Franklin Templeton Fund Management Limited

Registration number: 1938417

Report and Financial Statements
for the year ended September 30, 2020

Franklin Templeton Fund Management Limited

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Company Information

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Franklin Templeton Fund Management Limited

Strategic Report

For the fiscal year ended September 30, 2020

The Directors present their Strategic Report on Franklin Templeton Fund Management Limited ("FTFML" or the "Company") for the year ended September 30, 2020.

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 to investors in institutional separate accounts. 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 15, show net income before taxes of £2,095 thousand (2019: £1,064 thousand). The total stockholder's equity of the Company is £9,179 thousand (2019: £7,501 thousand).

During the year ended September 30, 2020, total operating revenues have decreased by £478 thousand to £25,486 thousand of which investment management ("IM") fees contributed 93% (2019: 90%), the rest of the operating revenues relates to sales and distribution, promotional service and functional and corporate service fees. An increase in IM fees from the separate accounts of £577 thousand is partly offset by a reduction in IM fees from FTF funds of £689 thousand. FTF funds revenue accounts for 84% and separate account revenue account for 16% of IM fees. IM fees are aligned with the underlying assets under management ("AUM") which have decreased by £0.1 billion to £4.6 billion at September 30, 2020. The decrease in AUM has been impacted by the COVID-19 global outbreak. Excluding the separate accounts, the AUM of FTF has fallen by £0.2 billion or 7% to £2.9 billion, compared to the prior year.

As the 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. Since 22 June 2020, the sub-delegation of BM has been transferred to a third party. 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 decreased by £1,488 thousand to £23,396 thousand. Compensation and benefits expenses decreased by £623 thousand to £3,292 thousand. General, administrative and other expenses have decreased by £152 thousand to £12,151 thousand. The reduction in general, administrative and other is as a result of a decrease of £878 thousand in sub-advisory fees and a decrease in sub-business management fees of £784 thousand. Sub-business management fees from FTGIL have decreased due to the delegation of BM to a third party. The decrease in general, administrative and other is partly offset by an increase of £950 thousand in functional and corporate services and an allocation of regulatory fees of £417 thousand to general, administrative and other expenses. In the prior year regulatory fees were allocated to advertising and promotion expenses. Additionally, there was also a reduction of £294 thousand to £472 thousand in sales, distribution and marketing expenses.

This resulted in the Company generating operating income of £2,090 thousand (2019: £1,080 thousand) and an operating income margin of 8% (2019: 4%) mainly due to the reduction in operating expenses as described above. The return on assets increased to 11% (2019: 6%) as a result of increased net and total comprehensive income.

The Company's effective tax rate as a percentage of net income before tax is 19.9% (2019: 19.5%).

The 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, 2020, 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, 2020

Business environment

The business year has been dominated by the terrible impact of the COVID-19 pandemic around the world and the knock-on effect on our personal and business lives. In terms of the financial markets, the pandemic led to some of the largest falls and heightened volatility since the Great Depression. The Company's robust business continuity plans enabled the Company to deliver operational resilience and maintain a high level of service during the pandemic. The Company is working hard to support its investors and employees during these unprecedented times

At total assets managed of £9.9 trillion, the UK asset management industry remains 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 79% of AUM. Equities account for 38% of allocations (down 18% from ten years ago) with UK equities representing 29% of this allocation. Fixed income allocations decreased to 32% (from 33% a year ago). 70% of all assets remain actively managed and we continue to see an acceleration of the growth in indexing. 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. Franklin 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. The Company is not expected to have an impact of Brexit on performance and inflows.

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.

Earlier this year, Franklin completed its acquisition of Legg Mason, Inc and in doing so created a firm with over £1trillion in AUM, making the combined organisation one of the world's largest independent, specialised global investment managers. We are confident that this landmark acquisition will provide a balanced and diversified organisation that is competitively positioned to provide a greater range of investment choices and will assist in our efforts to deliver value to investors.

