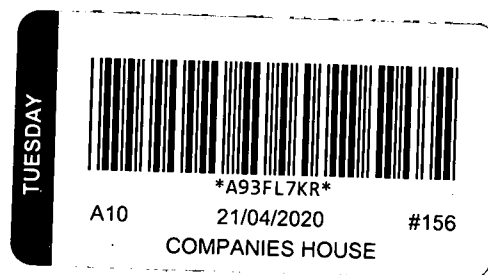


Registration number: 898166

Invesco Fund Managers Limited

Strategic Report, Directors' Report and Audited Financial Statements

for the Year Ended 31 December 2019



Invesco Fund Managers Limited

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Invesco Fund Managers Limited

Company Information

Directors	D. Sharp A. J. Trotter H. J. Norford R. Marston M. Grosclaude J. E. Eden (Non-Executive) R. D. Court (Non-Executive)
Company secretary	Invesco UK Holdings Limited
Registered office	Perpetual Park Perpetual Park Drive Henley-on-Thames Oxfordshire RG9 1HH
Independent auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report on the affairs of Invesco Fund Managers Limited ("the company") for the year ended 31 December 2019. The company is a direct subsidiary of Invesco UK Limited ("IUK") and forms part of the Invesco Ltd. group ("the group") and the UK Supervisory Group ("the IUK group") for regulatory purposes. The board of the company is referred to as "the board".

Principal activities

The principal activities of the company are to act as the authorised corporate director ("ACD") of a series of Investment Companies with Variable Capital ("ICVCs") and to provide investment management services to the ICVCs and Investment Trusts ("ITs"). The company is regulated by the Financial Conduct Authority ("FCA") and is authorised in the conduct of its investment business by that organisation. The company does not hold derivative instruments or enter into any hedging arrangements.

The company is the Undertakings for the Collective Investment in Transferable Securities ("UCITS") Management Company and ACD of Invesco's UK UCITS funds, the Alternative Investment Fund Manager ("AIFM") for closed ended investment companies and other AIFs and distributes Invesco funds in the UK. Invesco Asset Management Limited ("IAML") is the delegated investment manager to these funds. IFML is regulated by the FCA and became a Collective Portfolio Management ("CPM") firm subject to the IPRU (INV) Ch 11 rules in April 2017.

Purpose and key stakeholders

The company shares a clear purpose with the group; to help people get more out of life by delivering a superior investment experience. The group focuses on four key strategic pillars that are designed to sharpen focus on client needs, further strengthen every aspect of the business over time and help ensure its long-term success:

- 1) Client delivery – we will deeply understand client needs and deliver an experience that is of the highest quality and uniquely targeted at them.
- 2) Advisory services – our clients want service beyond investment manufacturing, and we will turn our wide range of investment and technology capabilities into value-added advisory services.
- 3) Investment outcomes – we will help clients around the world achieve their desired investment outcomes and a superior investment experience using our comprehensive range of investment capabilities.
- 4) Talent & culture – we will strengthen our ability to execute for clients as we drive toward greater alignment on a narrow set of priorities, delegate decision-making to those close to the information and hold each other accountable for outcomes.

In delivering in these priorities, and considering the requirements of S172 of the Companies Act 2006, the board has due regard for the key stakeholders of the company and group, set out as follows. As part of these considerations we engage with each of the stakeholders listed, as appropriate, and include their comments and feedback when making decisions which affect the strategy of the company.

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Our stakeholders	Why they are important to us	How we are engaging
<i>Clients</i>	The success of the company is driven by its ability to deliver successful outcomes for its clients - delivering products that meet investors' needs, generating investment returns in line with fund objectives and policies and safekeeping of clients' assets.	Gaining a deep understanding of our clients' needs and working collaboratively with them is essential in delivering a superior investment experience. We therefore place significant emphasis on client engagement, from being highly responsive to their instructions and enquiries to introducing new initiatives to ensure cutting edge and relevant communications.
<i>The industry</i>	The industry is undergoing continual change and it is crucial that the company continues to remain focused on strategic interactions with policy makers and regulators to ensure that we understand, are ready for and can react to change as it occurs.	The company ensures that external engagement, internal assessment, and change management are embedded in our strategy to effectively enable the group to be at the forefront of regulatory expectations and industry best practice, and that client and intermediary due diligence is aligned with regulatory expectation.
<i>Suppliers</i>	Suppliers are key partners in enabling the company, and the wider group, to provide services to clients. We rely on the use of external service providers to supplement our own infrastructure. This enables us to benefit from their expertise or specialist skills, as well as accessing lower costs for service delivery.	The company engages pro-actively with external service providers and applies appropriate oversight and monitoring, including a due diligence and vendor management process, which sets out the high standards and behaviours that we expect from them. This requires that the prohibition of forced labour and human trafficking, together with the ethical and responsible sourcing of goods or services, are incorporated into their processes. The company is committed to the fair treatment of suppliers and applies a supplier payment policy.
<i>The wider community</i>	The importance of considering environmental, social and governance ("ESG") issues as part of a robust investment process is growing with the increasing risk of climate change. Additionally, the company's corporate stewardship programs emphasise our responsibility to help sustain a healthy, clean environment for future generations.	Our environmental, social and governance policies ensure climate change, as well as other environmental and social issues are integrated into our investment decisions. However, we recognise the importance of co-operation across a wide range of stakeholder groups, including clients, companies and policy makers and we are taking proactive steps to do so across the organisation and beyond. Operationally, the company supports its local communities through volunteering and charitable fundraising activities and seeks to minimise its impact on the environment through a number of initiatives, as set out below.

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Business review

The company's key financial and other performance indicators during the year were as follows:

Assets under management

	2019 £m	2018 £m
As at 1 January	50,970	60,850
As at 31 December	<u>45,205</u>	<u>50,970</u>

The company's revenue is directly influenced by the level and composition of the firm's assets under management ("AUM"). The AUM is defined as the total market value of the product ranges contracted to the company. AUM based on year end values have decreased by (11.3%) (2018: (decreased by (16.2%)) due to a combination of unfavourable market movement and net outflows.

