



Edinburgh Fund Managers Group Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

Registration number: SC157875



Edinburgh Fund Managers Group Limited

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Company Information

Directors

R J McNay

H A Staples

R C Edwards

Company secretary

abrdn Corporate Secretary Limited (formerly "SLA Corporate Secretary Limited")

Registered office

10 Queen's Terrace
Aberdeen
Scotland
AB10 1XL

Auditors

KPMG LLP
Chartered Accountants and Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Directors' Report for the Year Ended 31 December 2021

The Directors present their annual report together with the audited financial statements of Edinburgh Fund Managers Group Limited ("the Company") for the year ended 31 December 2021, in accordance with section 414A of the Companies Act 2006.

Business review and future developments

The Company operates a defined benefit pension scheme which is closed to new service contributions and is part of abrdn plc (formerly "Standard Life Aberdeen plc") ("abrdn plc" or together with its subsidiaries, "the abrdn Group"). There are no plans to change the principal activity of the Company.

On 9 November 2015 the Trustees of the Edinburgh Fund Managers Group scheme completed a partial buy-in with Legal & General ("L&G"), paying a premium of £103.6m. The buy-in covers all the benefits in respect of the deferred membership as at 9 November 2015 (excluding enhanced deferred revaluation in excess of statutory revaluation applied after this date). From 22 November 2029, L&G will also meet pension and contingent spouses benefits in respect of the pensioner membership as at 9 November 2015.

The Directors have taken advantage of the exemption provided by Section 414B of the Companies Act 2006 and have not prepared a Strategic Report.

Directors of the Company

The Directors who held office during the year, were as follows:

R J McNay

H A Staples (appointed 1 March 2021)

R C Edwards (appointed 1 March 2021)

The Company's ultimate parent company, abrdn plc, maintains directors' and officers' liability insurance on behalf of its directors and officers.

Company secretary

The Company secretaries during the year, were as follows:

Aberdeen Asset Management PLC (resigned 1 April 2021)

abrdn Corporate Secretary Limited (formerly "SLA Corporate Secretary Limited") (appointed 1 April 2021)

Result for the year

The result for the year ended 31 December 2021 is a loss after tax of £111k (2020: £365k).

Directors' Report for the Year Ended 31 December 2021 (continued)

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks.

The abrdn Group, of which the Company is a part, has an Enterprise Risk Management ("ERM") framework comprising three lines of defence; the first being day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls; the second being oversight from the abrdn Group Risk and Compliance function, which reports to the Chief Risk Officer; and the third being the Internal Audit function, reporting to the Chief Internal Auditor, which independently verifies systems of control.

The ERM framework underpins risk management throughout the abrdn Group, including the Company, which has evolved to ensure it keeps pace with industry best practice and risk profile of the abrdn Group. Improvements in 2021 include strengthening the risk appetite framework by introducing new risk tolerances to support governance and risk management, extending and refining risk taxonomy to help describe risk more accurately and reviewing the abrdn Group policy framework and policy register.

The principal risks and uncertainties facing the Company are integrated into the principal risks of the abrdn Group and are therefore not managed separately. The principal risks and uncertainties of abrdn plc, which include those of the Company, are detailed below:

Pension scheme assets and liabilities

The Company is exposed to specific risks in relation to adverse movements in the underlying assumptions used to value the scheme assets and liabilities. Many of these risks are out with the direct control of management and are dependent upon macro-economic events. The abrdn Group meets regularly with the scheme actuaries to monitor key assumptions (economic and non-economic) impacting the valuation of the scheme assets and liabilities.

Coronavirus (COVID-19)

COVID-19 has continued to impact the operating environment of the abrdn Group during 2021. Great resilience has been shown in dealing with the effects of the pandemic and the continued management of its market, operational and financial impacts in order to deliver the vector business plans, of which the Company is a part of, and enhancement of client focus.

The further lifting of restrictions in the UK has allowed the abrdn Group to take the next step towards 'blended working' as the default arrangement for employees. Offices will remain the primary place to go when physical interaction with colleagues is required to collaborate and connect.

