Franklin Templeton Fund Management Limited

Registration number: 1938417

Report and Financial Statements
for the year ended September 30, 2023

Franklin Templeton Fund Management Limited
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Franklin Templeton Fund Management Limited
Company Information

Directors

Nigel Anderson

David Brigstocke (Non-executive Director)

Fionnuala Doris (Non-executive Director)

Martyn C. Gilbey

William Jackson (Chairman) (Non-executive Director) (resigned as executive Director and appointed as Non-executive Director on September 30, 2023)

Henrietta Jowitt (Non-executive Director)

Penelope A. Kyle

Gwen L. Shaneyfelt

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Registered Office

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Independent Auditors

PricewaterhouseCoopers LLP

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The Directors present their Strategic Report on Franklin Templeton Fund Management Limited ("FTFML" or the "Company") for the year ended September 30, 2023.

Review of the business

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

The Company is the Authorised Corporate Director ("ACD") of Franklin Templeton Funds ("FTF"), which is a United Kingdom ("UK") Undertaking for Collective Investment in Transferable Securities ("UCITS") established as an open-ended investment companies ("OEIC"). The Company is also a contracting entity for institutional separate accounts. The investment management and certain related services for FTF and institutional separate accounts are provided by Franklin and its subsidiaries (the "Franklin Group"). The Company distributes shares in the sub-funds of FTF directly as well as 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").

Results and performance

The results of the Company for the year, as set out on page 20, show net income before taxes of £4.5 million (2022: £1.0 million). The total stockholder's equity of the Company is £17.8 million (2022: £14.1 million).

During the year ended September 30, 2023, total operating revenues decreased by £6.1 million to £45.1 million of which investment management ("IM") fees contributed 90% (2022: 91%) and promotional services contributed 10% (2022: 9%), the remainder of the operating revenues related to functional and corporate service fees. During the fiscal year, 78% of total operating revenues relate to IM fees generated from FTF, which decreased by £6.0 million to £34.9 million, and 12% from institutional separate accounts which decreased by £0.1 million to £5.6 million. Assets under management ("AUM") decreased by £0.3 billion to £7.4 billion at September 30, 2023. The AUM of FTF decreased by £477.7 million or 8.57% to £5.1 billion, the AUM for separate accounts by £0.2 billion or 8.50% to £2.3 billion.

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 institutional separate accounts 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 fund administration ("FA") of FTF has been sub-delegated to third parties. In addition, the Company sub-delegates the investment advisory function of FTF sub-funds and institutional separate accounts to fellow Franklin subsidiaries. Where expenses are incurred for sub-delegated funds, they are charged to the relevant Franklin subsidiary as promotional service fees or sales and distribution fees, within operating revenue.

Total operating expenses decreased by £9.0 million to £41.1 million. This is largely due to a decrease in:

- compensation and benefits expenses by £1.3 million to £0.1 million, following the transfer of the UK equity team to Martin Currie Investment Management Limited ("MCIM"), a Franklin subsidiary, effective February 1, 2022, and
- general, administrative and other expenses by £6 million to £36.2 million resulting primarily from a decrease in:
    - sub-advisory fees of £1.6 million in line with the reduction in IM revenue,
    - sub-transfer agency fees and functional and corporate services reduction of £0.3 million.and £1.4 million respectively,
    - irrecoverable tax of £0.8 million, and
    - professional fees by £1.2 million.

The Company generated operating income of £4.0 million (2022: £1.1 million) and an operating income margin of 9% (2022: 2%). The return on assets increased to 15% (2022: 1%). As per Franklin's transfer pricing policy, the Company retains only 4% of investment management revenue.

The Company's effective tax rate as a percentage of net income before tax is 18.1% (2022: 67.0%). The decrease in the current year is due to the final tax charge for the prior year being lower than expected.

The cash balance increased by £2.0 million due to the increase in comprehensive income in the current year. Effective September 30, 2023, an inter-unit netting agreement has been in place which allows the balances between the Franklin group entities, which are part of the agreement, to be settled on a net basis. This has resulted in a decrease of £1.9 million in accounts payable and accrued expenses.

The Directors undertake a quarterly examination of regulatory capital and liquidity requirements in respect of own funds held, liquid assets held and the surplus maintained. At September 30, 2023, and throughout the year, the Company has maintained a surplus which exceeds the regulatory requirements.

Business environment

Market commentary

The business year has been another challenging period characterised by surging inflation, the continued impact of the conflict in Ukraine and increasing interest rates.

Inflation and how the global central banks could manage it were the dominant market theme of 2022 and this extended into 2023. Early in 2023, this was further complicated by the collapse of three regional banks in the US and the hasty acquisition of Credit Suisse by UBS, events that reverberated globally.

In the face of various shocks and the continuing Russian aggression in Ukraine, in the main, global growth remained relatively robust, while inflation was still in the system. This was despite numerous interest rate hikes from the central banks. This meant the peak rates debate has extended deep into the year and is yet to be fully resolved.