Financials

	2019 £ 000	2018 £ 000	% change
Revenue	403,794	498,170	(18.9)%
Operating profit	80,659	183,702	(56.1)%
Profit and total comprehensive income for the year	<u>84,889</u>	<u>157,121</u>	<u>(46)%</u>

Revenue decreased by (18.9%) during the year partly as a result of the fall in AUM for mutual fund and investment trusts, partly due to a reduction in average yield earned on mutual fund management fees and partly due to the introduction of the Senior Managers and Certification Regime ("SMCR"). The SMCR came into effect on 9 December 2019 and replaced the FCA's Approved Persons Regime. As part of the implementation, Management Responsibility Maps were created to identify senior managers within the company with responsibility for specific activities and, as a result, the company has updated the application of its transfer pricing methodology to better reflect the allocation of activities between UK entities, in line with the Management Responsibility Maps. This resulted in a change in the sub-advisory fee income methodology which led to a reduction in sub-advisory fee income from 1 October 2019. Administrative expenses increased by 2.8% during the year due to an increase in inter-group fee shares payable, partially offset by a decrease in inter-group recharges, also as a result of the aforementioned SMCR changes.

Investment performance

% of AUM in top half of peer group as at 31 December 2019

	1 Year	3 Year	5 Year
ICVCs	<u>24%</u>	<u>44%</u>	<u>25%</u>

% of AUM in top half of peer group as at 31 December 2018

	1 Year	3 Year	5 Year
ICVCs	<u>36%</u>	<u>29%</u>	<u>30%</u>

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

The investment performance analysis above relates to the funds in the ICVC range. The underlying data was obtained from third party sources and figures were calculated in Sterling, on a mid to mid basis, inclusive of net reinvestment income and net of the annual management charge and all other fund expenses. Investment performance is a key performance indicator as poor performance relative to peers may lead to investor outflows and loss of AUM.

Environmental, social and governance policies

As a global investment management organisation, the group is committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients. The group recognises the importance of considering environmental, social and governance (“ESG”) issues as part of a robust investment process.

We measure and provide appropriate oversight by having a robust governance process to hold ourselves accountable for meeting our corporate social responsibility commitments.

Operating sustainably and responsibly is fundamental to our corporate social responsibility mission. We maintain environmental management processes which meet international standards such as ISO 14001 and comply with other relevant compliance obligations as part of our commitment to continuous improvement in environmental management. Efforts include:

- Principles for Responsible Investment, as supported by The United Nations, is an international network of investors working together to incorporate ESG (environmental, social, governance) issues into their investment processes.
- The group is a constituent of the FTSE4Good Index Series. The Series communicates the performance of companies which meet global corporate responsibility standards to help potential clients make investments in organizations with good records of corporate social responsibility.
- Carbon Disclosure Project (CDP) is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. The group participates in the CDP, reporting on carbon emissions and reduction management processes.
- The group is extending its ongoing commitment to environmental stewardship by ensuring that all corporate travel is climate-neutral.

The group in the UK has quadruple certification of our UK properties under the Carbon Trust Standard, and has exceeded its targets for reducing carbon emissions, water use and waste.

Governance, principal risks and uncertainties

The company has a robust risk governance structure and risk management framework which is considered by the company's board to be appropriate to the size, nature and complexity of the business. These arrangements are characterised by a matrix management model across functions and regions. The risk management framework is supported by an established risk and control self-assessment programme, which informs functional and regional senior management and the company's board on the risks managed by the business.

Governance and risk management operate within the company structure as follows:

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Governance

Board and Committee structure

The board comprises five executive and two non-executive directors and has oversight of the company. There is a schedule of matters reserved for decision by the board.

Risk Management Framework

The company's risk strategy is focused on implementing an effective framework to manage risk. The framework is based around the three lines of defence model described below and is considered by the board to be a model that fits well with the nature and structure of the company's activities.

At a high level the risk management framework is designed to operate as follows:

- The board approves and monitors the company's risk appetite.
- The individual business lines and functional areas identify, assess, mitigate and monitor risks to which they are exposed and implement controls to manage risks according to the risk appetite.
- The Independent Risk Functions (which include Operational Risk and Investment Risk Oversight) and Compliance oversee and assist the business units to ensure that this is the case and to report on risks and control exceptions to the Operations Committee, the IUK Audit Committee and the Risk and Compliance Committee and to the boards of the respective Funds and Management Companies, which includes the company, as appropriate.
- Matters are escalated to the Operations Committee where they may be outside the board's risk appetite or might have an impact on the risk appetite. These may include (for instance) material strategic initiatives, significant capital expenditure and complex or large-scale new product proposals.

The reporting and escalation processes enable the board to review and challenge the extent to which the business is operating within its risk appetite, where necessary to direct action to reduce risks to within risk appetite, and to assess any consequent impact on capital adequacy and capital planning.

The risk management framework also provides essential tools to enable the company to assess its risks and capital requirements for the Internal Capital Adequacy Assessment Process ("ICAAP").

The company operates a "three lines of defence" model as the primary means to structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance, risk management and assurance.

First line of defence: Business

The business is the primary control function and is accountable and responsible for the day to day activities, processes, risks and controls. Business management are responsible for ensuring that controls are designed and operate effectively as part of the day to day operations.

As the first line of defence, operational management owns and manages risk. They are also responsible for implementing corrective actions to address any identified process and control deficiencies.

The business regularly assesses all key risks for both the impact and likelihood of the risk occurring along with any key operational known gaps and the progress to alleviate such gaps.

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Second line of defence: Independent Risk Function and Compliance

Both the Operational Risk team and the Investment Risk Oversight team are independent risk management functions that support the first line risk owners, in assessing, managing, monitoring and reporting on the status of risks. Risks that are assessed by the business or the management team to be outside of the company's risk appetite, or which may not meet regulatory requirements, are reported together with recommended actions for their reduction to an accepted tolerance level to the board and its committees in order to ensure that appropriate attention is paid to these risks. Both teams provide reports to the Risk and Compliance Committee as well as to senior management and the board.