Financial risk

This is the risk of having insufficient resources, suffering losses from adverse markets or the failure or default of counterparties. Capital is held against identified risks which are reviewed on an ongoing basis and costs continue to be managed closely in order to identify opportunities for further cost reduction.

Third party management

Activities are outsourced to suppliers with specialist capabilities which means there is exposure to the risk of third parties failing to deliver in line with contractual obligations. It is the abrdn Group's responsibility to make sure these firms deliver with continued focus to streamline delivery and reduce complexity. Maintaining strong relationships with suppliers is key and the abrdn Group's Third Party Code of Conduct requires third parties to acknowledge their best practice responsibilities.

Directors' Report for the Year Ended 31 December 2021 (continued)

Financial management process

Sound financial reporting influences the Company's performance, planning and disclosures to external stakeholders. Failures in these processes would expose the business and shareholders to the risk of making poorly informed decisions. Financial reporting activities align to external reporting standards and industry best practice. The Board reviews, and where necessary challenges, reporting conclusions.

Strategic risk

The current conflict between Russia and Ukraine is impacting financial markets and operations and is likely to have substantial economic consequences. Events in Ukraine continue to evolve and are monitored through the enterprise risk management framework.

Going concern

The Company has made losses in the financial year and has net liabilities. The Board's assessment of going concern took into account recent market developments and is reliant on support from Aberdeen Asset Management PLC ("AAM PLC") to meet its liabilities as they fall due within the next 12 months from the date of approval of the financial statements. The Directors have received a letter of support from the Directors of AAM PLC to continue to provide further financial and other support to the Company, to enable it to continue to trade. Further information is provided in note 1.

Dividends

The Company paid no dividends in 2021 (2020: £nil) to the Company's immediate parent, namely AAM PLC.

Political donations

It is the Company's policy not to make donations for political purposes.

Independent auditor

The Independent Auditor, KPMG LLP, has indicated their willingness to continue in office.

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 auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Directors' Report for the Year Ended 31 December 2021 (continued)

Modern slavery act

As a global investment company, abrdn plc wants to do all it can to help tackle human trafficking, forced labour, bonded labour and child slavery by focusing on its operations, supply chain and investment process. abrdn plc has published a modern slavery statement, reinforcing its commitment to this important issue. This can be found on the abrdn plc website.

Statement of Directors' Responsibilities

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

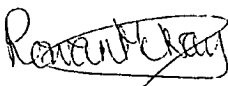
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework ("FRS 101").

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board on 19th August 2022 and signed on its behalf by:



R J McNay
Director

Independent Auditor's Report to the Members of Edinburgh Fund Managers Group Limited

Opinion

We have audited the financial statements of Edinburgh Fund Managers Group Limited ("the Company") for the year ended 31 December 2021, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including the accounting policies note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Edinburgh Fund Managers Group Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- Reading Board minutes to assess for any discussion of fraud.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. We also performed procedures including identifying journal entries to test based on high risk criteria and comparing the identified entries to supporting documentation. These included all material post year end closing journals.

On this audit we have rebutted the fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions regulations and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's authority to operate. We identified the following areas as those most likely to have such an effect: anti-bribery and certain aspects of company legislation recognising the financial nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's Report to the Members of Edinburgh Fund Managers Group Limited (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' Report

The Directors are responsible for the Directors' Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' Report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Edinburgh Fund Managers Group Limited (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Hannah Walsh (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Date: 19th August 2022

Edinburgh Fund Managers Group Limited

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Administrative expenses		(275)	(319)
Operating loss	3	(275)	(319)
Finance expense relating to scheme assets and liabilities	4	(134)	(239)
Other finance expenses	5	(65)	(209)
Loss before tax		(474)	(767)
Tax credit	6	363	402
Loss for the year		(111)	(365)

The notes on pages 14 to 26 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2021

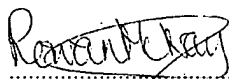
	Note	2021 £ 000	2020 £ 000
Loss for the year		(111)	(365)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of net defined benefit liability	13	1,113	(629)
Tax on re-measurement of pension scheme		(250)	119
		863	(510)
Total comprehensive income/(loss) for the year		752	(875)

The notes on pages 14 to 26 form an integral part of these financial statements.