However, higher interest rates and the potential for a slowdown in inflation has meant investors are beginning to identify pockets of value within fixed income markets. Fixed income is finally paying an income again and has the potential to play its traditional diversification role in balanced portfolios.

Meanwhile, despite a rocky summer, most stock markets have done well year to date. However, gains have sometimes felt narrow, with tech stocks that appear set to benefit from Artificial Intelligence (AI) posting stellar returns, while returns in other areas have been lacklustre.

ESG

Climate Change, stewardship, and sustainable finance are 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. The Company is focused on both product and service development to ensure it can meet the needs of clients' as well as 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.

Regulatory change

The introduction of the FCA's "Consumer Duty" principle, and associated regulation, was a key regulatory milestone for the Company. The Duty builds upon existing requirements relating to "treating customers fairly" and represents an overarching standard of conduct for firms, requiring firms to act to deliver good outcomes for retail customers.

The Duty requires the Company to:

- Put retail customers at the heart of our business and focus on actively delivering good outcomes for retail customers.
- Proactively identify and avoid scenarios where customers could suffer foreseeable harms through the Company's actions and omissions.
- Think holistically about what "good" and "bad" outcomes look like for customers, and make sure that every decision the Company takes is focused on supporting the good outcomes and avoiding bad outcomes.
- Think about how customers' needs might require the Company to act differently to support them, for example where we have identified customers with characteristics of vulnerability, or simply where customers are less confident in understanding product documentation.
- Although the Company is not responsible for customers' decisions, the Company must enable and empower customers to take good decisions and take responsibility for those decisions.

The Company has embedded the Duty and the associated additional regulatory requirements into its business practices and culture, with a particular focus on its activities as manufacturer of the FTF fund range, its responsibilities for customer service and understanding in respect of retail investors in the FTF fund range, as well as how the Company, or its delegates on its behalf, engage with customers who may have characteristics of vulnerability, to ensure that all retail customers receive good outcomes in their interaction with the Company and the FTF fund range.

Franklin Templeton Fund Management Limited

Strategic Report

For the fiscal year ended September 30, 2023

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. We are committed to helping our customers achieve good outcomes, and supporting them to make effective decisions in managing their investments. Our focus is on getting it "right first time" for our clients, throughout the customer journey they experience with the Company.

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.

Key performance indicators ("KPIs") and alternative performance measures ("APMs")

The progress of the Company is monitored by considering a number of financial KPIs as well as APMs, including AUM, operating revenues, operating expenses, operating income and operating income margin. The variances of below KPIs and APMs are explained on page 2-3 in result and performance.

KPI's for the fiscal years ended September 30,	2023	2022
Operating income margin[1]	9 %	2 %
Return on assets[2]	15 %	1 %
Total operating revenues, in millions	£45.1	£51.2
Total operating expenses, in millions	£41.1	£50.1
Operating income, in millions	£4.0	£1.1

APM's for the fiscal years ended September 30,	2023	2022
AUM, in billions, at September 30,[3]	£7.4	£7.7

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 have identified principal risks facing the business and employ a mitigation strategy to each risk as follows:

Principal Risk: Investment capabilities & performance

Mitigation: Diversification by fund objective, investment clientele, management brand and geographic region

Close monitoring by IMPOC (Investment Management and Portfolio Oversight Committee), Investment Management Oversight function, Investment Risk group and peers.

Principal Risk: New strategic capabilities

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 alongside transparent client ESG reporting.

Formal frameworks and project methodology in place for new tech capabilities, product strategies and mergers and acquisitions activity.

[1] *Operating income margin is a measure of performance and is calculated as operating income divided by total operating revenue.*

[2] *Return on assets is a measure of performance and is calculated as net income divided by total assets.*

[3] Assets under management ("AUM") is not reported in the financial statements on pages 20 to 31 and is therefore a non GAAP measure.

Principal Risk: Talent & expertise
Mitigation: Compensation targets retention of key employees.
Company has a team-based approach to investment management and other key areas with succession plans in place for key talent.

Principal Risk: Investment objectives & mandate compliance
Mitigation: Restrictions coded in investment compliance system, regular monitoring and periodic reviews undertaken with formal onboarding process in place for all new mandates.
Investment managers understand their mandates.

Principal Risk: Distribution strategy execution
Mitigation: Formal management reporting in place to track sales, revenue, assets at risk, pipeline and activities, supported by CRM system.
Assessment of Value process embedded in product development and fund governance process.

Principal Risk: Business resilience
Mitigation: Annual testing of business continuity plans, crisis management plans, emergency management teams plans, disaster recovery plans and technical recovery time targets.

Principal Risk: Third party oversight
Mitigation: SLAs and KPIs in place for all material outsourced arrangements with regular governance oversight, reporting and due diligence undertaken
Enterprise vendor management program in place at an enterprise level to identify, vet, and manager third part relationships.

