Franklin Templeton Fund Management Limited

Registration number: 1938417

Report and Financial Statements
for the year ended September 30, 2021

Franklin Templeton Fund Management Limited

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Franklin Templeton Fund Management Limited
Company Information

Directors
Martyn C. Gilbey (Chief Executive Officer)
David Brigstocke (Non-executive Director)
Paul M. Collins
Fionnuala Doris (Non-executive Director)
William Jackson
Henrietta Jowitt (Non-executive Director)
Penelope A. Kyle
Gwen L. Shaneyfelt

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London
EC4N 6HL

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

The Directors present their Strategic Report on Franklin Templeton Fund Management Limited ("FTFML" or the "Company") for the year ended September 30, 2021.

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. Franklin Resources, Inc. ("Franklin") completed its acquisition of Legg Mason, Inc. ("Legg Mason") on July 31, 2020. There has been ongoing work to combine the legacy Franklin and Legg Mason business activities and achieve an integrated corporate structure. As a result, FTFML became the ACD of Franklin Templeton Funds II ("FTF II"), previously known as Legg Mason Funds ICVC, on August 7, 2021. FTF II is also a registered OEIC. The Company distributes its OEICs 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.

Results and performance

The results of the Company for the year, as set out on page 18, show net income before taxes of £5.6 million (2020: £2.1 million). The total stockholder's equity of the Company is £13.8 million (2020: £9.2 million).

During the year ended September 30, 2021, total operating revenues have increased by £5.1 million to £30.6 million of which investment management ("IM") fees contributed 96% (2020: 93%), the rest of the operating revenues relates to sales and distribution, promotional service and functional and corporate service fees. The 70% of the IM fee has been generated from FTF funds, which increased by £0.6 million to £20.4 million, 18% from separate accounts which increased by £1.3 million to £5.4 million, and FTF II contributed £3.6 million or the balance 12%. IM fees are aligned with the underlying assets under management ("AUM") which have increased by £4.8 billion to £9.4 billion at September 30, 2021. The AUM of FTF has risen by £0.4 billion or 13% to £3.3 billion, the AUM for separate account has risen by £0.7 billion or 43.89% to £2.4 billion and the AUM for FTF II is £3.7 billion.

During the year ended September 30, 2021, FTF had gross sales of £927.2 million (2020: £1,657.4 million) and the redemptions of £1,402.4 million (2020: £(1,225.2) million), separate accounts had gross sales of £349.8 million (2020: £230.4 million) and the redemptions of £140.7 million (2020: £(74.8) million). The other Franklin funds which FTFML advised during the year had gross sales of £4.0 million (2020: £nil) and the redemptions of £0.6 million (2020: £nil). The gross sales for FTF II since the transfer to FTFML in August, 2021 are £192.5 million and redemptions of £211.3 million. Net outflows in AUM have been offset by market appreciation.

As the ACD and distributor of funds, the Company incurs expenses from fellow Franklin subsidiaries and third parties for the services provided to FTF and FTF II which include: intra-group promotional services provided by Franklin subsidiaries; transfer agency ("TA") activities for FTF provided by FTGIL; and sales, distribution and marketing expenses charged by third party broker-dealers. The business management ("BM") for FTF and BM and TA of FTF II have been sub-delegated to third parties. In addition, the Company has sub-delegated the investment advisory function of certain FTF and all of FTF II sub-funds to fellow Franklin subsidiaries. Where expenses are incurred for sub-delegated FTF and FTF II 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 £1.6 million to £25.0 million. Compensation and benefits expenses increased by £0.6 million to £3.9 million due to an increase in bonus expenses. General, administrative and other expenses have increased by £3.2 million to £15.4 million; this includes £3.4 million of sub-advisory fees pertaining to FTF II and an increase of £1.3 million in functional and corporate services due to increased fund administration related expenses and an increase of £0.6 million in professional fees and irrecoverable VAT, partly offset by a decrease in sub-business management fees of £2.0 million due to delegation of BM to a third party. There has also been a decrease in advertising and promotion expenses of £2.2 million due to the reduction is promotional and marketing expenses.