Compliance's aim is to be recognised as a pro-active business partner that fully supports initiatives and strategies whilst mitigating regulatory risk. This will include the interpretation and impact of relevant regulations, best business practice, identifying and monitoring regulatory risk and providing appropriate technical advice, guidance, challenge and training. Compliance provides reports to the Risk and Compliance Committee as well as to senior management and the board.

Third line of defence: Internal Audit

Internal Audit provides an objective and independent review of the effectiveness of the overall system of internal control, including in its scope the effectiveness of the Compliance and Independent Risk Management functions. Internal Audit reports to the IUK Audit Committee and provides reports to senior management and the board.

The IUK Audit Committee and Risk and Compliance Committee have the responsibility for overseeing the financial reporting, risk management and internal control environment and report to the board, as appropriate.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are categorised as strategic, operational, capital and liquidity, conduct, investment, market, liquidity and counterparty risk.

Strategic risk

Strategic risks are those which may impact the group's ability to deliver on its strategic objectives and includes the risks inherent to both the selection of an appropriate strategy, the risks in executing strategy and the risks resulting from the strategy. The risk of not appropriately managing or responding to business change, resulting from external or internal sources, is included in this category of risk.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate resources, failed processes or systems due to internal or external events. The sound management of operational risk is key to the group being able to protect its clients and reputation, and to meet its business objectives.

The Operational Risk team facilitates the process of identifying, assessing, mitigating and monitoring risks in the individual business lines and functional areas through an operational risk framework which is described further in the section 'Management of principal risks and uncertainties', set out in more detail below.

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Strategic Report for the Year Ended 31 December 2019 (continued)

Capital & liquidity risk

Capital risk refers to the company's ability to maintain sufficient capital, at both a group and company level, to meet its regulatory capital obligations at all times. Liquidity risk refers to the risk that the firm, although solvent, does not have available or sufficient resources to meet its obligations on an ongoing basis as they fall due.

Thus, the company's approach to capital and liquidity risk management includes a focus on cash and balance sheet management while maintaining appropriate regulatory capital levels.

Conduct Risk

The attitudes and behaviours of our people that could negatively influence our actions leading to detrimental outcomes for our clients, employees and shareholders comprise our conduct risk. The management of conduct risk is fundamental to the delivery of our purpose, and any potential conduct risks receive a high level of management attention and scrutiny. This category also considers the group's regulatory requirements for appropriate behaviours and actions.

The company is regulated by the FCA. The conduct standards imposed by the FCA with which the company must demonstrate compliance, are subject to continuous review. New directives may result in a change of reporting requirements, capital requirements or business processes. Failure to comply with the FCA standards could materially affect the company's ability to operate due to the FCA's ability to impose restrictions on trading activity.

Investment Risk

Investment risk is comprised of market, liquidity and counterparty risk as described below. The EMEA Investment Risk Oversight team is responsible for managing investment risk within the funds and client portfolios managed by the Investment Management business lines in accordance with their investment objectives, policies and applicable regulatory or contractual obligations. A Risk Profile and Limit System (RPLS) is established as part of the product development or client onboarding process and periodically reviewed taking account of the investment strategies and restrictions. The RPLS sets out the risk exposure limits for each portfolio (including but not limited to market, counterparty and liquidity risk limits) and the Investment Risk Oversight team monitors adherence to these, while investigating anomalies that may indicate excessive risk taking or control environment failures that could result in a risk exposure being outside the risk appetite of the company.

Market risk

The level of the company's Assets Under Management ("AUM") is influenced by the growth or contraction of the underlying markets. The AUM is also influenced by investment performance and net new flows. Revenue is directly related to AUM, and therefore the principal risk to the company is market risk, representing the movement in AUM due to underlying market movement. Exposure to market risk is monitored by monthly total AUM reporting and considered in the context of relative performance.

Liquidity Risk

Liquidity risk is defined as the risk of insufficient high-quality liquid resources to meet obligations as they fall due under business as usual and stress conditions. There are series of quantified metrics in place to monitor compliance with the liquidity risk appetite and manage the company's liquidity risk. Given the potential pre-funding requirement that exists for the company, additional KRI's are in place specific to this entity in order to monitor the levels of funding requests.

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Counterparty risk

Counterparty risk is defined as the risk of loss caused by the failure of a counterparty to perform its contractual obligations. The company maintains a high level of oversight over counterparties to which it or its clients or funds may have exposure and will take action to avoid circumstances where there is a risk of counterparty failure.

Management of principal risks and uncertainties

The management of principal risks and uncertainties involves the following activities:

Quarterly Risk and Control Self-Assessment Process

The Operational Risk team meets with the business lines and functional areas quarterly to assess and challenge the business units' assessment of their own risks. This ensures that existing and emerging risks are identified, assessed and quantified and that controls are appropriate to ensure risks are managed to within the risk appetite. Risks that are assessed as being outside of the company's risk appetite by the business are escalated to the Operations Committee and potentially escalated to the board for further discussion and challenge to ultimately determine appropriate follow on actions.

The Operational Risk team uses the individual business line and functional area Risk Profiles that result from the Risk and Control Self-Assessments to generate an overall Risk Register and Top Risks to the business. All risks are categorised and reported using a standard the risk taxonomy which also provides a basis for identifying the operational risk scenarios required of the Pillar 2 process for the ICAAP, and to further inform the quantification of the ICAAP risk capital scenarios.

Capital Scenarios

Capital scenarios are quantified by using the risk framework and reporting and gathering additional input from risk owners and subject matter experts within the business. Scenario analysis conclusions are further evaluated to determine control, business and process improvements that may be appropriate.

Incident Reporting

The Operational Risk team manages the incident reporting process to capture and report control failures and resulting incidents that may or may not have generated a loss. Each reported incident is documented and analysed to determine the root cause and to inform the actions to rectify or address the incident together with the time to resolve and the business owner responsible for doing so. The Operational Risk team tracks the status of reported incidents through to resolution and completion. Incident reporting is also used to inform the scenario quantifications as part of the ICAAP Pillar 2 process.

