended and restated (the "USIP") and the amended and restated Franklin Resources, Inc. 1998 Employee Stock Investment Plan (the "ESIP"). Under the terms of the AIP, eligible employees may receive cash, equity awards and/or cash-settled equity awards generally based on the performance of the Company, its funds, and the individual employee. The USIP provides for the issuance of Franklin's common stock for various share-related awards to officers, directors and employees.

The Company receives charges from Franklin and recognises the fair value of the share awards as an expense over the vesting period, which is generally three years. The fair value is estimated on the date of grant based on the market price of the underlying shares of Franklin common stock, excluding the impact of any non-market vesting conditions (e.g. profitability and sales growth targets) on the date of grant, and the Company's estimate of shares that will eventually vest. The total number of awards expected to vest is adjusted for estimated forfeitures. At each reporting date, the Company revises its estimates of the number of shares that are expected to vest on vesting date and recognises the impact of the revision of the estimates, if any, within compensation and benefits in the statement of comprehensive income with a corresponding adjustment to charges received and payable to Franklin over the remaining vesting period, within the compensation reserve.

Share and share unit awards

Share awards entitle holders to the right to sell the underlying shares of Franklin's common stock once the awards vest. Share unit awards entitle holders to receive the underlying shares of Franklin common stock once the awards vest. Awards vest based on the passage of time or the achievement of predetermined Franklin financial performance goals. In the event a performance measure is not achieved at or above a specified threshold level, the portion of the award tied to such performance measure is forfeited.

Employee stock investment plan

The ESIP, allows eligible participants to buy shares of Franklin's common stock at a discount of its market value on defined dates.

Intercompany expenses

The Company incurs expenses from its affiliates for investment management, distribution, promotional support, investment research, fund administration and general corporate support services which are included in the statement of income. These transactions are in the normal course of operations.

Investment management expenses is calculated based on contractual fee splits with affiliates. The expense associated with the remaining services are based on actual costs incurred plus applicable mark-ups.

Foreign currency translation

The financial statements are presented in Pound Sterling ("£" or "GBP") which is the Company's functional and presentation currency based on the Company's primary economic environment in which it operates.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate as of the balance sheet date and non-monetary assets and liabilities are translated at the historical exchange rate. The related revenues and expenses are translated at current exchange rates in effect during the period and any transaction gains or losses are included in other income (expenses).

Note 3 - New Accounting Standards

Accounting Standards Adopted During Fiscal Year 2019

On October 1, 2018, the Company adopted IFRS 15, 'Revenue from Contracts with Customers', a new standard issued by the International Accounting Standards Board ("IASB") that requires use of a single principles-based model for recognition of revenue from contracts with customers. The core principle of the model is that revenue is recognised upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received for the goods or services. The standard also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements. The Company adopted the new standard using the modified retrospective approach which did not require the restatement of prior periods. The adoption of the guidance had no impact on operating income or net income. The adoption resulted in a decrease in investment management fees and an offsetting increase in sales and distribution fees of £1,123 thousand for the fiscal year ended September 30, 2019.

On October 1, 2018, the Company adopted amendments to IFRS 9, 'Financial Instruments', the standard issued by the IASB that requires all financial instruments be measured at fair value through profit and loss, fair value through other comprehensive income or amortised cost. The classification is determined based on the entity's business model and the contractual cash flow characteristics of the financial instruments. The Company did not take the election to record fair value changes in other comprehensive income. Additionally, the standard requires a new expected credit losses model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date. The adoption of the standard had no impact on the Company's financial statements.

On October 1, 2018, the Company adopted amendments to IFRS 2, 'Share-based Payment', the standard issued by the IASB that removes the requirement to treat the tax withholding obligation for equity-classified awards as cash-settled awards and clarifies the measurement of cash-settled awards and the accounting for modifications that change the classification for share-based payments from cash settled to equity-settled. The Company adopted the standard using the prospective approach. The adoption of the amendments had no impact on the Company's financial statements.

Note 4 - Operating Revenues

Analysis of operating revenues by geography:

(in £ thousands)

for the fiscal years ended September 30,	**2019**	**2018**
United Kingdom	24,501	23,801
United States of America	749	851
Ireland	476	78
Singapore	95	78
Rest of the World	143	103
Total Operating Revenues	**25,964**	**24,911**

Note 5 - Operating Income

Operating income is stated after charging (crediting):

(in £ thousands)

for the fiscal years ended September 30,	**2019**	**2018**
Wages and salaries	1,049	884
Bonus expenses	2,313	1,838
Social security costs	463	380
Pension costs	44	33
Other staff costs	46	43
Compensation and Benefits	**3,915**	**3,178**
Fees payable to the Company's auditors in relation to:		
Auditing of financial statements of the Company	31	28
Audit-related assurance services	65	67
Taxation compliance services	(2)	5

Note 6 - Employees and Directors

Employees

The average monthly number of persons (including executive Directors) employed by the Company during the year ended September 30, 2019 was eight (2018: six), all employees were involved in investment management activities.

Directors' emoluments

For the year ended September 30, 2019 the emoluments of eight of the executive Directors (2018: seven) executive Directors and an Officer), who served during the year, were paid by another Franklin Group company in the UK and one executive Director (2018: one) was paid by a non-UK Franklin Group company. These Directors do not receive any emoluments in respect of their services to the Company and no recharges are made to the Company. These nine individuals are Directors of a number of fellow group subsidiaries and no direct apportionment of emoluments is made to any subsidiaries. Accordingly, no emoluments are included in respect of the Directors due to the nature of their roles and responsibilities their emoluments cannot be accurately apportioned between each subsidiary to which they provide services.