The Company generated operating income of £5.6 million (2020: £2.1 million) and an operating income margin of 18% (2020: 8%). The return on assets increased to 20% (2020: 11%) 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 17.8% (2020: 19.9%).

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, 2021, and throughout the year, the Company has maintained a buffer which exceeds the minimum regulatory requirements.

Business environment

The business year has again 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 but as the year progressed, and vaccination programs rolled out around the world, markets have broadly reacted positively. 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 £11 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 39% of allocations. The allocation to UK equities has fallen to its lowest level and represented 26% of this allocation. Fixed income allocations remained at 32% . The allocation to overseas bonds in the fixed income space has increased, reaching 55% of total assets, up from 36% in 2015. 69% of all assets remain actively managed and we continue to see an acceleration of the growth in indexing. The growth of ETFs remains robust with global assets in ETFs increasing 25% year on year.

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 impactful as the industry responds to the UK exit from the European Union ("Brexit"). Climate Change and sustainable finance are also high on the FCA's agenda and it is clear that financial services and markets have an important role to play in the transition to a more sustainable future. During the financial year the FCA published their latest consultation on proposals to introduce climate-related disclosure requirements for asset managers. 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.

In 2020, Franklin completed its acquisition of Legg Mason and in doing so created a firm with over £1 trillion in AUM, making the combined organisation one of the world's largest independent, specialist investment managers ("SIMs"). 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.

In August 2021, FTFML completed the transfer of business from Legg Mason Investment Funds Limited ("LMIFL") and became the ACD for an additional 15 sub-funds. This extended the range of investment choices managed by the Company.

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,	2021	2020
AUM, in billions, at September 30,	£9.4	£4.6
Total operating revenues, in thousands	£30,581	£25,486
Total operating expenses, in thousands	£24,958	£23,396
Operating income, in thousands	£5,623	£2,090
Operating income margin	18%	8%
Return on assets	20%	11%

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

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, Investment Risk group and peers.
Principal Risk:	Client Demand: Sustainable Investing (ESG)
Mitigation:	Meeting ESG regulatory requirements, provide training and education for investment and sales professionals on how to execute the ESG strategy and inform our clients. Transparent client ESG reporting. Technology solutions that allow clients to measure and influence the ESG impact of their portfolios
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:	Failure of utility providers
Mitigation:	Contingency plans in place, maintained and tested regularly, diversity of providers, vendor assessments and reviews.
Principal Risk:	Business impact of increasing privacy regulations
Mitigation:	Focus on automation of tasks and initiatives where feasible, streamlining existing processes and leveraging synergies between the teams.

Principal Risk:	Cyber threats - availability of services and privacy
Mitigation:	Robust core security infrastructure Dedicated teams to assess issues and restore service, proactively monitor the corporate network and to

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

Future developments

The Company will continue to focus on producing long-term risk adjusted investment performance and on providing high quality customer service to our clients. Following the transfer of FTF II. The Company is reviewing the enlarged product set to determine if there are efficiencies to be made by utilising shared service providers and improving distribution and investment processes through enhanced collaboration between the SIMs and Franklin.

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

In accordance with the Companies Act 2006 (the "Act"), 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 Act when discharging their duty under that section.

Section 172 of the Act 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.

Our Core Values are:

Put Clients First. Clients are at the centre of all that we do. We partner with clients to provide innovative solutions that best meet their evolving needs by bringing forward our best creative and original thinking.

Build Relationships. We build enduring relationships and deepen collaboration with our clients and colleagues through inclusive and transparent interactions, all the while embracing diverse perspectives.

Achieve Quality Results. Starting with a shared vision and expertise, we believe that accountability and measurement lead to performance excellence. We take action to keep our company nimble and innovative.