Key Risk Indicators (KRIs)

KRI metrics measure adherence to the board's approved risk appetite statement and the related risk tolerances. The Operational Risk team gathers the most current KRI metrics, representing all categories of risk and areas of the business on a monthly basis and reports trends and noted issues to the Operations Committee quarterly or more frequently as appropriate.

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Managing the impact of Brexit

On 31 January 2020, the UK left the European Union and entered into a transition period during which the European Union and the UK will negotiate the terms of their future relationship. During this time the UK will no longer be represented or have voting rights in EU institutions and decision-making fora, but will continue to abide by the same rights and obligations as it does currently as a Member State. EU law will continue to apply in the UK and any changes to EU law that take effect during the transition period will also apply to the UK. Passporting rights will continue as before, as will relevant consumer rights and protections derived from EU law. It is possible for the transition period to be extended for up to two-years, if both sides agree to do so. The deadline for such an agreement is 30 June 2020.

As negotiations between the UK and EU have only just begun, there is still considerable uncertainty about the terms of the future relationship. Although the (non-binding) Political Declaration that accompanied the Withdrawal Agreement committed both sides to negotiating a comprehensive and balanced Free Trade Agreement (FTA), the detail, including that of financial services, remains to be determined. Currently, Invesco's UK and EU 27 subsidiaries provide investment and distribution services to both EU and UK based fund management companies and clients. As a result of Brexit, there are currently no anticipated significant changes which impact this.

Invesco operates a project group across its European affiliates, which evaluates the impact of the various potential Brexit scenarios on client relationships and their implications for the firm. This project group has considered a range of contingency plans to mitigate any potential impacts on Invesco's clients. Invesco will continue to monitor developments concerning the negotiations and the likely impact of Brexit and will communicate its proposals aimed at mitigating the effects of Brexit, as appropriate, once there is more certainty as to the outcome of these matters. We would also highlight that as a business, Invesco constantly monitors its fund ranges to ensure that suitable products are available for both UK and EU clients; this process will continue following Brexit.

Managing the risks presented by the outbreak of Coronavirus

The spread of a new coronavirus (COVID-19) disease has caused significant volatility within the global economy and financial markets. To date, the primary focus of our response has been threefold:

- to ensure the health and safety of our employees;
- to preserve our ability to serve our clients; and
- to appropriately manage client assets in a highly dynamic market environment.

We have established cross-functional teams in each region (Americas, Asia Pacific and EMEA) that are monitoring the situational globally and regionally. These teams, which include representatives from Distribution, Portfolio Management, Trading, Technology/Operations, Human Resources, Business Continuity, Compliance, as well as other areas, are taking steps to ensure an appropriate and effective response during a highly fluid situation.

We have considered whether there are any financial contingencies as part of Note 21 and have determined that there are no commitments, contingent liabilities or balances after the reporting period to be disclosed at this stage. The company's exposure to market risk is set out in Note 17 and the impact of market volatility seen after the reporting period is disclosed in Note 22.

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Managing the risk of climate change

The risks and impacts of climate change to our business and customers cannot be understated. Global average temperatures over the last five years have been the hottest on record. Despite the UNFCCC Paris agreement, the current trend of increasing CO₂ emissions is expected to continue with global temperatures likely to exceed pre-industrial levels by at least 2°C and weather events (floods, droughts, windstorms) increasing in frequency and severity. Disclosure of potential impacts against various climate scenarios and time horizons will become increasingly common for all companies.

Whether the global economy is rebuilt on less carbon intensive foundations or the temperature continues to escalate, investors will be unable to avoid its impacts. Our environmental, social and governance policies, detailed above, ensures climate change, as well as other environmental and social issues are integrated into our investment decisions. However, addressing climate change will require co-operation across a wide range of stakeholder groups, including clients, companies and policy makers.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, the financial statements include information on the company's approach to managing its capital and financial risk. The company has considerable financial resources and depth in operational resilience to support its business activities. Consequently the directors believe that the company is well placed to manage its future business risk exposure and has adequate resources to continue to operate for the foreseeable future, which is a period not less than one year from the date of signing of these financial statements.

In making this assessment, the directors have taken account of the recent Coronavirus pandemic and the impact this may have on the projected AUM, revenues and expenses of the company. This included the assessment of a stressed cashflow scenario assuming reduced cash inflows reflecting lower management fees earned on lower AUM. Management actions to mitigate these lower cash inflows would include a reduction in discretionary expenditure, a reduction in dividend payments, and the use of intercompany loan funding from other group companies. The result of these management actions on the stressed cashflow analysis was that the company would maintain positive cashflows above its required liquidity buffer for a period of at least 12 months from the date of signing. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividend policy

The company does not have a target dividend pay-out ratio but seeks to pay a sustainable and progressive dividend. The company will pay out a dividend to its parent having assessed the capital implications of any future known or anticipated events on the financial position of the IUK group.

The IUK group sets within its ICAAP Risk Appetite an internal escalation trigger of capital above that of the IUK group's capital requirement, which is the higher of the group's own assessment or the Individual Capital Guidance (ICG) prescribed by the FCA. If circumstances and/or projections (such as the anticipation of specific events) indicate that capital is approaching or will breach the escalation trigger then management will consider/recommend to the board appropriate mitigating actions to be implemented as required. The trigger is contained within the ICAAP and is reviewed at least annually. In determining this escalation trigger level account is taken of the consolidated capital requirements including the ICG, the risk appetite of the board, and the sensitivity analysis of all key risks (documented within the ICAAP).

Dividends will be approved for payment by the board periodically as appropriate, following the year end statutory audit, quarterly interim profit verifications and consideration of current capital projections and risk sensitivities.

Invesco Fund Managers Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Future strategy

The company's long-term strategy, as part of the IUK group, is to continue to strengthen its leadership in core markets, execute in high growth areas, and to deliver an elite set of capabilities for the benefit of clients and shareholders. The focus on high growth areas includes concentration on Digital Advice, ETFs, Institutional, Factor Investing and Solutions. In doing so, the company and group will also continue to invest in its key strengths, including its investment platform, distribution expertise, technology and scale.