[1] The Investment Association - Investment Management in the UK 2019-2020

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. The variance of below KPIs are explained on page 2 in result and performance.

for the fiscal years ended September 30,		2020		2019
AUM, in billions, at September 30,	£	4.6	£	4.7
Total operating revenues, in thousands	£	25,486	£	25,964
Total operating expenses, in thousands	£	23,396	£	24,884
Operating income, in thousands	£	2,090	£	1,080
Operating income margin		8 %		4 %
Return on assets		11 %		6 %

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.

Principal risks and uncertainties

In addition to the risks discussed within the financial risk management section of the Directors' report, the 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 regularly monitor and assess political situation within countries
Principal Risk:	Risk of a natural or environmental event impacting one of our sites (Earthquake, Hurricane, pandemic)
Mitigation:	Annual testing of business continuity plans, crisis management plans, emergency management teams plans, disaster recovery plans and technical recovery time targets.
Principal Risk:	Business impact of increasing privacy regulations
Mitigation:	Development of a global set of privacy requirements which has led 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 departure of the UK from the European Union at the end of January 2020 and the associated transition period 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. 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.

Statement by the Directors in performance of their statutory duties in accordance with Section 172 Companies Act 2006

The Companies Act 2006 has been updated to include a new statutory reporting requirement for financial reporting years beginning on or after January 1, 2019. As a result, the Directors of the Company are required to give an annual statement which describes how the Directors have taken into consideration the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between different members of the company.

The Directors consider the matters set out above in their decision-making process, through the Company's business strategy, culture, governance framework, management information flows and stakeholder engagement processes.

The Directors recognise that the long-term success of the business is dependent on the way it works with a large number of important stakeholders. The Directors believe that corporate citizenship is a critical link between integrity and performance, how the Company does the right things, the right way in order to deliver value to its clients, employees, and its communities. As an organisation, citizenship is embedded in Franklin's corporate values and is an important element of how it achieves success in working with all of its key stakeholders. Our core values reflect what is most important to us as a company. They are the ideas that guide how we do business, how we treat our clients, and how we work with each other. We strive to:

Put Clients First. We strive to know and meet our clients' needs, and we fully accept our fiduciary responsibility to protect shareholders' interests.

Build Relationships. We work to establish enduring relationships with our clients and business partners. We value collaboration and cooperation in our workplaces.

Achieve Quality Results. We value professional excellence and expertise, and we work together to produce consistent, competitive results for our clients.

Work with Integrity. We speak and act in an honest manner. We believe in being accountable for the impact we have on others.

Key decisions made during the year

At the start of the financial year little was known about the impact that the COVID-19 pandemic would have around the world and the knock-on effect on personal and business lives. Franklin's robust business continuity plans enabled the organisation to deliver operational resilience and maintain a high level of service. The Directors are mindful that the impact on individuals, companies and financial markets will take longer to recover and Franklin is committed to supporting its investors, employees and all our business partners during these unprecedented times.

On July 31 2020, Franklin Resources, Inc. acquired Legg Mason, Inc. The acquisition represented the largest and most significant transaction in Franklin's history and the newly combined organisation brings together over 1,300 investment professionals, covering multiple asset classes and managing £1 trillion in AUM. Franklin is confident that this landmark acquisition will provide a balanced and diversified organisation that is competitively positioned to provide a greater range of investment choices and will assist in its efforts to deliver value for investors.

During the year, the Company as an ACD of FTF presented their first Assessment of Value ("AoV") report. The Company assessed every share class of the FTF range against the FCA criteria to determine whether we as a Company are satisfied they currently deliver value to shareholders. The AoV report articulates what the Company understands is important to its investors and, if there are areas to improve, what action is being taken or proposed by the Board. The AoV report can be found at www.franklintempleton.co.uk/investor/resources/literature/fund-documents.

The Directors have taken into account the requirements of section 172 (1) of the Companies Act 2006 as summarised below:

The likely consequence of any decision in the long term

The Company's business strategy is focused on achieving success for the Company in the long-term. In setting this strategy, the Directors take into account the impact of relevant factors and stakeholder interests on the Company's performance.