Work with Integrity. As fiduciaries and stewards of our clients' financial aspirations, we never come close to ethical boundary lines.

Key decisions made during the year

At the start of the COVID-19 pandemic last year, little was known about the impact that it would have around the world and the subsequent impact on personal and business lives. The Company's robust business continuity plans enabled the organisation to deliver operational resilience and maintain a high level of service. Our call centre remained open throughout and, although we saw an increase in email trades and enquiries, there were no material delays in our usual turnaround times, or any reduction in our service offering. Service levels for the Fund's other service providers have also remained consistent despite these challenges. We have also increased the volume of investment updates and insights on the Franklin UK website to keep investors informed. The Directors are mindful that the impact on individuals, companies and financial markets will take longer to recover and Franklin is committed to supporting investors in its funds and employees during these unprecedented times.

Franklin completed its landmark acquisition of Legg Mason on July 31, 2020. With the addition of Legg Mason and its recognised SIMs, Franklin embarked on a new chapter in its global growth story by uniting the complementary strengths of two world-class companies, providing new opportunities for our clients. The combined organisation established Franklin as one of the world's largest global investment managers with over £1 trillion in AUM as at September 30, 2021. There has been ongoing work to combine the legacy Franklin and Legg Mason business activities and achieve an integrated corporate structure. As a result, the Company became the ACD of Legg Mason's UK domiciled fund range on August 7, 2021. The Company is confident that this integration 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 ACD of FTF presented its second annual Assessment of Value ("AoV") report. The Company assessed every share class of the FTF range to determine whether we as a Company were satisfied they delivered value to shareholders. The AoV report articulates the value that each fund and share class provides to its shareholders by reference to criteria set out by the FCA and highlights any actions which the Company has taken or intends to take to enable the relevant fund or share class to deliver improved value in the future. These have included making some investment objectives clearer, reducing the fees on certain share classes and adopting new benchmarks for some funds to enable more appropriate performance comparisons. The AoV report can be found at www.franklintempleton.co.uk.

In March 2021, Franklin's Stewardship and Sustainability Council (the "Council") was established. The Council is led by two Co-Chairs and comprises 20 Council members representing our SIMs. Representing the diversity and depth of our different approaches, our Council members are responsible for developing the overall philosophy, identifying how we face universal sustainability challenges together, founded upon our commitment of what we do for our clients and how we behave as an organisation. The Council supports two key strategic priorities – climate and data, acknowledging the urgency of these common sustainability challenges faced by all of our SIMs.

The framework at Council level is reinforced by the Global Sustainability Strategy Team (the "Strategy Team"), led by the Global Environmental, Social and Governance Strategy Director, who is also a Council member, with the mandate to develop priorities in collaboration with the Council and implement strategies to drive and embed sustainability across the organisation. The Strategy Team supports the mission of the Council and works in close collaboration with the Council to guide the common stewardship and sustainability investing agenda. The Strategy Team consists of four members (as at September 30, 2021), who provide strategic sustainability counsel, combined with a broad range of experience across investments, sales, product, marketing and risk to liaises across all business functions of Franklin as well as with external stakeholders.

Together the Council and the Strategy team identify key strategic priorities and implement the agenda as they drive and embed sustainability across the organisation. The framework of the Council with the Strategy Team, working closely together, allows our SIMs to develop their respective sustainable investment approaches independently.

Franklin is committed to transparency and disclosure in its stewardship and sustainability activities. In 2021, the Strategy Team reported to the Financial Reporting Council, producing Franklin's Stewardship Report, followed by the Principles for Responsible Investment ("PRI") transparency report. Franklin's independent SIMs continue to report separately on their activities.

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 and Company; 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 employee sentiment pulse checks that take place throughout the year, 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.

Franklin is recognised by the Human Rights Campaign ("HRC") Foundation's 2021 Corporate Equality Index ("CEI"), Bloomberg Gender Equality Index ("GEI"), Disability Equality Index ("DEI"), we are a Stonewall Diversity Champion and we hold a Bronze Award Certificate by the Employer Recognition Scheme, in national recognition of our commitment to the armed forces.