Balance Sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Deferred tax asset	7	1,503	2,030
Trade and other receivables	8	-	17,715
Total non-current assets		<u>1,503</u>	<u>19,745</u>
Current assets			
Trade and other receivables	8	<u>639</u>	-
Total current assets		<u>639</u>	-
Total assets		<u>2,142</u>	<u>19,745</u>
Equity			
Called up share capital	9	1,426	1,426
Share premium reserve		4,036	4,036
Other reserves		30,034	30,034
Retained earnings		<u>(102,362)</u>	<u>(103,114)</u>
Equity attributable to equity holders of the parent		<u>(66,866)</u>	<u>(67,618)</u>
Non-current liabilities			
Pension liability	13	<u>6,680</u>	<u>10,684</u>
Total non-current liabilities		<u>6,680</u>	<u>10,684</u>
Current liabilities			
Bank overdrafts		61,834	76,668
Trade and other payables	10	<u>495</u>	<u>11</u>
Total current liabilities		<u>62,329</u>	<u>76,679</u>
Total liabilities		<u>69,009</u>	<u>87,363</u>
Total equity and liabilities		<u>2,143</u>	<u>19,745</u>

Approved by the Board on 19th August 2022 and signed on its behalf by:



R J McNay
Director

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The notes on pages 14 to 26 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	1,426	4,036	30,034	(102,239)	(66,743)
Loss for the year	-	-	-	(365)	(365)
Other comprehensive loss	-	-	-	(510)	(510)
Total comprehensive loss	-	-	-	(875)	(875)
At 31 December 2020	1,426	4,036	30,034	(103,114)	(67,618)

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	1,426	4,036	30,034	(103,114)	(67,618)
Loss for the year	-	-	-	(111)	(111)
Other comprehensive income	-	-	-	863	863
Total comprehensive income	-	-	-	752	752
At 31 December 2021	1,426	4,036	30,034	(102,362)	(66,866)

The notes on pages 14 to 26 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The following accounting policies have been applied consistently to all years presented when dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The Company meets the definition of a qualifying entity under Application of Financial Reporting Requirements 100 as issued by the Financial Reporting Council. Accordingly, the financial statements for period-ended 31 December 2021 have been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

Summary of disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- International Accounting Standard ("IAS") 1 Presentation of Financial Statements requirement for comparative period reconciliations for share capital;
- IAS 1 Presentation of Financial Statements disclosures in respect of capital management;
- IAS 7 Statement of Cash Flows and related notes;
- IAS 8 Accounting Policies requirement to disclose the effects of new but not yet effective International Financial Reporting Standards ("IFRS"); and
- IAS 24 Related Party disclosures in respect of transactions with wholly owned subsidiaries.

As the consolidated financial statements of abrdn plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company is a wholly owned subsidiary of abrdn plc which prepares consolidated financial statements and is therefore exempt from the requirement to prepare consolidated accounts by virtue of section 400 of the Companies Act 2006.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

Going concern

The Company has made a loss in the financial year and has net liabilities and negative retained earnings. The company is therefore reliant on support from AAM PLC to meet its liabilities as they fall due within the next 12 months. The Directors have received a letter of support from the Directors of AAM PLC to continue to provide further financial and other support to the Company, to enable it to continue to trade.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that they will not do so.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of AAM PLC, the Directors have a reasonable expectation that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2021 have had a material effect on the financial statements.

Financial assets

(i) Amortised cost

These instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These instruments are included in non-current assets and consist of amounts owned by abrdn Group undertakings. These instruments are initially recognised at fair value, net of any transaction costs, and subsequently at amortised cost using the effective interest rate method.

The Company has adopted trade date accounting. Accordingly, a financial asset is recognised on the date the Company commits to its purchase and derecognised on the date on which the Company commits to its sale.