The group and company will deliver on its strategy by continuing to develop and diversify its product range, whilst being thoughtful and considered in launching new products. It will continue to target growth of market share across the UK and, Cross Border Retail and Institutional businesses, and will continue to build a high performance organisation across EMEA.

Further information on our future strategy is available on our website (<https://www.invesco.co.uk/uk/news-and-insights/times-change>).

Approved by the Board on 17 April 2020 and signed by order of the Board by:

Iain Hamilton

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Invesco UK Holdings Limited
Company secretary

Invesco Fund Managers Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019. In preparing this report the directors have considered the requirements of the Companies Act 2006 and certain disclosures which have already been included in the Strategic Report have not been repeated. These include the disclosure of future developments and principal risks and uncertainties.

Directors' of the company

The directors, who held office during the year and up to the date of this report, were as follows:

G.J. Proudfoot (resigned 30 June 2019)
A. R. Schlossberg (resigned 13 May 2019)
D. Sharp
A. J. Trotter
H. J. Norford (appointed 11 March 2019)
J. E. Eden (Non-Executive) (appointed 11 September 2019)
R. D. Court (Non-Executive) (appointed 11 September 2019)

The following directors were appointed after the year end:

R. Marston (appointed 8 January 2020)
M. Grosclaude (appointed 9 January 2020)

On 21 February 2019, A. Evans resigned as secretary and Invesco UK Holdings Limited was appointed.

Dividends

Total dividends of £205,000,000 were paid during the year (2018: £314,000,000). The directors do not recommend payment of a final dividend.

Directors' liabilities

Invesco Ltd., the ultimate parent company, has taken out indemnity insurance for all of the directors of the company in connection with their roles and responsibilities as Director and in accordance with the requirements and limitations of Section 234 of the Companies Act 2006. This indemnity was in force during the financial year and also at the date of signing of these financial statements.

Pillar 3 disclosures

In order to comply with the regulations of the FCA, Invesco UK Limited, the immediate parent company, has prepared a Capital Requirements Directive Pillar 3 disclosure document. A copy of this disclosure document can be obtained from the group website at www.invesco.com.

Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Invesco Fund Managers Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The board of directors of Invesco Fund Managers Limited consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its member in decisions taken during the year ended 31 December 2019. All decisions, short-term and long-term, have been taken with due regard for the stakeholders as has been detailed in the Strategic Report.

Approved by the Board on 17 April 2020 and signed by order of the Board by:

Lain Hamilton

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Invesco UK Holdings Limited
Company secretary

Invesco Fund Managers Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Audited 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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. They 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.

Invesco Fund Managers Limited

Independent Auditors' Report to the members of Invesco Fund Managers Limited

Report on the audit of the financial statements

Opinion

In our opinion, Invesco Fund Managers Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 Strategic Report, Directors' report and Audited Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income and Statement of Changes in 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

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

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

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

Invesco Fund Managers Limited

Independent Auditors' Report to the members of Invesco Fund Managers Limited (continued)

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, 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.

Invesco Fund Managers Limited

Independent Auditors' Report to the members of Invesco Fund Managers Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



.....
Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 April 2020

Invesco Fund Managers Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	403,794	498,170
Administrative expenses		<u>(323,135)</u>	<u>(314,468)</u>
Operating profit	5	80,659	183,702
Finance income	6	7,324	5,912
Finance costs	7	<u>(10)</u>	<u>(6)</u>
Profit before income tax		87,973	189,608
Income tax expense	10	<u>(3,084)</u>	<u>(32,487)</u>
Profit and total comprehensive income for the year		<u><u>84,889</u></u>	<u><u>157,121</u></u>

The above results were derived from continuing operations.


Invesco Fund Managers Limited

(Registration number: 898166)

Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Current assets			
Trade and other receivables	12	333,489	327,522
Cash and cash equivalents	13	<u>138,292</u>	<u>118,425</u>
		471,781	445,947
Creditors: Amounts falling due within one year	14	<u>(316,686)</u>	<u>(170,628)</u>
Total assets less current liabilities		155,095	275,319
Creditors: Amounts falling due after more than one year	15	<u>-</u>	<u>(113)</u>
Net assets		<u>155,095</u>	<u>275,206</u>
Equity			
Share capital	16	10,000	10,000
Retained earnings		<u>145,095</u>	<u>265,206</u>
Total equity		<u>155,095</u>	<u>275,206</u>

Approved by the Board on 17 April 2020 and signed on its behalf by:



.....
A. J. Trotter
Director

Invesco Fund Managers Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	10,000	265,206	275,206
Profit and total comprehensive income for the year	-	84,889	84,889
Dividends paid	-	(205,000)	(205,000)
At 31 December 2019	<u>10,000</u>	<u>145,095</u>	<u>155,095</u>

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	10,000	422,085	432,085
Profit and total comprehensive income for the year	-	157,121	157,121
Dividends paid	-	(314,000)	(314,000)
At 31 December 2018	<u>10,000</u>	<u>265,206</u>	<u>275,206</u>

The notes on pages 22 to 37 form an integral part of these financial statements.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital incorporated and domiciled in UK.

The address of its registered office is:

Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH
UK

These financial statements were authorised for issue by the Board on 17 April 2020.

2 Accounting policies

Summary of 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 preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

The financial statements are prepared under the historic cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and in accordance with the Companies Act 2006, as applicable to companies applying FRS 101.

The functional currency of the company is Sterling (£), reflecting the primary currency in which the underlying transactions are undertaken, which is also the presentation currency.