Principal Risk: Cyber security
Mitigation: An enterprise-wide Cyber Security Program & Framework, including governance oversight from various committees, Board of Directors and independent assessments, enable a comprehensive program to identify, protect, detect, respond, and recover from information technology risks is in place with continuous review to ensure program keeps pace with business change (internal/external).

Principal Risk: Regulatory compliance
Mitigation: Comprehensive policies covering all regulatory requirements in place which are communicated to all employees, alongside regular training.
Formal regulatory change process to monitor and implement new or updated requirements.
Compliance monitoring program reviews adherence ensuring that actions are remediated promptly.

Principal Risk: Trade execution
Mitigation: Investment compliance best execution governance and oversight to oversee adherence to best execution requirements.
All trades pass through Investment Compliance pre-trade clearance to ensure all order flow has met IMA and regulatory requirements.
System controls in place to ensure that only brokers on the approved list can be used, preventing traders from selecting unapproved counterparties.

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.

The current global issues affecting the financial markets has led to significant market volatility with many asset classes suffering losses this year. The political uncertainty in the UK created additional volatility in the markets but this has recently improved. UK investors continue to require diversification, capital growth and income. These needs cannot be met by general market returns alone.

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. For each matter that comes before the Directors, stakeholders who may be affected are identified and the Directors consider the interests of all such stakeholders in coming to decisions. The Directors seek input from relevant business lines and/or relevant stakeholders including receiving regular flows of management information, which they use to inform debate and decision making.

The Company's ultimate parent is Franklin and the Company is part of the wider Franklin corporate group. The Company adopts, leverages and contributes to Franklin's wider strategy, values, policies, procedures and approach to community engagement. Franklin's corporate values are reflected throughout the organisation. and are shared in its annual report on its website www.franklinresources.com.

The Directors recognise that the long-term success of the Company 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. The Company seeks to do the right things, the right way, in order to deliver value to its clients, employees, and its communities. The Company has adopted Franklin's core corporate values and this is an important element of how it achieves success in working with all of its key stakeholders. Franklin's core values reflect what is most important to the Franklin business. They are the ideas that guide how we do business, how we treat our clients; and how we work with each other.

Franklin's 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

The Company continues to support and implement Franklin's wider strategy, which is to build on Franklin's track record of developing innovative products and tools for our clients, whilst empowering Franklin's people to always do the right thing for clients. Franklin's mission is to help clients achieve better outcomes through investment management expertise, wealth management and technology solutions. The Company has continued to support the wider Franklin strategy and missions throughout the fiscal year ending September 30, 2023. In particular:

Decisions taken in the wake of the Russian invasion of Ukraine

Following the Russian invasion of Ukraine in 2022, and the resulting tragic humanitarian crisis, Franklin has committed and continues to commit to avoid any support or enrichment to Russia or Belarus as a result of investment decisions, for the foreseeable future.

Assessment of Value

In line with its regulatory obligations as authorised corporate director of FTF, the Company undertook its annual assessment of value exercise, covering all of the active sub-funds of FTF. The results of the assessment of value exercise, including the decisions the Company took following the outcome of the exercise, are available on our UK website at www.franklintempleton.co.uk.

Consumer Duty

In line with its regulatory obligations, the Company undertook a comprehensive Consumer Duty review and implementation project in the months leading up to the date the Consumer Duty took effect: 31 July 2023. The key decisions taken by the Company as part of that project include:

- A thorough review of all retail client-facing documentation, including undertaking independent external client testing via a third party organisation, focusing on core retail documents. The review enabled the Company to identify where best practice uplifts could be made, and the Company is in the process of considering the results of that review and implementing recommendations where appropriate.

- An enhanced due diligence process, focusing on Consumer Duty, of the entity which provides the Company with delegated transfer agency and client support services. The Company agreed enhanced KPIs and monitoring with the delegate in order to embed Consumer Duty in its ongoing monitoring and oversight, as well as being able to identify client outcomes, and risks to any such outcomes.

- A thorough review of the Company's product governance and oversight arrangements, including best practice uplifts to the existing robust procedure to include core Consumer Duty concepts.

The Company views the Consumer Duty as an opportunity to test and challenge itself to focus even more on retail customer outcomes, and "get it right first time". The Company welcomes the development of the Consumer Duty and considers that the Duty will continue to be a core focus for the Company as the Consumer Duty is further embedded into the business, and the wider market, as part of ongoing "business as usual".

Section 172 considerations

In managing the Company over the fiscal year ending September 30, 2023 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 and the Franklin group 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 key decisions taken throughout the year were all focused on protecting and developing the Company's long-term success, through embedding the FCA's Consumer Duty into the business activities of the Company with the aim of ensuring that the Company is best placed to deliver good outcomes for all its retail customers, and support retail customers to make good and effective decisions.