The interests of the Company's employees

The Directors acknowledge the significance of a committed workforce. The Board focuses on engaging employees, cultivating their skills and talents, and retaining them as engaged members of the organisation.

From a Diversity & Inclusion ("D&I") standpoint, building teams with diverse skills, backgrounds and experiences has always been important at Franklin. Cultivating an inclusive culture where it's safe for employees to share their voice, is good for our people; our D&I ethos drives innovation and allows us to deliver better client outcomes. Senior Franklin leaders from its D&I Executive Council serve as champions sponsoring diversity initiatives and advising on policy.

From our CEO to Franklin's newest employee, we believe it is the Company's responsibility to cultivate an inclusive environment. We offer an educational series to promote inclusion, mitigate unconscious bias and increase cultural sensitivity awareness. Our collaborative intranet and social network enable employees to share their perspectives and exchange ideas and in our annual employee sentiment survey, D&I related responses received the highest positive satisfaction scores.

Through our employee-led business resource groups we encourage inclusion where employees connect, discuss and educate. These communities support a greater sense of shared experience with colleagues and allies to nurture collaboration and networking, contribute insights on key business initiatives and support new employee recruiting and mentoring.

During the financial year a new role of Chief Diversity Officer within the organisation was created, reporting to the Franklin CEO. The Chief Diversity Office will partner with the D&I Executive Council and other champions to ensure that the organisation has a strong culture of D&I and will enable Franklin to accelerate D&I initiatives throughout the organisation.

The need to foster the company's business relationships with suppliers, customers and others

The Company believes that the investments it makes on behalf of its clients are helping to create opportunities for economic growth around the world, and its ability to succeed is dependent upon serving its clients and delivering strong results. The Company believes that a long-term approach is best because investment decisions are made based on a company's fundamentals and long-term growth potential. The Company wishes for clients to feel confident that it is managing their money with the highest levels of care and integrity in the industry. The Company places a high priority on maintaining information security to protect its customers and their investments.

The Directors recognise that delivering on the Company's strategy requires strong, mutually beneficial relationships with its clients and suppliers. The Company regularly reviews its approach to supplier selection, engagement, risk and contractual arrangements. The Company and broader regulatory governance committees regularly receive information updates on how suppliers and customers have been engaged on a variety of topics including such as service levels and operational effectiveness.

The impact of the company's operations on the community and the environment

As an investment management firm that has predominantly office-based functions, Franklin has limited direct impact on the environment. It does however, seek to limit the effects of operations on the environment and the Company strives to provide a safe, comfortable and efficient environment to enable employees to work productively. Franklin also manages the organisation's environmental impact by supporting sustainable business practices across its various functional areas.

Environmental, social and governance ("ESG") is important to the Directors. Franklin's investment management teams perform extensive bottom-up investment analysis, employing rigorous and comprehensive processes to assess both the risk and return potential of the investments they consider. The depth of research provides Franklin's investment management teams with comprehensive insights into the many factors that affect the value of an investment, which may include ESG issues. Franklin has demonstrated its commitment to ESG by becoming a signatory of the UK Stewardship Code.

Franklin strives to be recognised as a responsible global corporate leader, working to support and enrich the social, economic and educational well-being of its communities. Global Citizenship at Franklin is responsible for the strategic management of all charitable relationships, ensuring they align with organisational priorities, meet community needs and reflect stakeholder interests. Franklin's global volunteer programme involves and empowers employees to use their time, talent and skills to make positive changes in its communities.

The desirability of the company maintaining a reputation for high standards of business conduct

The Directors have regard to the interests of the companies' employees and stakeholders, including the impact of their decisions on the community and environment and the companies' reputation when making decisions. The Directors consider the consequences of those decisions to promote the success of the companies in the long-term.

Franklin's success is built upon its reputation for excellence and integrity in all aspects of its business. It is essential that stakeholders and business partners have confidence in governance, ethics and compliance practices.