Summary of disclosure exemptions

The company has availed itself of a number of exemptions from the disclosure requirements of IFRS in the preparation of these financial statements, in accordance with FRS 101. In accordance with FRS 101, paragraph 8, the company has claimed an exemption from the following paragraphs of IFRS:

- Paragraphs 45(b) and 46-52 of IFRS 2 "Share-based Payment" (details of the number and weighted-average exercise price of share options, and how the fair value of goods or services received was determined);
- The requirements of IFRS 7 "Financial Instruments: Disclosure";
- 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), provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- The requirement of paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information requirements in respect of:

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

- paragraph 79(a)(iv) of IAS 1 "Presentation of Financial Statements";
- paragraph 73(e) of IAS 16 "Property, Plant and Equipment";
- paragraph 118(e) of IAS 38 "Intangible Assets" (reconciliation between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, "Presentation of Financial Statements":
 - 10(d) (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- The requirements under 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.

Going concern

The financial statements have been prepared on a going concern basis.

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2019:

IFRS 16 - Leases

IFRS 16 replaced existing leases guidance, including IAS 17 Leases. This new accounting standard became effective from 1 January 2019 and is applied to the company's 2019 financial statements using a modified retrospective approach to adoption. In applying the new standard, a company will recognise lease assets and lease liabilities on the balance sheet for all leases with a lease term greater than 12 months. Invesco Fund Managers Limited has not entered into any lease arrangements and the introduction of IFRS 16 has not had a material impact on the financial statements of the company.

None of the other new accounting interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Revenue recognition

Recognition

The company earns revenue from the provision of investment advisory services relating to ICVCs and Investment Trusts. Revenue is stated net of redemptions, appropriations and expropriations of units with the ICVCs. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

Transaction price

Revenue is determined based on the transaction price negotiated with the customer, net of rebates and value added tax.

Performance obligations

Investment management fees and sub-advisory fee income arise from the provision of investment management services to ICVCs and Investment Trusts. Investment management services are satisfied over time as the services are provided and are typically based upon a percentage of the value of the client's assets under management. Investment management fees for certain arrangements include fees for distribution and administrative-related services. Any fees collected in advance are deferred and recognised as income over the period in which services are rendered.

Performance fee revenues associated with retail funds will fluctuate from period to period and may not correlate with general market changes, since most of the fees are driven by relative performance to the respective benchmark rather than by absolute performance. Performance fee revenues are generated on certain management contracts when performance hurdles are achieved. Such fee revenues are recorded in operating revenues when the contractual performance criteria have been met and when it is probable that a significant reversal of revenue recognised will not occur in future reporting periods. Given the unique nature of each fee arrangement, performance fee contracts are evaluated on an individual basis to determine the timing of revenue recognition. Performance fees may arise from investment management activities that were initially undertaken in prior reporting periods.

Sub-advisory fee income arises when the company provides distribution and marketing activities in respect of a mandate held by a fellow group company. The services provided on behalf of these counterparties are satisfied over time. Revenue from these arrangements is shared by the counterparty entity on an accruals basis.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Principal versus agent

The company utilises third party service providers to fulfil certain performance obligations in its revenue agreements. Generally, the company is deemed to be the principal in these arrangements, because the company controls the investment management and other related services before they are transferred to customers. Such control is evidenced by the company's primary responsibility to customers, the ability to negotiate the third party contract price and select and direct third party service providers, or a combination of these factors. Therefore, investment management fee revenues and the related third party distribution expenses are reported on a gross basis.

Third-party distribution expenses include periodic renewal commissions paid to brokers and independent financial advisors for the continuing oversight of their clients' assets over the time they are invested and are payments for the servicing of client accounts. Renewal commissions are calculated based upon a percentage of the AUM value and are included within administrative expenses.

Administrative expenses

The company recognises expenses, on an accruals basis, as goods are received or services are provided by the supplier.

Finance income and costs

Finance income and finance costs are recognised on an accruals basis using the effective interest rate method, which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the company at the rates prevailing on the reporting period date. All monetary foreign exchange differences resulting from the translation of assets and liabilities denominated in foreign currencies are taken to the statement of comprehensive income.

Tax

The tax expense for the period comprises tax. Tax is recognised in the income statement, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date. The tax liability of the company may be reduced wholly or in part by the surrender of losses by fellow group companies.

Loans due from group undertakings

The loans due from other group undertakings are classified as loans and receivables and are held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Trade receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. Trade and other receivables are recognised at fair value less provision for impairment.

Normal settlement periods on transactions initiated by clients result in unsettled fund shares receivable and an associated amount within creditors for unsettled fund shares payable, reflecting the legal relationship between the underlying investor, fund and the company.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

The loans due to other group undertakings are classified as loans and are held at amortised cost.

Financial instruments

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

- financial assets/liabilities at amortised cost; or
- financial assets/liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and liabilities and the contractual cash flow characteristics of the financial assets and liabilities, as detailed below:-

Financial assets/liabilities at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial assets/liabilities at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities not measured at amortised cost are classified and measured at FVTPL.

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Derecognition

Financial assets

The company derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Impairment of financial assets

Measurement of Expected Credit Losses

Financial assets, other than those measured at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events which have occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The company uses the expected credit losses (ECL) model when assessing the impairment of financial assets.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Dividends

Interim dividends payable are recognised when they are paid by the company and final dividends are recognised when approved by shareholders.

Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The company has assessed whether the funds it manages are structured entities and has concluded that the ICVC fund range meet the definition of structured entities. The company's interest in these unconsolidated structured entities is disclosed in Note 18.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements may require management to make estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. In such cases, management believes that the estimates and judgements utilised in preparing its financial statements are reasonable, but actual results could differ from estimates. There were no significant accounting judgements and estimates taken in the year ended 31 December 2019.