The interests of the Company's employees

The Company has no direct employees – instead, there are various service agreements in place with other entities within the Franklin Group. The Franklin Group acknowledges the significance of a committed workforce, and focuses on engaging employees, cultivating their skills and talents, and retaining them as engaged members of the organisation, including considering the impact of business decisions on the Franklin workforce. As part of this, Franklin has set up an extensive series of employee engagement activities, from diversity and inclusion initiatives, business resource groups, and ongoing training and engagement programs. In addition, Franklin offers employees various excellent employee benefits, including the opportunity to invest in Franklin shares through the Franklin Employee Stock Investment Plan.

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

Clients

The Company is ultimately a service business, focused on creating innovative, valuable investment solutions for its clients. The Company believes that its success is dependent upon serving its clients, engaging with appropriate counterparties, and suppliers, and delivering strong results. The Company wants clients to feel confident that it is managing their money with the highest levels of care and integrity in the industry, and the Directors put clients' interests at the heart of key decision-making discussions and outcomes. When considering key business initiatives, or overseeing existing business lines and making business critical decisions, the Directors make decisions that they believe are genuinely in the long term best interests of the Company's clients and will support clients in achieving good outcomes. As part of this the Company considers where its activities have the greatest potential for harm to clients if the Company does not get things right: this includes considering the specific needs of retail customers as well as customers who may have characteristics of vulnerability. The Company has appointed a dedicated "Consumer Duty Champion" at Director level, who is responsible for helping Directors keep the Consumer Duty – and customers' best interests – at the heart of executive decision making as well as challenging the Company's employees to properly embed the Consumer Duty into business as usual business activities.

The Company places a high priority on maintaining a strong, compliant, business infrastructure to protect clients' interests. This includes focusing on compliance, risk, strong investment decision making and ensuring that information, data, and cyber security is maintained.

Suppliers and business partners

The Directors recognise that delivering on the Company's strategy requires strong, mutually beneficial relationships with its suppliers. The Company regularly reviews its approach to supplier selection, engagement, monitoring, risk, and its 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. This year the Company has particularly focused on the relationship with the third party which provides transfer agency services to the Company in respect of the FTF fund range. The Company identified this as a key relationship in its consideration of the Consumer Duty, as the principle interface between the Company and its retail customers, and the main source of customer support. Accordingly the Company identified that should the delegated transfer agency service provider fail to deliver its services to the standard expected by the Company, there was an increased risk that the Company's clients could suffer from instances of foreseeable harm, or be otherwise prevented from easily achieving their financial objectives and good outcomes more widely. The Company engaged with the transfer agency service provider over a period of several months, conducting enhanced due diligence on the service provider, and ensuring that the Company was satisfied that the service provider was aware of and complying with the FCA's and the Company's expectations under the Consumer Duty.

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

Environment

The Company is a service business that has predominantly office-based functions, and therefore 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 additionally, the Company strives to provide a safe, comfortable and efficient environment to enable employees to work productively. Franklin as a group also manages its environmental impact by supporting sustainable business practices across its various functional areas. On Scope 3 GHG emissions, Franklin reported the following items to the Carbon Disclosure Project, at organisation-wide level combining both the legacy Franklin and Legg Mason operations:

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

Franklin records its energy and associated 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. The Company continues to focus on reducing its carbon footprint through energy efficient projects within the UK real estate portfolio. Franklin Templeton Global Investors Limited, the Company's parent, reports on energy and carbon reporting for all its subsidiaries, including energy consumption and actions taken to reduce the carbon footprint.

Community

Franklin is committed to supporting the communities in which it operates around the globe. Franklin operates a variety of community engagement and support programs including:

- "Involved" – Franklin's global volunteer program, which encourages engagement with communities and supports the firm's corporate social responsibility goals, including providing employees with paid time off for volunteering, donations for "doers", cause cards, matched charitable giving, and more.

- Franklin embraces individual differences and the variety of perspectives diversity and inclusion offers. Franklin promotes a culture of collaboration and diversity and inclusion initiatives to support employees, the community, and deliver better client outcomes. Franklin embeds a culture of diversity and inclusion through multiple channels, including resourcing and recruitment, internship programs, and business resource groups.

- Franklin has been recognised by the Human Rights Campaign Foundation's 2021 Corporate Equality Index, Bloomberg Gender Equality Index, Disability Equality Index, and is a signatory to the Women in Finance Charter and a Stonewall Diversity Champion. Franklin also holds a Bronze Award Certificate by the Employer Recognition Scheme, in national recognition of our commitment to the armed forces.

- Franklin actively seeks to attract candidates from non-traditional sources, through corporate internship programs including:
    - 10,000 Black Interns;
    - GAIN – Girls are Investors;
    - Leonard Cheshire Change 100 Internships; and
    - The Robertson Trust (Scotland).

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

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 Franklin's governance, ethics and compliance practices.

Franklin's Global Regulatory Compliance Group is responsible for ensuring that the Company has the appropriate processes and procedures in place to proactively comply with the rules and regulatory requirements applicable to it and the services the Company provides.