Franklin's Global Regulatory Compliance Group is responsible for ensuring that the firm has the appropriate processes and procedures in place to comply with the extensive and complex, overlapping and frequently changing rules and regulatory requirements applicable to the firm and the funds we manage around the world.

Given the global footprint of the Franklin Group, the Company actively engages with regulatory bodies ensuring the firm is keeping up to date with industry regulations and best practice; and maintaining an open and transparent relationships with our regulators. Additionally, Franklin collaborates with key International and European organizations thereby ensuring the Franklin Group develop and maintain a reputation for high standards of business conduct and also helps the Board ensure that the business is aligned to the evolving regulatory framework.

Risk management is a critical element of Franklin's everyday business activities and takes place at all levels of our organisation. Franklin has an Enterprise Risk Management Committee that consists of the direct reports to the Franklin CEO and their risk representatives. This committee is responsible for facilitating the identification, assessment, monitoring effectiveness of actions to mitigate and reporting of key risks across Franklin

The need to act fairly between different members of the company

The Company's ultimate parent is Franklin Resources, Inc. Franklin's corporate values are reflected throughout the organisation. and are shared in its annual report on its website www.franklinresources.com.

On behalf of the Board

DocuSigned by:

Marcus C. Gilbey
Chief Executive Officer

December 17, 2020

Franklin Templeton Fund Management Limited
Directors' Report
For the fiscal year ended September 30, 2020

The Directors present their report and the audited financial statements of Franklin Templeton Fund Management Limited for the year ended September 30, 2020. 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

There have been no ordinary share dividends approved or paid during the year ended September 30, 2020.

Directors and Officers

The Directors and Officers who held office during the year ended September 30, 2020 and up to the date of signing the financial statements are as follows:

Martyn C. Gilbey (Chief Executive Officer)
David Brigstocke (Non-executive Director)
Paul Collins
Kathleen Davidson
William Jackson
Anthony John (Non-executive Director, resigned December 3, 2019)
Henrietta Jowitt (Non-executive Director)
Gwen L. Shaneyfelt

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 2020, in the UK we became a Disability Confident Employer.

We embrace individual differences and the variety of perspectives global diversity offers. This is not something new to us. Knowing it leads to better client outcomes and a stronger company, Franklin has fostered an inclusive and diverse culture for over 70 years. An inclusive workforce made up of employees across generations, genders, preferences, capabilities and cultural identities brings new skills and innovative ideas. Mutual respect guides how we treat each other and work together., all in pursuit of our common goals the success of our people, our company and our clients. As part of our performance management approach, employees provide feedback to their leaders multiple times per year via a leadership experience survey. This feedback includes the frequency in which the employee experiences certain leadership behaviours that support an inclusive environment. Employees at all levels of the organization are rewarded for their performance and contribution to the company's success. Building diverse teams with unique experiences is always important, especially for a global company like Franklin. We promote a culture of collaboration and D&I to support innovation and deliver better client outcomes. We are committed to developing diverse talent pipelines by optimising our sourcing channels and recruitment programs.

Diversity and inclusion

D&I creates a strategic advantage by harnessing the power of Franklin's diverse workforce to maximize employee potential and inspire innovation. To measure progress, internally we track a core set of related metrics at the enterprise level. Externally, Franklin participates in various D&I industry surveys and events to understand where we stand and learn how we can continue to strengthen our commitment. In the UK we are members of Stonewall, Europe's largest LGBT+ charity, and annually take part in their Workplace Equality Index. We are also members of InterInvest, which exists to drive LGBT+ equality and inclusion across the investment industry in the UK, and support initiatives globally. Franklin announced that it had officially partnered with The Diversity Project both in England and in Scotland at the end of March 2019. In the UK, Franklin is also proud to be a signatory to the HM Treasury's Women in Finance Charter, which encourages financial services firms to take specific actions to improve their gender balance. Whilst none of our UK legal entities individually currently exceed the threshold of 250 employees, we recognise the importance of transparency in the industry and we are committed to voluntarily disclosing our gender pay gap data for FTGIL and FTIML, the two largest subsidiary companies.