(ii) Impairment of financial assets

An expected credit loss impairment model is applied to financial assets measured at amortised cost. Impairment losses representing the expected credit loss in the next 12 months are recognised unless there has been a significant increase in credit risk from initial recognition or they relate to trade receivables in which case lifetime expected losses are recognised.

Financial liabilities

(i) Amortised cost

These instruments include trade payables, amounts owed to abrdn Group undertakings and accruals. These instruments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

1 Accounting policies (continued)

(ii) Fair Value through Other Comprehensive Income

These instruments include the pension liability. The liability recognised is the present value of the defined benefit obligation (estimated future cash flows are discounted using the yields on high quality corporate bonds) less the fair value of plan assets.

Current & deferred tax

The tax expense comprises both current tax and deferred tax expense.

Current tax is the expected tax payable on taxable profit for the year and is calculated using tax rates and laws substantively enacted at the balance sheet date.

A deferred tax asset represents a tax deduction that is expected to arise in a future period. It is only recognised to the extent that there is expected to be future taxable profit or investment return to offset the tax deduction. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or prior year transaction.

Where local tax law allows, deferred tax assets and liabilities are netted off on the statement of financial position. The tax rates used to determine deferred tax are those enacted or substantively enacted at the balance sheet date that are expected to apply when the deferred tax asset or liability are realised.

Current tax and deferred tax is recognised in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is credited or charged to other comprehensive income or directly to equity respectively.

Employee benefits

The Company is the Statutory Employer of a legacy defined benefit pension scheme which arose on acquisition of the Edinburgh Fund Management Group. The scheme is closed to new membership and to future service accruals. The Company's net obligation in respect of this scheme is calculated separately by estimating the amount of future benefit that members have earned in return for their service in prior years; that benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The benefits are discounted at a rate equal to the yield on high credit rated corporate bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The surplus or liability in respect of the defined benefit scheme is expressed as the excess or shortfall of the fair value of the assets of the scheme compared to the present value of the scheme liabilities and is recognised as an asset or liability of the Company. If the fair value of the plan assets exceeds the defined benefit obligation, a pension surplus is only recognised if the Company considers that it has an unconditional right to a refund of the surplus from the plan. This is not applicable for the Company's defined benefit scheme as this is in deficit.

Interest costs on the defined benefit obligation, interest income on plan assets and administration expenses are recognised in the profit and loss account. The expected return on plan assets and the impact of changes in assumptions are recognised in other comprehensive income during the year in which they occur. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan. Contributions to the scheme are paid according to the advice of an actuary.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements can necessitate the use of key estimates and judgements. These estimates and judgements can affect the reported amounts of assets and liabilities, contingent or otherwise, at the balance sheet date as well as affecting the reported profit or loss for the year. Key estimates and judgements are disclosed below:

Critical estimates:

Defined benefit pension liability and related bulk annuity policy asset - The defined benefit liability is an area requiring management estimation to determine future benefits to be paid and is considered to be a critical accounting estimate. The defined pension liability is underpinned by a number of actuarial assumptions as detailed in note 13, most materially the mortality, discount rate and inflation assumptions. In line with IAS 19, the fair value of the related bulk annuity policy asset is deemed to be the present value of the related obligations which it covers.

Critical judgements:

Defined pension benefit liability - The assessment of whether the Company is the sponsoring employer of the defined benefit pension scheme and therefore should recognise the defined benefit pension liability in the Company's financial statements is a critical accounting policy judgement.

IAS 19 Employee Benefits requires that, where the risks of a pension scheme are shared between entities under common control and no contractual agreement or stated policy exists for charging to the individual group entities, the scheme should be recognised in the financial statement of the sponsoring employer. IAS 19 does not define the criteria to assess what constitutes a sponsoring employer. Management have therefore applied judgement to determine which abrdn Group company should recognise the Edinburgh Fund Managers Group plc Retirement and Death Benefits Plan ("the Scheme") in their financial statements.