The Company actively engages and maintains an open and transparent relationship with its regulator, the Financial Conduct Authority, and ensures it keeps up to date with industry regulations and best practice including the Consumer Duty and its associated regulatory regime.

Risk management is a critical element of Franklin Templeton's everyday business activities and takes place at all levels of our organization. Risk leads from each segment/function are accountable for working within their respective areas and matrix support functions to capture and report on relevant business risks, and to utilize this information as part of their ongoing planning and performance management activities to help ensure success.

The Board of Directors has principal responsibility for oversight of the company's risk management processes. The UK Risk Committee oversees our enterprise risk assessment and risk management policies and procedures. The board receives risk management reports at least quarterly from the UK Risk Committee.

In order to ensure that risks are viewed and managed appropriately across the global enterprise, Franklin Templeton has an Enterprise Risk Management (ERM) program and Enterprise Risk Management Committee (ERMC). The ERMC is aligned to the Executive Committee and regularly reports to the company's Board of Directors and Audit Committee about Key Enterprise Risks and management's responses. The ERMC includes Executive and senior-level representatives from all areas of Franklin Templeton's business and operations including the UK Risk Committee.

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.

On behalf of the Board

DocuSigned by:
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William Jackson
Chairman

December 14, 2023

Franklin Templeton Fund Management Limited

Directors' Report

For the fiscal year ended September 30, 2023

The Directors present their report and the audited financial statements of Franklin Templeton Fund Management Limited for the year ended September 30, 2023. 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, 2023 and 2022. No dividends have been proposed at September 30, 2023 (2022: nil).

Directors and Officers

The Directors and Officers who held office during the year ended September 30, 2023 and up to the date of signing the financial statements are as follows:

Nigel Anderson
David Brigstocke (Non-executive Director)
Fionnuala Doris (Non-executive Director)
Martyn C. Gilbey
William Jackson (Chairman) (resigned as executive Director and appointed as Non-executive Director on September 30, 2023)
Henrietta Jowitt (Non-executive Director)
Penelope A. Kyle
Gwen L. Shaneyfelt
Euan Wilson

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

During the financial year ended September 30, 2023, the Company has no direct employees – instead, there are various service agreements in place with other entities within the Franklin Group. The Franklin Group acknowledges the significance of a committed workforce, and focuses on engaging employees, cultivating their skills and talents, and retaining them as engaged members of the organisation, including considering the impact of business decisions on the Franklin workforce. As part of this, Franklin has set up an extensive series of employee engagement activities, from diversity and inclusion initiatives, business resource groups, and ongoing training and engagement programs. In addition, Franklin offers employees various excellent employee benefits, including the opportunity to invest in Franklin shares through the Franklin Employee Stock Investment Plan.

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. The Company'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 Franklin 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.
- The ERM function provides reporting to the Board on the key risks impacting the activities of the Company and their mitigation.
- 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.

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 adheres to MIFIDPRU requirements which also includes the internal capital adequacy and risk assessment process ("ICARA").

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 2023/2024 Business Plan, the FCA state their operational objectives as:

- Securing an appropriate degree of protection for consumers
- Protecting and enhancing the integrity of the UK financial system
- Promoting effective competition in the interests of consumers

The FCA expects the economic and geopolitical environment to remain highly uncertain over the coming year. The key uncertainties include:

- Interest rates and inflation – Financial market expectations of interest rates in the UK and elsewhere remain volatile as do expectations with respect to inflation.
- Unemployment – While unemployment remains low there is significant uncertainty in relation to possible future rate outcomes.
- Potential for further declines in real household disposable incomes – Higher mortgage rates and a squeeze on real incomes are reducing consumer budgets. Pressure may ease as inflation falls but as the effect is lagged some households may still have a negative cash flow.
- Potential for further market volatility – Heightened geopolitical tensions from the war in Ukraine still pose risks of further periods of market volatility. Markets are also on high alert for any widespread contagion from increasing volatility.

Firms must now make sure they embed the Consumer Duty Principle, Cross cutting rules and Outcomes in their day to day businesses. These are:

New Principle – A firm must act to deliver good outcomes for retail customers.

New Cross-Cutting Rules – Firms must:

- Act in good faith towards retail customers.
- Avoid causing foreseeable harm to retail customers.
- Enable and support retail customers to pursue their financial objectives.

Four Outcomes:

- Products and Services – Firms should design and distribute products and services that are fit for purpose.
- Price and Value – Firms need to ensure the price the customer pays for a product or service is reasonable compared to the overall benefits the customer will experience.
- Consumer Understanding – Consumers must be given the information they need, at the right time, and presented in a way they can understand.
- Customer Support – Firms should provide support that enables consumers to realise the benefits of the products and services they buy, pursue their financial objectives and ensure they can act in their own interests.

The FCA recognizes there is a risk in open-ended funds that there can be a mismatch between the time investors can redeem and the time to liquidate the assets. Firms have ways of managing the liquidity within their funds but the FCA has concerns they may not always be used consistently. Firms need to ensure that exiting and remaining investors are treated fairly when considering the costs of redemption and the mix of assets that will be used to meet redemptions.