Franklin is an active voice in trying to improve diversity across the industry, including joining the CFA Institute's D&I Experimental Partners Program where over 40 participating firms are responding to the challenge to make the investment industry more inclusive.

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

The Company believes that the investments made by the funds it manages 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 investors in its funds 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 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 (e.g. its Scope 1 and 2 Greenhouse Gas ("GHG") emissions are relatively low, in line with its peers) when compared to other sectors. 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. On Scope 3 GHG emissions, we reported to the Carbon Disclosure Project ("CDP") at organisation-wide level combining both the legacy Franklin and Legg Mason operations, the following:

- Fuel and energy related activities (Transmission & Distribution losses)
- Waste generated in operations
- Business travel
- Employee commuting
- Downstream leased assets

Although not required to report its energy usage under the Companies, Energy and Carbon Reporting Regulations 2018, FTFML records its energy and associated greenhouse gas ("GHG") usage. Carbon dioxide emissions from energy usage are reported in line with the Greenhouse Gas Protocol. Data is collected weekly from onsite electricity and gas meters that suppliers use for billing purposes at the offices in London, Edinburgh and Leeds and then allocated to the respective Franklin UK company based on headcount.

During 2019, the Company performed the phase 2 Energy Savings and Opportunities Scheme ("ESOS") assessment, which identified potential energy savings within our real-estate portfolio. These will be addressed during future building projects. The Company continues to focus on reducing its carbon footprint through energy efficient projects within the UK real estate portfolio. Within the last year Franklin has commenced a modernisation of the Edinburgh office; this will include the removal of the gas supply and the installation of new building plant which will assist in reducing future carbon emissions.

Franklin operates a global volunteer program called Involved, which encourages engagement with communities and supports the firm's Corporate Social Responsibility ("CSR") goals.

In the UK, Involved operates regional initiatives alongside firm wide ones. Each site supports an employee-nominated local charity each year with fundraising, as well as involvement in volunteering for these charities. Involved organise periodic fundraising events such as raffles, auctions, and sponsored events.

The Company's employees play an active part in local volunteering, such as offering mock interview practice to young people from disadvantaged backgrounds, as well as being offered paid volunteer time off to pursue volunteering outside work; recently, employees have supported homelessness charities, worked with refugee groups, and participated in group volunteering at a food bank, amongst other activities.

The Company embraces individual differences and the variety of perspectives diversity offers. 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 optimizing our sourcing channels, recruitment programmes and internship programmes including participating in the #100blackinterns initiative.

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

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

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'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.

The Company actively engages and maintains an open and transparent relationship with its regulator, the FCA, and ensures it keeps up to date with industry regulations and best practice.

Risk management is a critical element of Franklin's everyday business activities and takes place at many 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 the Franklin Group.

The need to act fairly between different members of the Company

The Company has a single member, Franklin Templeton Global Investors Limited. 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:

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Martyn C. Gilbey
Chief Executive Officer

December 9, 2021

Franklin Templeton Fund Management Limited

Directors' Report

For the fiscal year ended September 30, 2021

The Directors present their report and the audited financial statements of Franklin Templeton Fund Management Limited for the year ended September 30, 2021. 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 years ended September 30, 2021 and 2020. No dividends have been proposed at September 30, 2021 (2020: nil).

Directors and Officers

The Directors and Officers who held office during the year ended September 30, 2021 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 M. Collins
Kathleen Davidson (resigned July 1, 2021)
Fionnuala Doris (Non-executive Director) (appointed July 1, 2021)
William Jackson
Henrietta Jowitt (Non-executive Director)
Penelope A. Kyle (appointed July 14, 2021)
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, recruitment programmes and internship programmes including the #100blackinterns initiative.

