Edinburgh Fund Managers Group Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Registration number: SC157875

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Contents

Company Information

Directors

R J McNay
H A Staples
R C Edwards

Company secretary

SLA Corporate Secretary Limited

Registered office

10 Queen's Terrace
Aberdeen
Scotland
AB10 1XL

Auditor

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

Directors' Report for the Year Ended 31 December 2020

The Directors present their annual report together with the audited financial statements of the Edinburgh Fund Managers Group Limited (the "Company") for the year ended 31 December 2020.

Business review and future developments
The Company operates a defined benefit pension scheme which is closed to new service contributions and 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 Company qualifies as a small company in accordance with Sections 381-382 of the Companies Act 2006. The Directors have taken advantage of the small companies 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 and to date, 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, Standard Life Aberdeen Group plc ("SLA plc", or together with its subsidiaries, "the Standard Life Aberdeen Group") maintains Directors' and officers' liability insurance on behalf of its directors and officers.

Company secretary
The company secretaries, during the year and to date, were as follows:

Aberdeen Asset Management PLC (resigned 1 April 2021)

SLA Corporate Secretary Limited (appointed 1 April 2021)

Result for the year
The result for the year ended 31 December 2020 is a loss after tax of £365k (2019: £858k).

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

The Standard Life Aberdeen Group, of which the Company is a part, has an established Risk Enterprise Management framework. This has been strengthened in the year by introducing new risk tolerances to support governance and risk management and extending and refining risk taxonomy to describe risk more accurately.

The principal risks and uncertainties facing the Company are integrated into the principal risks of the Standard Life Aberdeen Group and are therefore not managed separately. Accordingly, the principal risks and uncertainties of SLA plc, which include those of the Company, are discussed fully in the SLA plc Annual Report and Accounts which does not form part of this report.

Directors' Report for the Year Ended 31 December 2020 (continued)

Principal risk and uncertainties (continued)
The list below does however provide a summary of the key risks facing both SLA plc and the Company:

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. Management meets regularly with the Company's actuaries to monitor key macro-economic assumptions impacting the valuation of the scheme assets and liabilities.

COVID 19

COVID 19 has had a major impact on SLA plc's operating environment that will extend well into 2021. This includes the vast majority of SLA plc's employees working from home who now use the enhanced IT infrastructure that was implemented in response to the pandemic and the application of stricter processes and safeguards to protect critical workers who need to be in the office. The commercial environment also remained challenging during 2020, exacerbated by the impact of the pandemic. The Standard Life Aberdeen Group has shown resilience in dealing with the effects of the pandemic and continues to manage its market, operational and financial impact. The management of key risks and uncertainties caused by the pandemic are discussed below.

Brexit

The UK's withdrawal from the EU caused political and commercial uncertainty in 2020. This has been partly addressed by the Trade and Cooperation Agreement, although questions remain about the longer-term outlook for financial services. The Standard Life Aberdeen Group has prepared extensively for the UK's exit and continues to closely monitor developments and actively engage with industry groups, including the Investment Association.

Financial risk

This is the risk of having insufficient resources, suffering losses from adverse markets or the failure or default of counterparties. This is managed through review of SLA plc's cost base and identifying opportunities for further cost reduction. Capital is also held against identified risks which are reviewed on an ongoing basis.

Third party management

Activities are outsourced to suppliers with specialist capabilities which means exposure to the risk of third parties failing to deliver in line with contractual obligations. It is SLA plc's responsibility to make sure these firms deliver, supported through continued streamlining delivery and reduced complexity. In 2020 the potential impacts of COVID 19 were also monitored, as well as Brexit on supply chains, to minimise the risk of disruption to the business. Strong relationships with suppliers continues to be key with the SLA plc Board modifying this risk to promote active management of third-party relationships, strengthening controls and governance structures. SLA plc's Supplier Code of Conduct requires third parties to acknowledge their responsibilities for delivering best practice.

Financial management process

Sound and reliable financial reporting informs the Company's performance, future planning and disclosures to external stakeholders. Failures in these processes would expose the business and shareholders to the risk of making poorly-informed decisions. In 2020, employees successfully moved to home working, with minimal disruption to financial management processes. Financial reporting activities align to external reporting standards and industry best practice. The Audit Committee reviews and, where necessary, challenges reporting outputs. The Chief Risk Officer also provides an independent review of the business plan to support decision making.