Employee engagement

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.

The Company 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 2020/2021 Business Plan, Risk Outlook section, the FCA state that their top priority is dealing with the financial implications of the Coronavirus pandemic effectively, ensuring that:
- Markets function well
- Most vulnerable are protected
- Impact on firm failure is minimal
- Consumers and small firms are treated fairly
- Scams are tackled

Specifically, for the Investment Management sector, the FCA will focus on making sure investors continue to receive high quality products and services at fair value and be able to choose from a range of products that meet their investment needs. The FCA will also continue to assess the impact of remedies from their Asset Management Market Study, exploring what further disclosure may look like in supporting consumer investment decisions.

The FCA will continue to concentrate on the implementation of Senior Managers and Certification Regime ("SM&CR") and how it expects firms to properly help deliver this and continue to prioritise effective governance.

As part of the FCA capital market preservation the FCA has confirmed that firms cannot rely on LIBOR being published after the end of 2021 and as such firms transition programme should continue to work towards this deadline.

The FCA also intend to enhance their own processes, by identifying, prioritising and acting on information and intelligence they receive, and investing in developing their information and technology systems. With the objective of streamlining data and regulatory returns and reducing the operational impact on firms through better coordination between regulators.

Preparations continue for the end of the transition period with the EU. The Treasury has given the FCA the power to waive or modify new rules. This Temporary Transitional Power (TTP) means that the 'Temporary Permissions Regime' will be extended up to 31 March 2022 so that EEA firms and funds, which are currently doing business from the EU into the UK through passporting, can continue to have access to UK markets at the end of the Transition Period.

Ongoing Brexit related risks include contract continuity issues and the continued provision of retail financial services by UK firms to EU consumers. Whilst the FCA has put in place transitional regimes for EEA firms, the situation for UK firms in the EU is not the same. Their continued operations after the end of the transition period will depend on the regulatory regimes of individual EU member states.

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, which in 2020 have been further influenced by the instability due to COVID-19 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. The Company has been monitoring the possible impact of COVID-19 on markets. At this stage, the impact on the Company has been minimal.

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 regular 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 is required to meet the BIPRU liquidity standards and maintain individual liquidity risk management framework policies, which are approved annually by the Directors.

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. The Company has been monitoring the possible impact of COVID-19 on liquidity. At this stage, the impact on the Company's liquidity has been minimal.

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 COVID-19 global pandemic has developed rapidly in 2020, with a significant number of cases worldwide. Measures taken by various governments to contain the virus including lockdowns and travel restrictions, have affected economic activity. The Company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as health and safety measures for our employees by having them working from home. At this stage, the impact on our business and results has not been significant.

Based on the circumstances described above and results and performance section of strategic report, which includes the impact of COVID-19 on cash liquidity, AUM volatility and its impact on revenues and profitability 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

DocuSigned by:
5682E26809F241F...
Martyn C. Gilbey
Chief Executive Officer

December 17, 2020

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 2020 and of its profit 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 2020; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 Statement of Director's responsibilities, 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 2020 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 11 and 12, 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
17 December 2020

Franklin Templeton Fund Management Limited
Statement of Comprehensive Income

(in £ thousands)

For the fiscal years ended September 30,	Note	2020	2019
Operating Revenues			
Investment management fees		23,820	23,488
Promotional service fees		654	1,035
Sales and distribution fees		931	1,360
Functional and corporate service fees		81	81
Total operating revenues	4	25,486	25,964
Operating Expenses			
Compensation and benefits	5	3,292	3,915
Sales, distribution and marketing		472	766
Information systems and technology		830	807
Occupancy		87	63
Advertising and promotion		6,564	7,030
General, administrative and other	7	12,151	12,303
Total operating expenses		23,396	24,884
Operating Income	5	2,090	1,080
Other Income (Expenses)			
Other income (expenses)		5	(16)
Income before income taxes		2,095	1,064
Taxes on income	8	(417)	(208)
Net and Total Comprehensive Income		**1,678**	**856**