Diversity and inclusion

D&I creates a strategic advantage by harnessing the power of Franklin's diverse workforce to maximise 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 has been an official partner with The Diversity Project both in England and in Scotland since 2019, always looking to strengthen our strategic advantage. Franklin is also proud to be a signatory to the HM Treasury's Women in Finance Charter in the UK, 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 remain 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 and operational 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.

Enterprise Risk Management ("ERM") is a disciplined process supported by the entire organization designed to focus on our objectives, identify potential events that may materially affect the Company, and manage risk to support achieving the objectives

Everyone in Franklin has some responsibility for risk management.

- The Franklin CEO has ultimate ownership.
- The Key Enterprise Risks are reported to the Audit Committee quarterly, and to the FRI Board of Directors regularly.
- 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 is responsible for overseeing the key enterprise risks, and other significant risks throughout the year with escalation to the Executive Committee as needed.
- 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.
- Risk & Control groups - individual business units conduct internal assessments specific to their business functions. Results are reported to line of business management.

Franklin Templeton Fund Management Limited

Directors' Report

For the fiscal year ended September 30, 2021

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 UK and 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 2021/2022 Business Plan, the FCA summarise their priorities as to make markets work better and to stop and prevent serious misconduct that leads to harm. The FCA priorities across all markets are:

- Diversity and inclusion
- ESG
- International priorities
- Fraud strategy
- Financial resilience and resolution
- Operational resilience

Specifically, for the Investment Management sector, the FCA will focus on making sure investors are able to make effective investment decisions and firms offer products that are fair value, meet investors' needs and provide appropriate protection. This includes looking to asset managers to manage liquidity in funds to avoid unnecessary risks.

The FCA have also consulted on a new consumer duty that would set clearer and higher expectations for firms' standards of care towards consumers. A second consultation is expected by December 31, 2021 and new rules by July 31, 2022.

The FCA intend to increase their supervision of whether asset managers present the environmental, social and governance (ESG) properties of funds fairly, clearly and in ways that are not misleading. They consulted on new disclosure rules for asset managers, life insurers and FCA-regulated pension schemes in June and published a dear chair letter to fund managers in July providing guidance on expectations.

Tackling market abuse and financial crime will continue to be a priority and the FCA will continue to allocate significant resource to monitor the transactions in financial instruments reported to us, assess Suspicious Transaction and Order Reports (STORs) and follow up intelligence from whistle-blowers on financial crime or fraud

The FCA also intend to increase their risk appetite in dealing with serious misconduct, they intend to use criminal powers in the most serious cases and to litigate more firms, recognising the will not win every case.

Investment Firm Prudential Regime (IFPR)

A new UK prudential regime for MiFID investment firms will be implemented in January 2022 replacing the current CRD. Key changes will include new capital requirements, liquidity requirements, the replacement of the ICAAP with an ICARA and new disclosure and reporting requirements.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 United Kingdom 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 remains a significant issue since its rapid development during 2020. Measures taken by various governments to contain the virus including lockdowns and travel restrictions, have continued to affect economic activity during the year ended September 30, 2021. 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 work 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 the 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:

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Martyn C. Gilbey
Chief Executive Officer

December 9, 2021

Franklin Templeton Fund Management Limited

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 2021 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 2021; Statement of Stockholder's Equity and Statement of Comprehensive Income for the year then ended; and the notes to the financial statements, which include 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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

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 2021 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 Directors' Responsibilities, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue or expenses, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with accounting standards;
- Reviewing relevant Board meeting minutes;
- Reviewing correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journals posted with unusual account combinations; entries posted containing unusual account descriptions and entries posted by unexpected users, where any such journal entries were identified; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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

Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
9 December 2021

Franklin Templeton Fund Management Limited
Statement of Comprehensive Income

(in £ thousands)