Directors' Report for the Year Ended 31 December 2020 (continued)

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 the uncertainty caused by COVID 19. Based on their assessment the Company 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 Directors paid no dividends in 2020 (2019: £nil) to the Company's immediate parent, 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

The Directors have 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 the Directors know of and of which they know the auditor is unaware.

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 Financial Reporting Standard ("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.

Directors' Report for the Year Ended 31 December 2020 (continued)

Statement of Directors' Responsibilities (continued)

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 21 July 2021 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 2020, 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 2020 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 absence of reference to a material uncertainty in this auditor's report is 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 inspection of policy documentation as to Standard Life Aberdeen's group wide policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, 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. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including:

- We performed procedures including agreeing all accounting entries in the period to supporting documentation..
- Assessing significant accounting estimates for bias

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, and taxation legislation 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 4 and 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.

Eilidh McGowan

Eilidh McGowan (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Date 21 July 2021

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Administrative expenses		(319)	(210)
Operating loss	3	**(319)**	**(210)**
Finance expense relating to scheme assets and liabilities	4	(239)	(385)
Other finance expenses	5	(209)	(531)
Loss before tax		**(767)**	**(1,126)**
Tax credit	6	402	268
Loss for the year		**(365)**	**(858)**

The notes on pages 14 to 23 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Loss for the year		**(365)**	**(858)**
Items that will not be reclassified subsequently to profit or loss			
Re-measurements of net defined benefit liability	12	(629)	(1,019)
Tax on re-measurement of pension scheme	6	119	173
		(510)	**(846)**
Total comprehensive loss for the year		**(875)**	**(1,704)**

The notes on pages 14 to 23 form an integral part of these financial statements.

Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Assets			
Non-current assets			
Deferred tax asset	8	2,030	2,175
Trade and other receivables	7	17,715	17,048
Total non-current assets		**19,745**	**19,233**
Total assets		**19,745**	**19,223**
Equity			
Called up share capital	9	1,426	1,426
Share premium reserve		4,036	4,036
Other reserves		30,034	30,034
Retained losses		(103,114)	(102,239)
Equity attributable to equity holders of the parent		(67,618)	(66,743)
Liabilities			
Non-current liabilities			
Pension liability	12	10,684	12,797
Total non-current liabilities		**10,684**	**12,797**
Current liabilities			
Bank overdrafts		76,668	73,158
Accruals		11	11
Total current liabilities		**76,679**	**73,169**
Total liabilities		**87,363**	**85,966**
Total equity and liabilities		19,745	19,223

Approved by the Board on 21 July 2021 and signed on its behalf by:

....

R J McNay
Director

Registration number: SC157875

The notes on pages 14 to 23 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital £000	Share premium reserve £000	Other reserves £000	Retained losses £000	Total £000
At 1 January 2019	1,426	4,036	30,034	(100,535)	(65,039)
Loss for the year	-	-	-	(858)	(858)
Other comprehensive loss	-	-	-	(846)	(846)
Total comprehensive loss	-	-	-	(1,704)	(1,704)
Balance at 31 December 2019	**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)
Balance at 31 December 2020	**1,426**	**4,036**	**30,034**	**(103,114)**	**(67,618)**

The notes on pages 14 to 23 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies

Summary of significant accounting policies and key accounting estimates and judgements
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 2020 have been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 Polices 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 SLA plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 7 Financial Instrument Disclosures.

Changes in accounting policy

No new standards, interpretations and amendments effective for the first time from 1 January 2020 have had an impact on the Company.

Going concern
The Company has made a loss in the financial year and has net liabilities.

In preparing these financial statements, the Directors have made certain considerations as detailed below and have taken into account the uncertainty created by COVID 19. In light of losses generated in the year and a net liability position, the Company is 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.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

1 Accounting policies (continued)

Going concern (continued)
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 this will not be the case.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of AAM PLC, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Financial assets

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 current assets and consist of amounts owed by Standard Life Aberdeen 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.

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.

Current and 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. 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 profit and loss account 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.

Pension assets, liabilities and costs
The Company operates 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.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

1 Accounting policies (continued)

Pension assets, liabilities and costs (continued)
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 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.

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.

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 period. Key estimates and judgements are disclosed beneath:

Critical estimates:

Defined benefit pension liability - 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 12.

Critical judgements

Defined benefit pension 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 Standard Life Aberdeen Group company should recognise the Edinburgh Fund Managers Group PLC Retirement and Death Benefits Plan ("the Scheme") in their financial statements.

Under UK pensions requirements defined benefit pension schemes 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:

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

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

- 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 Standard Life Aberdeen 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 Standard Life Aberdeen 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 (PPF) 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 pension liability, as:

- 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 2020 was £23k (2019: £15k), which has been borne by another Standard Life Aberdeen 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 SLA plc.