Under UK pensions regulations, defined benefit pension schemes are required to have both a Principal Employer and a Statutory Employer, who may or may not be the same entity.

In relation to the Scheme the following matters are noted:

- **Principal Employer** - Occupational pension schemes must identify one of the participating employers as the principal employer. For the Scheme the principal employer is another company in the abrdn Group. The principal employer has special powers and duties, such as in relation to rule amendments. The principal employer for the Scheme also agrees the schedule of contributions, and has signed the trust deed with the trustees of the Scheme. The Principal Employer and abrdn plc have provided guarantees to the Scheme trustees in relation to any funding shortfall.
- **Statutory Employer** - This is the employer which is legally responsible for meeting the funding objective of the pension scheme; paying the Section 75 debt (share of the scheme's liabilities) when an employment cessation event occurs on employer departure, on scheme wind-up or on employer insolvency; and triggering entry to a Pension Protection Fund assessment period on insolvency. This is the Company. The Company also pays all Scheme contributions.

Given the limited guidance in IAS 19 we consider that there are arguments that would support both the Company and the Principal Employer being the sponsoring employer for the Scheme. Our judgement is that it is most appropriate for the Company to be the IAS 19 Sponsoring Employer, and therefore to recognise the defined benefit liability, as:

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

- The Company has been determined by the trustees of the Scheme to be the Statutory Employer, which means the Company is legally responsible for key specific matters as set out above.
- The Company is responsible for paying any Section 75 debt (which can be considered the key risk for the employers in relation to the Scheme), and also does pay all Scheme contributions and therefore bears the current financial implications of the Scheme.

3 Operating loss

The Independent Auditor's remuneration for statutory audit services for the year ended 31 December 2021 was £33k (2020: £23k), which has been borne by another abrdn Group undertaking.

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of abrdn plc.

4 Finance expense relating to scheme assets and liabilities

	2021 £ 000	2020 £ 000
Interest expense on defined benefit obligation	(1,278)	(1,655)
Interest income on plan assets	1,144	1,416
	<u>(134)</u>	<u>(239)</u>

5 Other finance expenses

	2021 £ 000	2020 £ 000
Interest on bank overdraft	<u>(65)</u>	<u>(209)</u>

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

6 Tax credit

Analysis of tax credit in the year:

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	(640)	(666)
Deferred taxation		
Deferred tax on defined benefit scheme	549	520
Arising from changes in deferred tax rates	(272)	(256)
Total deferred taxation	277	264
Tax credit in the profit and loss account	(363)	(402)

Analysis of tax credit in other comprehensive income in the year:

	2021 £ 000	2020 £ 000
Deferred tax on re-measurement of net defined benefit pension liability	250	(119)

The tax credit assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Loss before tax	(474)	(767)
Corporation tax at standard rate	(90)	(146)
Change in rates on deferred tax balances	(273)	(256)
Total tax credit	(363)	(402)

The standard UK Corporation Tax rate for the accounting period is 19%. On 3 March 2021, the UK Government announced its intention to increase the rate of UK Corporation Tax from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. This will impact the current tax in the UK going forward.

The effect of this change in the rate of UK Corporation Tax at this date was to increase the deferred tax asset in the statement of financial position by £234k and increase the tax credit in the income statement by £234k.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Deferred tax

	2021	2020
	£ 000	£ 000
As at 1 January	2,030	2,175
Charge through profit and loss account	(277)	(264)
(Charge)/credit through other comprehensive income	(250)	119
As at 31 December	<u>1,503</u>	<u>2,030</u>
Deferred tax assets	<u>1,503</u>	<u>2,030</u>

The deferred tax asset can be analysed as follows:

	2021	2020
	£ 000	£ 000
Defined benefit pension scheme	1,503	2,030

8 Trade and other receivables

	2021	2020
	£ 000	£ 000
Non-current trade and other receivables:		
Amounts due from abrdn Group undertakings	-	17,715
Total non-current trade and other receivables	<u>-</u>	<u>17,715</u>
Current trade and other receivables:		
Amounts due from abrdn Group undertakings	639	-
Total current trade and other receivables	<u>639</u>	<u>-</u>