For the fiscal years ended September 30,	Note	2021	2020
Operating Revenues			
Investment management fees		29,325	23,820
Promotional service fees		205	654
Sales and distribution fees		965	931
Functional and corporate service fees		86	81
Total operating revenues	4	30,581	25,486
Operating Expenses			
Compensation and benefits	5	3,857	3,292
Sales, distribution and marketing		511	472
Information systems and technology		805	830
Occupancy		94	87
Advertising and promotion		4,328	6,564
General, administrative and other	7	15,363	12,151
Total operating expenses		24,958	23,396
Operating Income	5	5,623	2,090
Other Income			
Other income		13	5
Income before income taxes		5,636	2,095
Taxes on income	8	(1,003)	(417)
Net Income		**4,633**	**1,678**
Other Comprehensive Income			
Items that will not be reclassified to retained earnings:			
Movement on deferred tax relating to share-based compensation	8	18	—
Other comprehensive income		**18**	**—**
Total Comprehensive Income		**4,651**	**1,678**

The notes on pages 21 to 29 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	2021	2020
Assets			
Non-Current Assets			
Deferred taxes	9	190	114
Total non-current assets		190	114
Current Assets			
Prepayments and accrued income		1,084	631
Receivables	10	4,719	2,951
Cash		17,404	12,252
Total current assets		23,207	15,834
Total Assets		**23,397**	**15,948**
Liabilities			
Current Liabilities			
Compensation and benefit payables	11	2,819	2,347
Accounts payable and accrued expenses	12	6,276	4,063
Commissions payable		472	359
Total current liabilities		9,567	6,769
Total liabilities		9,567	6,769
Stockholder's Equity			
Common stock, £1 par value, 100,000 shares authorised; 100,000 shares issued, outstanding and fully paid, at September 30, 2021 and 2020		100	100
Compensation reserve		18	—
Retained earnings		13,712	9,079
Total stockholder's equity		13,830	9,179
Total Liabilities and Stockholder's Equity		**23,397**	**15,948**

The notes on pages 21 to 29 are an integral part of the financial statements.

The financial statements of the Company on pages 18 to 29 for the year ended September 30, 2021 were authorised for issue by its Board of Directors and were signed on its behalf by:

DocuSigned by:

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Martyn C. Gilbey
Chief Executive Officer

December 9, 2021

Franklin Templeton Fund Management Limited
Statement of Stockholder's Equity

(in thousands)	Common Stock		Compensation Reserve	Retained Earnings	Total Stockholder's Equity
for the fiscal year ended September 30, 2021 and 2020	**Shares**	**£**	**£**	**£**	**£**
Balance at October 1, 2019	**100**	**100**	**—**	**7,401**	**7,501**
Total comprehensive income	—	—	—	1,678	1,678
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**
Total comprehensive income	—	—	18	4,633	4,651
Share-based compensation	—	—	514	—	514
Share-based compensation recharge by ultimate parent company	—	—	(514)	—	(514)
Balance at September 30, 2021	**100**	**100**	**18**	**13,712**	**13,830**

No ordinary share dividends have been approved or paid during the years ended September 30, 2021 and 2020.

The notes on pages 21 to 29 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 ("OEICs") for which the Company is the ACD, as well as to institutional separate accounts. In August 2021, FTFML completed the transfer of business from Legg Mason Investment Funds Limited ("LMIFL") and became the ACD of Franklin Templeton Funds II ("FTF II"), fund range is a sponsored UK registered OEIC. 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 ("USA"), 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, 2021. The consolidated financial statements of Franklin are prepared in accordance with the Generally Accepted Accounting Principles of the USA, 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 UK 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) 40A-D (change in accounting policy, retrospective restatement or reclassification),
  (vi) 111 (cash flow statement information), and
  (vii) 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 a compensation reserve and is 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, 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

Accounting Standards Adopted During Fiscal Year 2021

There were no standards adopted that have material impacts on the Company's financial condition or results of operations.