The FCA recognizes that disorderly firm failure has the potential to cause significant material detriment to consumers and markets. While there have been few asset management failures the FCA has increased its monitoring of Asset Managers financial positions. Firms need to ensure they have sufficient capital and liquidity to operate and that their governance processes allow for their financial health to be regularly assessed.

Annual disclosure - MIFIDPRU 8

MIFIDPRU investment firms are subject to an annual disclosure of risk management objectives and policies, own funds, own funds requirements and remuneration policies and practices. The aim of the disclosure is to promote the transparency of investment firm and to provide information to stakeholders on the risks and risk exposure of investment firm, own funds and own funds requirement, governance structure and remuneration policies and practices. The Company has published this unaudited disclosure and it is available on Franklin's UK website, www.franklintempleton.co.uk. Own funds and own funds requirement is closely monitored by the Company.

The Company also publishes a Remuneration Policy Statement in accordance with the UCITS Directive. This can also be found on the Firm's website.

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 due to the Russian invasion of Ukraine in February 2022, rising inflation and interest rates. 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 monitors the possible impact of such events on markets.

This risk is closely monitored by the Portfolio Managers and is overseen and challenged by the Investment Management Portfolio Oversight Committee ("IMPOC") and the Investment Risk function both of which report quarterly to the Board.

Foreign exchange risk

The Company is subject to foreign exchange risk through its international operations and its balance sheet cash and accounts payable. The Company 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 the Company 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 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 investment firm prudential regime ("IFPR") and collective portfolio management investment firms liquid asset requirement, which is reviewed quarterly.

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

Energy and carbon reporting

Under the Companies, Energy and Carbon Reporting Regulations 2018 the Company is obliged to report its UK energy use and associated greenhouse gas ("GHG") emissions. The required disclosure is found within the Directors' Report of the Report and Financial Statements of its Parent, FTGIL.

Independent auditors

The independent 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 in accordance with section 485 of the Companies Act 2006.

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 regulation.

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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

Directors' Confirmations

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

During the year the Company has been impacted by the effects of the Russian invasion of Ukraine, global inflationary pressures and interest rate rises, and political uncertainty in the UK. The Company has taken a number of measures to monitor and mitigate these effects.

The Company's response and the impact of these events on cash liquidity, AUM volatility and its impact on revenues and profitability have been covered within the business environment and results and performance sections of the Strategic Report.

The Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months from the signing date of these reports 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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William Jackson
Chairman

December 14, 2023

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 2023 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, including 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 2023; Statement of Comprehensive Income and Statement of Stockholder's Equity 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.

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 2023 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 FCA;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their assessment of significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries relating to estimates or judgements, 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.

Lauren Atkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

14 December 2023

Franklin Templeton Fund Management Limited

Statement of Comprehensive Income

(in £ thousands)

For the fiscal years ended September 30,	Note	2023	2022
Operating Revenues			
Investment management fees		40,526	46,631
Promotional service fees		4,619	4,543
Sales and distribution fees		—	5
Functional and corporate service fees		1	21
Total operating revenues	4	45,146	51,200
Operating Expenses			
Compensation and benefits	5	148	1,451
Sales, distribution and marketing		—	8
Information systems and technology		4	293
Occupancy		—	38
Advertising and promotion		4,769	5,984
General, administrative and other	7	36,202	42,329
Total operating expenses		41,123	50,103
Operating Income	5	4,023	1,097
Other Income (Expenses)			
Other income	8	467	33
Other expenses	9	(31)	(170)
Total other income (expenses)		436	(137)
Income before income taxes		4,459	960
Taxes on income	10	(805)	(643)
Net Income		**3,654**	**317**
Other Comprehensive Income (Loss)			
Items that will not be reclassified to retained earnings:			
Movement on deferred tax relating to share-based compensation	10	—	(18)
Other comprehensive income (loss)		**—**	**(18)**
Total Comprehensive Income		**3,654**	**299**

All amounts relate to continuing operations.

The notes on pages 23 to 31 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	2023	2022
Assets			
Current Assets			
Prepayments and accrued income		671	820
Receivables	12	5,880	6,038
Cash		17,261	15,231
Total current assets		23,812	22,089
Total Assets		**23,812**	**22,089**
Liabilities			
Current Liabilities			
Compensation and benefit payables	13	19	29
Accounts payable and accrued expenses	14	5,631	7,552
Commissions payable		379	379
Total current liabilities		6,029	7,960
Total liabilities		6,029	7,960
Stockholder's Equity			
Common stock, £1 par value, 100,000 ordinary shares authorised; 100,000 ordinary shares issued, outstanding and fully paid, at September 30, 2023 and 2022		100	100
Compensation reserve		—	—
Retained earnings		17,683	14,029
Total stockholder's equity		17,783	14,129
Total Liabilities and Stockholder's Equity		**23,812**	**22,089**

The notes on pages 23 to 31 are an integral part of the financial statements.