4 Revenue

The analysis of the company's revenue for the financial year is as follows:

	2019 £ 000	2018 £ 000
Investment management fees	363,083	435,313
Sub-advisory fee income	37,998	58,882
Other revenue	2,713	3,975
	<u>403,794</u>	<u>498,170</u>

Where a service is transferred to the customer before the customer pays consideration, or before payment is due, these amounts are included as accrued income in Note 12. Where the company has an unconditional right to consideration for the services supplied and performance obligations delivered, these amounts are included as trade receivables in Note 12. Where consideration has been received and the company still has an obligation to deliver services for that consideration, these amounts are recorded as deferred income and included in Notes 14 and 15.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

5 Operating profit

Arrived at after charging

	2019	2018
	£ 000	£ 000
Foreign exchange (gains)/losses	(90)	18

6 Finance income

	2019	2018
	£ 000	£ 000
Interest income on bank deposits	571	532
Interest income from group undertakings	6,753	5,380
	7,324	5,912

7 Finance costs

	2019	2018
	£ 000	£ 000
Interest expense on other financing liabilities	10	6

8 Directors' remuneration and staff costs

There were no employees of the company during the year (2018: Nil). Staff costs, including pension contributions, of all group employees who provide services to the company are borne by Invesco UK Limited and recharged to the company as part of the service charge applied by this entity.

The 7 directors (2018: 5) who held office during the year received no remuneration from the company (2018: £Nil). All directors' remuneration is borne by Invesco UK Limited and the proportion of directors' remuneration relating to services provided to the company is not able to be reliably separately identified. Therefore, no recharge has been made to the company.

9 Auditors' remuneration

	2019	2018
	£ 000	£ 000
Auditors' remuneration		
Audit of these financial statements	132	131
Audit-related assurance services	174	177
	306	308

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Auditors' remuneration (continued)

The auditors' remuneration is borne by Invesco UK Limited, a fellow subsidiary of the group and is recharged as part of the service charge applied by this entity to the company. The portion of the aggregate auditors' remuneration of the group relating to audit and other services provided to the company is shown above.

All fees payable to the company's auditors include amounts in respect of expenses.

In addition to the fees noted above, £532,000 was incurred relating to the costs of the audit for the funds managed by the company (2018: £433,000).

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10. Income tax expense

Tax charged in the statement of comprehensive income.

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	<u>3,084</u>	<u>32,487</u>

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2019 £ 000	2018 £ 000
Profit before income tax	<u>87,973</u>	<u>189,608</u>
Profit multiplied by the standard rate of tax in the UK of 19% (2018: 19%)	16,715	36,025
Increase (decrease) in current tax from adjustment for prior periods	(113)	-
Increase (decrease) from effect of revenues exempt from taxation	(1)	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	76	-
Increase (decrease) arising from group relief tax reconciliation	<u>(13,593)</u>	<u>(3,538)</u>
Total tax charge	<u>3,084</u>	<u>32,487</u>

11 Dividends

	31 December 2019 £ 000	31 December 2018 £ 000
Dividends paid of £20.50 (2018 - £31.40) per ordinary share	<u>205,000</u>	<u>314,000</u>

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Trade and other receivables

	31 December	31 December
	2019	2018
	£ 000	£ 000
Trade receivables	39,615	45,805
Unsettled fund shares receivable	100,605	99,936
Amounts due from group undertakings	1,575	3,060
Loans due from group undertakings	175,000	175,000
Accrued income	3,364	3,350
Prepayments	854	366
Other receivables	73	5
Taxation and social security	12,403	-
Total current trade and other receivables	333,489	327,522

The amounts due from group undertakings are unsecured, interest free and repayable on demand. The loans due from group undertakings which earn interest at a fixed rate ranging from 2.0% to 4.0%, are unsecured and are repayable upon giving 30 days' notice. The carrying value of receivables approximates fair value.

13 Cash and cash equivalents

	31 December	31 December
	2019	2018
	£ 000	£ 000
Cash at bank	24,583	37,862
Short-term deposits	113,709	80,563
	138,292	118,425

14 Creditors: amounts falling due within one year

	31 December	31 December
	2019	2018
	£ 000	£ 000
Trade creditors	11	65
Accrued expenses	28,462	29,705
Amounts owed to group undertakings	70,668	42,405
Loans owed to group undertakings	125,000	-
Taxation and social security	-	7,325
Other creditors	-	77
Unsettled fund shares payable	92,398	90,779
Deferred income	147	272
	316,686	170,628

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Creditors: amounts falling due within one year (continued)

The amounts owed to group undertakings are unsecured, interest free and repayable on demand. The loan owed to group undertakings bears interest at 2.29% per annum, is unsecured and is due to mature on 11 December 2020. The carrying value of creditors approximates to fair value.

15 Creditors: amounts falling due after more than one year

	31 December 2019 £ 000	31 December 2018 £ 000
Deferred income	-	113

16 Share capital

Allotted, called up and fully paid shares

	2019 No. 000	2019 £ 000	2018 No. 000	2018 £ 000
Ordinary Shares of £1 each	10,000	10,000	10,000	10,000

17 Risks and uncertainties

The company's primary financial risk factors and the approach to their management is set out below.

Credit risk

Unsettled fund shares receivable includes £23,733,000 (2018: £46,367,000) due from clients and £76,872,000 (2018: £53,568,000) due from funds. The amounts due from clients are subject to counterparty credit risk. The company's normal payment terms are 3 days and at 31 December 2019, the amount over one month past due is £Nil (2018: £Nil). None of the amounts due from clients are considered to be impaired and thus no provision for impairment has been raised.

The amounts due from the ICVC and Investment Trust funds managed by the company are not subject to credit risk, as payment is ensured by the Trustee. None of the balances are considered to be past due or impaired.

The amounts due from and due to other group undertakings are settled on a monthly basis and are not past due or impaired. The loans due from and due to other group undertakings described in note 12 and note 14, are not past due or impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in note 12 and cash balances held at banks. The company does not hold any collateral as security. The credit ratings of banks to which the company has exposure is assessed in accordance with the group treasury policy.

Invesco Fund Managers Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Risks and uncertainties (continued)

Interest rate risk

The company earns floating interest on cash balances. The rate of interest is dependent on commercial banking interest rates.

If interest rates increased by 100 basis points, based on the closing balances as at 31 December 2019, the annualised interest earned by the company would increase by £1,383,000 (2018: £1,184,000) which would translate through to profits and net assets. In addition, the company earns interest at a fixed rate on loans made to group companies, as disclosed in note 12. As such, this is not subject to interest rate risk.