Note 4 - Operating Revenues

Analysis of operating revenues by geography:

(in £ thousands)

for the fiscal years ended September 30,	2021	2020
United Kingdom	29,942	24,434
Ireland	421	407
United States of America	176	543
Singapore	18	40
Rest of the World	24	62
Total Operating Revenues	**30,581**	**25,486**

Note 5 - Operating Income

Operating income is stated after charging:

(in £ thousands)

for the fiscal years ended September 30,	2021	2020
Wages and salaries	1,138	1,591
Bonus expenses	2,100	1,280
Social security costs	514	321
Pension costs	58	54
Other staff costs	47	46
Compensation and Benefits	**3,857**	**3,292**
Fees payable to the Company's auditors in relation to:		
Auditing of financial statements of the Company	33	29
Audit-related assurance services	118	65

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, 2021 was eight (2020: eight), all employees were involved in investment management activities.

Directors' emoluments

For the year ended September 30, 2021 the emoluments of five of the executive Directors (2020: four) executive Directors, who served during the year, were paid by another Franklin Group company in the UK and one executive Director (2020: 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. The six individuals are Directors of a number of fellow group subsidiaries and no direct apportionment of the costs of emoluments are made to any subsidiaries.

For the year ended September 30, 2021 management have updated the allocation basis for Directors' emoluments. Due to the nature of the Directors' role and responsibilities it is not possible to accurately apportion the Directors' emoluments between each subsidiary to which they provide services based on time spent on each directorship. However, for the year ended September 30, 2021, management have split each UK Directors' emoluments across FTGIL and its UK-domiciled subsidiaries, based on the number of directorships that each individual holds and is time apportioned when appointed or resigned during the year. The number of directorships of the FTGIL UK-domiciled subsidiaries held by the Company's executive Directors ranged from one to seven. No allocation has been made for the one non-UK Director, who is an Executive Officer of Franklin. Previously, the Company disclosed no emoluments for any executive Directors as none were paid by the Company.

In addition, the three non-executive Directors who served during the year ended September 30, 2021 (2020: three) received aggregate remuneration of £90 thousand (2020: £97 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 was appointed in July 2021, as at September 30, 2021 there were three non-executive Directors. A non-executive Director resigned in December 2019, as at September 30, 2020 there were two non-executive Directors.

Disclosed below are the FTFML share of the emoluments of the five Directors who served during the year ended September 30, 2021 and were employed in the UK and the three non-executive Directors who served during the year. Also disclosed are the total emoluments of the three non-executive Directors who served during the year ended September 30, 2020; the other four executive Directors were employed by, and continue to be Directors of, another FTGIL UK-domiciled subsidiary in which their emoluments were disclosed.

(in £ thousands)

for the fiscal years ended September 30,	**2021**	**2020**
Aggregate remuneration	944	97
Company pension contributions to money purchase scheme	22	—
Directors' Emoluments	**966**	**97**

Retirement benefits are accruing to one Director (2020: nil) under a defined benefit scheme. All the executive Directors are entitled to shares in Franklin under a long-term incentive plan.

Highest paid Director

Disclosed below are total emoluments of the highest paid Director who served during the year ended September 30, 2021 and for the year ended September 30, 2020 the total emoluments of the non-executive Directors, who receive equal remuneration for services provided. Whilst the total emoluments of the highest paid Director are included below, only a share of this amount is included within the Directors' emoluments disclosure for the year ended September 30, 2021, above. The remaining amounts, not disclosed above, are included within the financial statements of the other FTGIL UK-domiciled subsidiaries for which the Director has served during the year.

(in £ thousands)

for the fiscal years ended September 30,	**2021**	**2020**
Aggregate remuneration	512	45
Company pension contributions to money purchase scheme	—	—
Director's Emoluments	**512**	**45**

At September 30, 2021 and 2020 no share options were outstanding and during the year no share options were exercised.