The notes on pages 18 to 26 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	2020	2019
Assets			
Non-Current Assets			
Deferred taxes	9	114	335
Total non-current assets		114	335
Current Assets			
Prepayments and accrued income		631	579
Receivables	10	2,951	2,593
Cash		12,252	11,430
Total current assets		15,834	14,602
Total Assets		**15,948**	**14,937**
Liabilities			
Current Liabilities			
Compensation and benefit payables	11	2,347	3,420
Accounts payable and accrued expenses	12	4,063	3,619
Commissions payables		359	397
Total current liabilities		6,769	7,436
Total liabilities		6,769	7,436
Stockholder's Equity			
Common stock, £1 par value, 100,000 shares authorised; 100,000 shares issued, outstanding and fully paid, at September 30, 2020 and 2019		100	100
Other reserves	14	—	—
Retained earnings		9,079	7,401
Total stockholder's equity		9,179	7,501
Total Liabilities and Stockholder's Equity		**15,948**	**14,937**

The notes on pages 18 to 26 are an integral part of the financial statements.

The financial statements of the Company on pages 15 to 26 for the year ended September 30, 2020 were authorised for issue by its Board of Directors on December 17, 2020 and were signed on its behalf by:

DocuSigned by:

Martyn C. Gilbey
Chief Executive Officer

DocuSign Envelope ID: BD3AC7BA-E2B4-4670-B239-FBD1FC0A2CCD

Franklin Templeton Fund Management Limited
Statement of Stockholder's Equity

(in thousands)	Common Stock		Other Reserves	Retained Earnings	Total Stockholder's Equity
for the fiscal year ended September 30, 2020 and 2019	Shares	£	£	£	£
Balance at October 1, 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
Total comprehensive income	—	—	—	1,678	1,678
Cash dividends on shares	—	—	—		—
Share-based compensation	—	—	321	—	321
Share-based compensation recharge by ultimate parent company	—	—	(321)	—	(321)
Balance at September 30, 2020	100	100	—	9,079	9,179

There were no ordinary share dividend of £0 (2019: 0.05 thousand) per £1 ordinary share amounting to £nil (2019: 5,000 thousand) were approved and paid during the year.

The notes on pages 18 to 26 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 to 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, 2020. 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.

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 payable

Accounts payable consist of unpaid liabilities for goods and services provided to the Company. Accounts payable 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.

Other reserves

Other reserves consist of currency translation adjustments 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 and sales and distribution. 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 recognised 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 recognised 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 defined-contribution plan available to its employees.

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 comprehensive income. These transactions are in the normal course of operations.

Investment management expenses are 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

There were no new accounting standards that are applicable to the Company for fiscal year 2020.

Note 4 - Operating Revenues

Analysis of operating revenues by geography:

(in £ thousands)

for the fiscal years ended September 30,	2020	2019
United Kingdom	24,434	24,501
United States of America	543	749
Ireland	407	476
Singapore	40	95
Rest of the World	62	143
Total Operating Revenues	**25,486**	**25,964**

Note 5 - Operating Income

Operating income is stated after charging (crediting):

(in £ thousands)

for the fiscal years ended September 30,	2020	2019
Wages and salaries	1,591	1,049
Bonus expenses	1,280	2,313
Social security costs	321	463
Pension costs	54	44
Other staff costs	46	46
Compensation and Benefits	**3,292**	**3,915**
Fees payable to the Company's auditors in relation to:		
Auditing of financial statements of the Company	29	31
Audit-related assurance services	65	65
Taxation compliance services	—	(2)

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, 2020 was eight (2019: eight), all employees were involved in investment management activities.