Foreign exchange risk

The company has a net exposure of £2,639,000 (2018: £2,647,000) to movements in foreign exchange arising from the assets and liabilities that it holds that are denominated in foreign currencies. The company does not hedge any foreign exchange exposure.

The foreign exchange exposure split by currency is as follows:

	2019	2018
	£ 000	£ 000
EUR	458	517
HKD	125	124
USD	1,981	1,984
Other	75	22
	2,639	2,647

Sensitivity analysis

Assuming a 5% increase in exchange rates against pounds sterling, the profit and net assets of the company arising from the foreign exchange exposure by currency will change by the following:

	2019	2018
	£ 000	£ 000
EUR	(22)	(25)
HKD	(6)	(6)
USD	(94)	(94)
Other	(4)	(1)
	(126)	(126)

Market risk

The level of the company's AUM, in the absence of any new mandates or redemptions, is determined by investment performance and market movements. Revenue is directly charged as a function of the market value of AUM. If markets were to increase/decrease by 10%, the revenue of the company would increase/decrease by £40,121,000 (2018: £49,431,000) which would translate through to profits and net assets.

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Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Risks and uncertainties (continued)

Liquidity risk

The company's debtor balances are primarily settled within a few days following the month end and the company maintains sufficient cash and liquid investments. As such liquidity and cash flow risks are negligible and the company is able to manage its working capital requirements and surplus liquid financial resources in order to meet its financial obligations as they fall due for payment.

The company's liabilities as at 31 December 2019 and 2018 have the following maturity profiles:

Maturity analysis

	0-3 months £ 000	4-12 months £ 000	Total £ 000
2019			
Creditors: amounts falling due within one year	<u>181,814</u>	<u>134,872</u>	<u>316,686</u>
2018			
Creditors: amounts falling due within one year	154,038	16,590	170,628
Creditors: amounts falling due after more than one year	<u>-</u>	<u>-</u>	<u>113</u>
	<u>154,038</u>	<u>16,590</u>	<u>170,741</u>

Capital risk management

The company is regulated by the FCA and subject to the rules imposed by the FCA. The Capital Requirements Directive requires a company to maintain a surplus of capital over and above the capital resource requirements defined by the FCA rules at all times. At 31 December 2019, the company's surplus was £113.5m (2018: £199.2m).

The company considers its capital to be the total equity shown in the Statement of Changes in Equity. The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders;
- to maintain a strong capital base to support the development of the company's business; and
- ensure regulatory capital requirements are maintained.

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Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Interests in unconsolidated structured entities

The company has determined that the ICVC fund range should be classified as structured entities, as the company effectively manages and operates these funds through its role as authorised corporate director. The Investment Trusts which the company also manages are not considered structured entities as they have separate boards which direct operations and make management decisions.

The company earns management fees from its unconsolidated structured entities, the ICVC fund range, based on a percentage of the entity's value. The business activity of all unconsolidated structured entities is the management of assets in order to maximise investment returns from capital appreciation and/or investment income.

The main risk the company faces from its interests in unconsolidated structured entities is the loss of fee income as a result of the withdrawal of funds by clients or a reduction in the net asset value, of assets managed, through market movements. Outflows from funds are largely dependent on market sentiment and asset performance.

The value of AUM of the applicable ICVC funds at the year end is £45.2bn (2018: £47.5bn).

The management fee received by the company from unconsolidated structured entities during the year is £343.7m (2018: £414.7m). The carrying value of receivables due is £104.5m (2018: £85.2m) and the amount payable from the company to the applicable ICVC funds is £13.8m (2018: £28.5m). The receivable amount represents the company's maximum exposure to credit risk.

The company is not exposed to any additional risks or liabilities from its involvement in the unconsolidated structured entities except as noted above.

19 Related party transactions

As a subsidiary undertaking of Invesco Ltd., the company has taken advantage of the exemption in FRS 101 not to disclose transactions with other wholly-owned members of the group headed by Invesco Ltd., whose consolidated financial statements are made publicly available.

The following summarises the transactions between the company, the ICVC fund range and the Investment Trusts during the year:

	2019 £ 000	2018 £ 000
ICVC fees earned	343,658	414,735
Investment Trust fees earned	20,933	22,989
Creation of units	5,500,000	9,100,000
Liquidation of units	15,100,000	13,900,000

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Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Related party transactions (continued)

The balances as at 31 December 2019 due from/(due to) the ICVC fund range and the Investment Trusts are as follows:

	2019	2018
	£ 000	£ 000
Expropriations receivable	64,846	39,404
Appropriations payable	(13,782)	(28,493)
Investment Trust fees accrued	3,364	3,350
ICVC fees accrued	39,615	45,805

20 Ultimate controlling party and ultimate and immediate parent company

The company's ultimate controlling party, ultimate parent company and the parent undertaking of the only group of undertakings for which consolidated financial statements are drawn up and of which the company is a member is Invesco Ltd., which is registered in Bermuda. The company's immediate parent company is Invesco UK Limited. Copies of the group consolidated financial statements can be obtained from Two Peachtree Pointe, 1555 Peachtree Street, N.E. Atlanta, Georgia 30309, U.S.A.

21 Commitments and contingent liabilities

The company does not have any capital commitments as at 31 December 2019 (2018: £Nil).

The company does not have any contingent liabilities as at 31 December 2019 (2018: £Nil).

22 Non adjusting events after the financial period

The outbreak of novel Coronavirus (COVID-19) in China in January 2020 and its subsequent spread to other countries, including the United Kingdom, has led to significant investor uncertainty across the globe. The recent market volatility has had a direct impact on the level of the company's AUM, as market risk is one of the company's principal risks as set out in the Strategic Report. A continued rise in the number of COVID-19 infections, or a prolongation of the outbreak, may further increase uncertainty and result in significant adverse economic effects.

The financial impact of the COVID-19 situation on the company is not yet fully known, however there are no assets or liabilities of the company at 31 December 2019 which are expected to be materially impacted by the current situation. As at 31 March 2020, the company's AUM had fallen by 26% from the reporting date, which will flow through to impact revenues during 2020.