Amounts due from abrdn Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. These are due to be settled within the next 12 months.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.05 each	28,524	1,426	28,524	1,426

10 Trade and other payables

	2021	2020
	£ 000	£ 000
Current trade and other payables:		
Accruals	-	11
Amounts due to abrdn Group undertakings	495	-
Total current trade and other payables	495	11

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

11 Parent and ultimate parent undertaking

The Company's immediate parent is AAM PLC and its ultimate parent is abrdn plc, both of which are incorporated in the United Kingdom and registered in Scotland.

The most senior parent entity producing publicly available financial statements is abrdn plc. Copies of the consolidated Annual Report and Accounts are available to the public from 1 George Street, Edinburgh, EH2 2LL, or to download on the website www.abrdn.com.

12 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

During the year the Company made contributions of £3.3m to the defined benefit pension scheme.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Retirement benefits

The Company is the Statutory Employer of a defined benefit scheme, the Edinburgh Fund Managers Group Plc Retirement and Death Benefits Plan. The plan is final salary based, with benefits depending on members' length of service and salary prior to retirement. At the last statutory valuation at 30 June 2019, the plan was in deficit and AAM PLC (the Principal Employer of the plan) agreed a funding plan, which aims to eliminate the deficit, with the plan's trustees. This scheme is closed to new membership and closed to future service accruals. At 31 December 2021, the scheme is in deficit on an IAS 19 basis.

The contributions to the defined benefit plan for the year ended 31 December 2021 were £3,300k (2020: £3,300k). The Company expects to contribute at the same rate next year.

The net pension deficit recognised at 31 December 2021 is £6,680k (2020: £10,684k). An analysis of the movement in the pension liability is given below.

An IAS 19 valuation was carried out at 31 December 2021 by a qualified independent actuary.

The amounts recognised in the balance sheet are as follows:

	2021 £ 000	2020 £ 000
Fair value of scheme assets	78,840	78,079
Present value of scheme liabilities	(85,520)	(88,763)
Defined benefit pension scheme deficit	(6,680)	(10,684)

Movements in fair value of plan assets

	2021 £ 000	2020 £ 000
Fair value at start of year	78,079	68,248
Interest income	1,144	1,416
Employer contributions	3,300	3,300
Benefits payments from scheme	(2,429)	(5,257)
Administrative expenses	(275)	(319)
Re-measurement (losses)/gains	(979)	10,691
Fair value at end of year	78,840	78,079

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Retirement benefits (continued)

Movements in present value of defined benefit obligation

	2021	2020
	£ 000	£ 000
Present value at start of period	88,763	81,045
Effects of changes in demographic assumptions	-	1,798
Effects of changes in financial assumptions	(981)	9,522
Effects of experience adjustments	(1,111)	-
Interest cost	1,278	1,655
Benefits payments from scheme	(2,429)	(5,257)
Present value at end of year	<u>85,520</u>	<u>88,763</u>

Amounts recognised in the income statement

	2021	2020
	£ 000	£ 000
Administrative expenses	275	319
Net interest cost	134	239
	<u>409</u>	<u>558</u>

Gains/(losses) recognised in the Statement of Comprehensive Income

	2021	2020
	£ 000	£ 000
Changes in demographic assumptions	-	(1,798)
Changes in financial assumptions	981	(9,522)
Experience adjustments	1,111	-
Re-measurement (losses)/gains on plan assets	(979)	10,691
	<u>1,113</u>	<u>(629)</u>

Plan assets

The major categories of scheme assets are as follows:

	2021	2020
	Fair value	Fair value
	£ 000	£ 000
Cash and cash equivalents	550	418
Equity instruments	7,744	6,095
Assets held by insurance company	70,546	71,566
	<u>78,840</u>	<u>78,079</u>

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Retirement benefits (continued)

Assets held by the insurance company comprise of a bulk annuity policy, which is linked to the defined benefit pension liability. In line with IAS 19, the fair value of the related bulk annuity policy asset is deemed to be the present value of the related obligations which it covers.