For the year ended September 30, 2019 eight executive Directors (2018: seven) were members of a UK-based defined contribution scheme. The costs associated with the scheme were borne by another Franklin Group company.

The three non-executive Directors who served during the year ended September 30, 2019 (2018: nil) received aggregate remuneration of £52 thousand (2018: £nil) but have received no pension contributions and have no retirement benefits accruing. All non-executive Directors receive equal remuneration for services provided.

Note 7 - General, Administrative and Other

General, administrative and other expenses consisted of the following:

(in £ thousands)

for the fiscal years ended September 30,	2019	2018
Sub-business management	3,078	3,190
Sub-advisory	2,664	3,424
Functional and corporate services	2,641	1,831
Sub-transfer agency	2,154	2,233
Other	1,766	981
General, Administrative and Other	**12,303**	**11,659**

Note 8 - Taxes on Income

Taxes on income were as follows:

(in £ thousands)

for the fiscal years ended September 30,	2019	2018
Current tax expense		
UK corporation taxes related to the current year	302	595
Adjustments in respect of prior years	(27)	18
Total current expense	275	613
Deferred tax income		
Origination and reversal of temporary differences	(67)	(42)
Total deferred tax income	(67)	(42)
Total Taxes on Income	**208**	**571**

Taxes on other comprehensive income were as follows:

(in £ thousands) **for the fiscal years ended September 30,**	**2019**	**2018**
Deferred tax expense		
Origination and reversal of temporary differences	—	6
Total Tax on Other Comprehensive Income	—	6

The tax expense for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the year ended September 30, 2019 of 19% (2018: 19%). The following reconciles the amount of income tax expense at the standard taxation rate of the UK as reflected in the statements of income:

(in £ thousands) **for the fiscal years ended September 30,**	**2019**	**2018**
Income before income taxes	1,064	2,817
Income tax expense at 19% (2018: 19%)	202	535
Effect of:		
Expenses not deductible for tax purposes	8	11
Adjustments in respect of prior years	(27)	18
Impact of rate change on current year deferred tax	22	1
Share-based payment valuation adjustment - net income	3	12
Share-based payment valuation adjustment - other comprehensive income	—	(6)
Total Income Tax Expense	**208**	**571**

The Finance Act 2016, substantively enacted on the September 6, 2016, included a future reduction to the corporation tax rate from 19% to 17% with effect from April 1, 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates where appropriate.

Note 9 - Deferred Taxes

The significant components of deferred tax assets were as follows:

(in £ thousands) **for the fiscal years ended September 30, 2019 and 2018**	**Accelerated Capital Allowances**	**Other Short Term Timing Differences**	**Total**
Balance at October 1, 2017	1	231	232
Credited to net income	—	42	42
Charged to other comprehensive loss	—	(6)	(6)
Balance at September 30, 2018	1	267	268
Credited to net income	—	67	67
Balance at September 30, 2019	1	334	335

The expected timing for recovery of these deferred income tax assets were as follows:

(in £ thousands)

for the fiscal years ended September 30,	2019	2018
Deferred income tax assets:		
Recoverable within 12 months	257	246
Recoverable after 12 months	78	22
Deferred Income Tax Assets	**335**	**268**

The Company has no unused tax losses or unused tax credits.

Note 10 - Receivables

Receivables consisted of the following:

(in £ thousands)

as at September 30,	2019	2018
Trade receivables	2,140	2,450
Amounts owed by group undertakings	211	263
Other receivables	242	17
Receivables	**2,593**	**2,730**

Amounts owed by group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand, typically within one month.

Note 11 - Compensation and Benefit Payables

Compensation and benefit payables consisted of the following:

(in £ thousands)

as at September 30,	2019	2018
Accrued bonus expenses	2,620	2,169
Share-based payment amounts owed to ultimate parent company	351	206
Other taxation and social security	432	328
Other	17	20
Compensation and Benefit Payables	**3,420**	**2,723**

Note 12 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

(in £ thousands)

as at September 30,	2019	2018
Amounts owed to group undertakings	2,594	3,132
Income taxes payable	302	595
Accruals and deferred income	723	519
Accounts Payable and Accrued Expenses	**3,619**	**4,246**

Amounts due to group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand, typically within one month.

Note 13 - Post-Employment Benefits

The Company's contributions to the Group Personal Pension Scheme amounted to £44 thousand and £33 thousand for fiscal years 2019 and 2018. The balance due to these schemes was £nil at both September 30, 2019 and 2018.

Note 14 - Other Reserves

Changes in other reserves were as follows:

(in £ thousands) **for the fiscal years ended September 30, 2019 and 2018**	**Compensation Reserve**
Balance at October 1, 2017	**6**
Other comprehensive loss	(6)
Share-based compensation	380
Share-based compensation recharge by ultimate parent company	(380)
Total other comprehensive loss	(6)
Balance at September 30, 2018	—
Share-based compensation	463
Share-based compensation recharge by ultimate parent company	(463)
Total other comprehensive loss	—
Balance at September 30, 2019	—

Note 15 - Commitments and Contingencies

Legal Proceedings

The Company is from time to time involved in litigation relating to claims arising in the normal course of business. Management are of the opinion that the ultimate resolution of such claims will not materially affect the Company's business, financial position or results of operations or liquidity.

Note 16 - Related Party Transactions

Related parties include funds sponsored by Franklin. A substantial amount of the Company's operating revenues and receivables are from those related parties.

The Group Personal Pension Scheme, in which the Company has participated on behalf of employees by making contributions, is deemed to be a related party. The total transactions with and balances due to the Group Personal Pension Scheme are disclosed in Note 13 Post-Employment Benefits.