The financial statements of the Company on pages 20 to 31 for the year ended September 30, 2023 were approved by the Board of Directors on December 13, 2023 and were signed on its behalf by:

DocuSigned by:

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William Jackson
Chairman

December 14, 2023

Franklin Templeton Fund Management Limited
Statement of Stockholder's Equity

(in thousands) for the fiscal year ended September 30, 2023 and 2022	Common Stock Ordinary Shares	Common Stock £	Compensation Reserve £	Retained Earnings £	Total Stockholder's Equity £
Balance at October 1, 2021	**100**	**100**	**18**	**13,712**	**13,830**
Total comprehensive income	—	—	(18)	317	299
Share-based compensation	—	—	363	—	363
Share-based compensation recharge by ultimate parent company	—	—	(363)	—	(363)
Balance at September 30, 2022	**100**	**100**	—	**14,029**	**14,129**
Total comprehensive income	—	—	—	3,654	3,654
Share-based compensation	—	—	—	—	—
Share-based compensation recharge by ultimate parent company	—	—	—	—	—
Balance at September 30, 2023	**100**	**100**	—	**17,683**	**17,783**

No ordinary share dividends have been approved or paid during the years ended September 30, 2023 and 2022.

The notes on pages 23 to 31 are an integral part of the financial statements.

Note 1 - Business

Franklin Templeton Fund Management Limited ("FTFML" or the "Company") is a private company and 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 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, 2023. 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, measurement and disclosure 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 Company has also taken advantages of the FRS 101 disclosure exemptions as set out below.

Basis of going concern

During the year the Company has been impacted by the effects of the Russian invasion of Ukraine, global inflationary pressures and interest rate rises, and political uncertainty in the UK. Taking into account these global and UK issues, the Directors consider that the Company has adequate resources to remain in operation for a period of at least twelve months from the signing date of these reports and have therefore continued to adopt the going concern basis in preparing the financial statements.

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 and 18(a) of IAS 24, 'Related party disclosures' (key management compensation and services).
- 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 are used in allocation of intercompany costs and judgements are used in income tax provisions. A description of the judgements made is provided in the relevant notes below. There are no significant estimates or judgements.

Cash

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

The Company maintains cash with financial institutions in the UK 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. In accordance with IFRS 9, the Company recognises a credit 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. There is no loss allowance recognised in the current or prior period.

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, 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 had no employees during the year ended September 30, 2023.

Share-based compensation

The Company had no employees during the year ended September 30, 2023.

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.The expenses are allocated based on estimates and assumptions, including, amongst other bases, assets under management, headcount and utilisation rates that are periodically evaluated and adjusted by management. 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 average 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 Financial Year 2023

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

New Accounting Standards Not Yet Adopted

There were no new accounting standards that the Company has not yet adopted for financial year 2023.

Note 4 - Operating Revenues

Analysis of operating revenues by geography:

(in £ thousands)

for the fiscal years ended September 30,	2023	2022
United Kingdom	42,242	47,569
United States of America	595	2,707
Australia	1,644	455
Ireland	522	438
Singapore	139	16
Rest of the World	4	15
Total Operating Revenues	**45,146**	**51,200**

Franklin Templeton Fund Management Limited

Notes to the Financial Statements

For the fiscal year ended September 30, 2023

Note 5 - Operating Income

Operating income is stated after charging:

(in £ thousands)

for the fiscal years ended September 30,	2023	2022
Wages and salaries	138	427
Bonus expenses	—	830
Social security costs	10	150
Pension costs	—	28
Other staff costs	—	16
Compensation and Benefits	**148**	**1,451**
Fees payable to the Company's auditors in relation to:		
Auditing of financial statements of the Company	58	48
Audit-related assurance services	81	102

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, 2023 was zero (2022: three), all employees were involved in investment management activities.

Directors' emoluments

For the year ended September 30, 2023 the emoluments of five of the executive Directors (2022: six), who served during the year, were paid by another Franklin Group company in the UK and one executive Director (2022: 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. Four individuals are Directors of a number of fellow group subsidiaries and no direct recharge of the costs of emoluments are made to any subsidiaries.

To meet disclosure requirements similar to prior year, 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 two to one. The remaining amounts, not disclosed above, are disclosed within the financial statements of the other FTGIL UK-domiciled subsidiaries for which the Director has served during the year. The non-UK Director performs a global role as Executive Officer of Franklin and therefore no accurate apportionment of the emoluments can be made in respect of the Company.

In addition, the three non-executive Directors who served during the year ended September 30, 2023 (2022: three) received aggregate remuneration of £0.1 millions (2022: £0.1 millions) but have received no pension contributions and have no retirement benefits accruing. All non-executive Directors receive equal remuneration for services provided. The emoluments of the non-executive directors are borne by the Company and are included within compensation and benefits in Note 5.