Directors' emoluments

For the year ended September 30, 2020 the emoluments of four of the executive Directors (2019: eight) executive Directors, who served during the year, were paid by another Franklin Group company in the UK and one executive Director (2019: 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 five 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, 2020 four executive Directors (2019: eight) 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, 2020 (2019: three) received aggregate remuneration of £97 thousand (2019: £52 thousand) but have received no pension contributions and have no retirement benefits accruing. All non-executive Directors receive equal remuneration for services provided. A non-executive Director resigned in December 2019, as at September 30, 2020 there were two non-executive Directors.

Note 7 - General, Administrative and Other

General, administrative and other expenses consisted of the following:

(in £ thousands)

for the fiscal years ended September 30,	2020	2019
Sub-advisory	1,786	2,664
Sub-business management	2,294	3,078
Sub-transfer agency	2,184	2,154
Functional and corporate services	3,591	2,641
Other	2,296	1,766
General, Administrative and Other	**12,151**	**12,303**

Note 8 - Taxes on Income

Taxes on income were as follows:

(in £ thousands)

for the fiscal years ended September 30,	2020	2019
Current tax expense		
UK corporation taxes related to the current year	180	302
Adjustments in respect of prior years	16	(27)
Total current expense	196	275
Deferred tax income		
Origination and reversal of temporary differences	221	(67)
Total deferred tax income	221	(67)
Total Taxes on Income	**417**	**208**

The tax expense for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for the year ended September 30, 2020 of 19% (2019: 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,	2020	2019
Income before income taxes	2,095	1,064
Income tax expense at 19% (2019: 19%)	398	202
Effect of:		
Expenses not deductible for tax purposes	19	8
Adjustments in respect of prior years	16	(27)
Impact of rate change on current year deferred tax	(23)	22
Share-based payment valuation adjustment - net income	7	3
Total Income Tax Expense	**417**	**208**

A change to the corporation tax rate was announced in the March 11, 2020 Budget and was substantively enacted on March 17, 2020. This change keeps the corporation tax rate at 19% from April 1, 2020, rather than the previously enacted reduction to 17%. 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, 2020 and 2019	Accelerated Capital Allowances	Other Short Term Timing Differences	Total
Balance at October 1, 2018	**1**	**267**	**268**
Credited to net income	—	67	67
Balance at September 30, 2019	**1**	**334**	**335**
Charged to net income	—	(221)	(221)
Balance at September 30, 2020	**1**	**113**	**114**

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

(in £ thousands) for the fiscal years ended September 30,	2020	2019
Deferred income tax assets:		
Recoverable within 12 months	55	257
Recoverable after 12 months	59	78
Deferred Income Tax Assets	**114**	**335**

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,	2020	2019
Trade receivables	2,048	2,140
Amounts owed by group undertakings	780	211
Other receivables	123	242
Receivables	**2,951**	**2,593**

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,**	**2020**	**2019**
Accrued bonus expenses	1,099	2,620
Share-based payment amounts owed to ultimate parent company	307	351
Other taxation and social security	882	432
Other	59	17
Compensation and Benefit Payables	**2,347**	**3,420**

Note 12 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

(in £ thousands) **as at September 30,**	**2020**	**2019**
Amounts owed to group undertakings	3,282	2,594
Income taxes payable	180	302
Accruals and deferred income	601	723
Accounts Payable and Accrued Expenses	**4,063**	**3,619**

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 £54 thousand and £44 thousand for fiscal years 2020 and 2019. The balance due to these schemes was £7 thousand at September 30, 2020 (2019: £nil).

Note 14 - Other Reserves

Changes in other reserves were as follows:

(in £ thousands) **for the fiscal years ended September 30, 2020 and 2019**	**Compensation Reserve**
Balance at October 1, 2018	—
Other comprehensive loss	—
Share-based compensation	463
Share-based compensation recharge by ultimate parent company	(463)
Total other comprehensive loss	—
Balance at September 30, 2019	—
Share-based compensation	321
Share-based compensation recharge by ultimate parent company	(321)
Total other comprehensive loss	—
Balance at September 30, 2020	—

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.