The fair value of equity instruments is determined with reference to active markets.

Principal actuarial assumptions

The principal assumptions used by the scheme actuaries are detailed below:

Weighted average assumptions used to determine the defined benefit obligation

	2021	2020
	%	%
Discount rate	1.87	1.46
Rate of pension increases (LPI 5%)	3.25	2.82
Rate of price inflation (RPI)	3.47	2.95
Rate of price inflation (CPI) pre-retirement	2.67	2.05

Post retirement mortality assumptions

The mortality assumptions for the UK defined benefit scheme at 31 December 2021 and 31 December 2020 follow the 103/106% of S3PMA CMI light tables for male pensioners/non-pensioners and 101/103% of S3PFA CMI 2018 light tables for female pensioners/non-pensioners. Mortality improvements follow the CMI 2018 model (SK parameter of 7.5) with a long-term improvement rate of 1.5% pa. The implied life expectancy at age 60 assumptions are shown in the table below:

	2021	2020
	Years	Years
Male currently aged 60	28.3	28.3
Female currently aged 60	30.1	30.0
Male currently aged 40	29.9	29.8
Female currently aged 40	31.6	31.5

The mortality assumptions have not been updated for COVID-19 at this point as the impact on long-term mortality rates for pension scheme members is not clear.

Risks***Risks and mitigating actions***

The Company's statement of financial position is exposed to movements in the defined benefit plan's net liability. However, the movement in the net liability for the Company's defined benefit pension plan is significantly reduced due to the bulk annuity contract entered into with L&G, which insures the majority of member benefits. For the other non-insured pension benefits, mainly benefit payments in respect of current pensioners at the policy inception date that fall due prior to November 2029, these are largely funded from ongoing Scheme Sponsor (i.e. the Company) contributions.

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

13 Retirement benefits (continued)

As such, the Company is primarily exposed to failure of the annuity provider in relation to the pension benefits that are insured (covered below). Any exposure the Company has to increases in the non-insured pension liabilities (e.g. due to higher inflation) is mitigated by the guarantees provided by the Principal Employer and abrdn PLC to the Scheme trustees.

Failure of the annuity provider

Before entering into the bulk annuity contract, professional advice was obtained and considered regarding the financial strength of the annuity provider (L&G) and concluded that the risk of failure was acceptably low. In addition, regulatory oversight and, ultimately, the Financial Services Compensation Scheme, provide a degree of statutory protection to policyholders of long-term insurance contracts such as the bulk annuity policy, in the event that an insurer gets into financial difficulty or becomes insolvent.

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2021		2020	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£ 000	£ 000	£ 000	£ 000
Adjustment to discount rate				
(Increase)/decrease in present value of defined obligation	1,536	(1,578)	1,656	(1,700)
Increase/(decrease) in present value of pension asset	(1,440)	1,481	(1,538)	1,582
	<hr/>		<hr/>	
	2021		2020	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£ 000	£ 000	£ 000	£ 000
Adjustment to rate of inflation				
(Increase)/decrease in present value of defined obligation	(1,513)	1,477	(1,626)	1,588
Increase/(decrease) in present value of pension asset	1,421	(1,385)	1,513	(1,475)
	<hr/>		<hr/>	
	2021		2020	
	- 1 Year	- 1 Year	- 1 Year	- 1 Year
	£ 000	£ 000	£ 000	£ 000
Adjustment to mortality age assumption				
(Increase)/decrease in present value of defined obligation	(3,873)	(4,013)		
Increase/(decrease) in present value of pension asset	3,617	3,715		
	<hr/>		<hr/>	

14 Contingent assets

The company's bank balance is part of a group working capital facility in support of which cross guarantees are provided by the parent company, the Company and certain fellow subsidiary undertakings. At 31 December 2021, the net amount guaranteed under this arrangement was £61,834k (2020: £76,668k).

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Events after the balance sheet date

To the knowledge of the Directors, there have been no material events after the reporting period.