Disclosed below are the FTFML share of the emoluments of the five (2022: six) executive Directors who served during the year ended September 30, 2023 and were employed in the UK and the three (2022: three) non-executive Directors who served during the year.

(in £ thousands)

for the fiscal years ended September 30,	2023	2022
Aggregate remuneration	1,046	983
Company pension contributions to money purchase scheme	34	42
Directors' Emoluments	**1,080**	**1,025**

There are no Directors accruing retirement benefits 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, 2023. 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, 2023, above.

(in £ thousands)

for the fiscal years ended September 30,	2023	2022
Aggregate remuneration	593	639
Company pension contributions to money purchase scheme	4	4
Director's Emoluments	**597**	**643**

At September 30, 2023 and 2022 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,	2023	2022
Sub-advisory	29,082	30,699
Sub-transfer agency	3,847	4,135
Functional and corporate services	2,664	4,107
Irrecoverable tax	282	1,108
Professional fees	(318)	901
Other	645	1,379
General, Administrative and Other	**36,202**	**42,329**

During the year ended September 30, 2023 professional fees have decreased by £1.2 million to £0.3 million (2022: £0.9 million), this is due to an actual to accrual adjustments which has resulted in an overall credit.

Note 8 - Other Income

Other income consisted of the following:

(in £ thousands)

for the fiscal years ended September 30,	2023	2022
Interest income	419	—
Foreign currency exchange gains, net	48	33
Other Income	**467**	**33**

Note 9 - Other Expenses

Other expenses consisted of the following:

(in £ thousands)

for the fiscal years ended September 30,	2023	2022
Foreign currency exchange losses, net	(31)	(170)
Other Income Expenses	**(31)**	**(170)**

Note 10 - Taxes on Income

Taxes on income were as follows:

(in £ thousands)

for the fiscal years ended September 30,	2023	2022
Current tax expense		
UK corporation taxes related to the current year	981	464
Adjustments in respect of prior years	(175)	7
Total current tax expense	806	471
Deferred tax (income) expense		
Origination and reversal of temporary differences	—	172
Adjustments in respect of prior years	(1)	—
Total deferred tax (income) expense	(1)	172
Total Taxes on Income	**805**	**643**

Taxes on other comprehensive income were as follows:

(in £ thousands)

for the fiscal year ended September 30,	2023	2022
Deferred tax expense		
Origination and reversal of temporary differences	—	18
Total Tax on Other Comprehensive Income	**—**	**18**

The tax expense for the year is lower (2022: higher) than the standard rate of corporation tax in the UK for the year ended September 30, 2023 of 22% (2022: 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,	2023	2022
Income before income taxes	4,459	960
Income tax expense at 22% (2022: 19%)	981	182
Effect of:		
Expenses not deductible for tax purposes	—	282
Adjustments in respect of prior years	(175)	7
Share-based payment valuation adjustment	—	190
Adjustment in respect of prior periods – Deferred tax	(1)	—
Amounts credited to Other Comprehensive Income	—	(18)
Total Income Tax Expense	**805**	**643**

Following the substantive enactment of the Finance Act 2021 on May 24, 2021 the UK corporation tax rate increased to 25% effective from April 1, 2023. Deferred tax forecast to unwind after that date has been recognised at 25%.

Note 11 - Deferred Taxes

The significant components of deferred tax assets were as follows:

(in £ thousands) **for the fiscal years ended September 30, 2023 and 2022**	**Accelerated Capital Allowances**	**Other Short Term Timing Differences**	**Total**
Balance at October 1, 2021	**1**	**189**	**190**
Charged to net income	—	(172)	(172)
Charged to other comprehensive income	—	(18)	(18)
Adjustment of immaterial balance	(1)	1	—
Balance at September 30, 2022	—	—	—
Charged to the income statement	—	—	—
Charged to other comprehensive income	—	—	—
Adjustment of immaterial balance	—	—	—
Balance at September 30, 2023	—	—	—

Note 12 - Receivables

Receivables consisted of the following:

(in £ thousands) **as at September 30,**	**2023**	**2022**
Trade receivables	5,797	3,991
Amounts owed by group undertakings	1	1,915
Other receivables	82	132
Receivables	**5,880**	**6,038**

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

Note 13 - Compensation and Benefit Payables

Compensation and benefit payables consisted of the following:

(in £ thousands) **as at September 30,**	**2023**	**2022**
Other taxation and social security	19	29
Compensation and Benefit Payables	**19**	**29**

The employees of the Company transferred to MCIM effective February 1, 2022.

Note 14 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

(in £ thousands) **as at September 30,**	**2023**	**2022**
Amounts owed to group undertakings	4,245	5,747
Income taxes payable	981	464
Accruals and deferred income	405	1,318
Other taxation	—	23
Accounts Payable and Accrued Expenses	**5,631**	**7,552**

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

Note 15 - Commitments and Contingencies

Legal Proceedings

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

Note 16 - Related Party Transactions

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