Note 7 - General, Administrative and Other

General, administrative and other expenses consisted of the following:

(in £ thousands)

for the fiscal years ended September 30,	**2021**	**2020**
Sub-advisory	5,028	1,786
Sub-business management	287	2,294
Sub-transfer agency	2,251	2,184
Functional and corporate services	4,865	3,591
Other	2,932	2,296
General, Administrative and Other	**15,363**	**12,151**

Effective June 22, 2020, the sub-business management of FTF products have been performed by a third party. The fund administration expenses for FTFML managed products are now included in functional and corporate services.

Note 8 - Taxes on Income

Taxes on income were as follows:

(in £ thousands)

for the fiscal years ended September 30,	2021	2020
Current tax expense		
UK corporation taxes related to the current year	1,069	180
Adjustments in respect of prior years	(7)	16
Total current tax expense	1,062	196
Deferred tax (income) expense		
Origination and reversal of temporary differences	(59)	221
Total deferred tax (income) expense	(59)	221
Total Taxes on Income	**1,003**	**417**

Taxes on other comprehensive income were as follows:

(in £ thousands)

for the fiscal year ended September 30,	2021	2020
Deferred tax expense		
Origination and reversal of temporary differences	(18)	—
Total Tax on Other Comprehensive Income (Loss)	**(18)**	—

The tax expense for the year is lower (2020: higher) than the standard rate of corporation tax in the UK for the year ended September 30, 2021 of 19% (2020: 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,	2021	2020
Income before income taxes	5,636	2,095
Income tax expense at 19% (2020: 19%)	1,071	398
Effect of:		
Expenses not deductible for tax purposes	(39)	19
Adjustments in respect of prior years	(7)	16
Impact of rate change on current year deferred tax	(10)	(23)
Share-based payment valuation adjustment - net income	(29)	7
Adjustment in respect of prior periods – Deferred tax	(1)	—
Amounts charged to Other Comprehensive Income	18	—
Total Income Tax Expense	**1,003**	**417**

A change to the corporation tax rate was announced in the March 11, 2021 Budget and was substantively enacted on May 24, 2021; this change increases the corporation tax rate to 25% from April 1, 2023. Deferred taxes at the balance sheet date have been measured using these enacted rates, where appropriate.

Franklin Templeton Fund Management Limited

Notes to the Financial Statements

For the fiscal year ended September 30, 2021

Note 9 - Deferred Taxes

The significant components of deferred tax assets were as follows:

(in £ thousands) **for the fiscal years ended September 30, 2021 and 2020**	**Accelerated Capital Allowances**	**Other Short Term Timing Differences**	**Total**
Balance at October 1, 2019	1	334	335
Charged to net income	—	(221)	(221)
Balance at September 30, 2020	1	113	114
Credited to net income	—	48	48
Credited to other comprehensive income		29	29
Balance at September 30, 2021	1	190	191

Other short term timing differences include balances related to employee compensation awards and pension payments.

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

(in £ thousands) **for the fiscal years ended September 30,**	**2021**	**2020**
Deferred income tax assets:		
Recoverable within 12 months	131	55
Recoverable after 12 months	59	59
Deferred Income Tax Assets	190	114

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,**	**2021**	**2020**
Trade receivables	4,362	2,048
Amounts owed by group undertakings	323	780
Other receivables	34	123
Receivables	4,719	2,951

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,	2021	2020
Accrued bonus expenses	1,768	1,099
Share-based payment amounts owed to ultimate parent company	332	307
Other taxation and social security	599	882
Other	120	59
Compensation and Benefit Payables	**2,819**	**2,347**

Note 12 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

(in £ thousands)

as at September 30,	2021	2020
Trade payables	50	—
Amounts owed to group undertakings	3,943	3,282
Income taxes payable	1,069	180
Accruals and deferred income	1,214	601
Accounts Payable and Accrued Expenses	**6,276**	**4,063**

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 £0.1 million and £0.1 million for fiscal years 2021 and 2020. The balance due to these schemes was £0.0 million at September 30, 2021 (2020: £0.0 million).

Note 14 - 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 15 - 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.