4 Finance expense relating to scheme assets and liabilities

	2020 £ 000	2019 £ 000
Interest expense on defined benefit obligation	1,655	2,163
Interest income on plan assets	(1,416)	(1,778)
	239	385

5 Other finance expenses

	2020 £ 000	2019 £ 000
Interest on bank overdraft	209	531

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Tax credit

Analysis of tax credit in the year:

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	(666)	(728)
Deferred taxation		
Deferred tax on defined benefit scheme	264	460
Tax credit in the profit and loss account	**(402)**	**(268)**

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

	2020 £ 000	2019 £ 000
Deferred tax on re-measurement of net defined benefit pension liability	(119)	(173)

The tax credit assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	(767)	(1,126)
Corporation tax at standard rate	(146)	(214)
Change in rates on deferred tax balances	(256)	(54)
Total tax credit	**(402)**	**(268)**

The standard UK corporation tax rate for the accounting period is 19%. In the Spring Budget 2020, the government announced that the standard UK corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17% as previously enacted. This new legislation was substantively enacted on 17 March 2020 to repeal the planned reduction in the standard UK corporation tax rate and maintain the rate at 19%. This will impact both current tax in the UK going forward and also the valuation of deferred tax assets and liabilities in the UK, which have been revalued at the balance sheet date to take account of this change.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Trade and other receivables

	2020	2019
Non-current trade and other receivables:	**£ 000**	**£ 000**
Amounts owed by Standard Life Aberdeen Group undertakings	17,715	17,048
Total current trade and other receivables	17,715	17,048

Amounts owed by Standard Life Aberdeen Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. All trade and other receivables are expected to be recovered after 12 months.

8 Deferred tax

	2020 £ 000	2019 £ 000
As at 1 January	2,175	2,462
Charge through profit and loss account	(264)	(460)
Credit through other comprehensive income	119	173
As at 31 December	2,030	2,175

The deferred tax asset can be analysed as follows:

	2020 £ 000	2019 £ 000
Defined benefit pension scheme	2,030	2,175

On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The proposed increase in the rate of UK corporation tax is expected to be enacted in Finance Act 2021. As the rate change was not substantively enacted as at 31 December 2020, it has not been taken account of in computing the UK deferred tax assets and liabilities which are reflected in the statement of financial position for that date. However, the rate change is expected to be substantively enacted during 2021. The effect of this change in the rate of UK corporation tax if it had been substantively enacted at 31 December 2020 would have been to increase the deferred tax assets in the statement of financial position by £196k and increase the tax credit in the income statement by £196k.

9 Share capital

Allotted, called up and fully paid shares

	2020 No.	2020 £ 000	2019 No.	2019 £ 000
Ordinary shares of £0.05 each	28,523,919	1,426	28,523,919	1,426

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Parent and ultimate parent undertaking

The Company's immediate parent company is AAM PLC and its ultimate parent company is SLA 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 SLA plc. Copies of the consolidated Annual Report and Accounts of SLA plc are available to the public from 1 George Street, Edinburgh, EH2 2LL, or to download on the website www.standardlifeaberdeen.com.

11 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.

12 Pension

The Company operates a defined benefit scheme, the Edinburgh Fund Managers Retirement and Death Benefits Plan. The scheme is closed to new membership.

The contributions to the defined benefit plan for the year ended 31 December 2020 were £3,300k (2019: £3,300k), the Company expects to contribute at the same rate next year.

The net pension deficit recognised at 31 December 2020 is £10,684k (2019: £12,797k). An analysis of the movement in the pension asset is given below.

A full actuarial valuation was carried out at 31 December 2020 by a qualified independent actuary.

The amounts recognised in the balance sheet are as follows:

	2020 £ 000	2019 £ 000
Fair value of scheme assets	78,079	68,248
Present value of funded defined benefit obligations	(88,763)	(81,045)
Defined benefit pension scheme deficit	**(10,684)**	**(12,797)**

Movements in fair value of plan assets

	2020 £ 000	2019 £ 000
At 1 January	68,248	59,065
Interest income	1,416	1,778
Employer contributions	3,300	3,300
Benefits payments from scheme	(5,257)	(1,915)
Administrative expenses	(319)	(210)
Re-measurement gains	10,691	6,230
At 31 December	78,079	68,248

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Pension (continued)

Movements in present value of defined benefit obligation

	2020 £ 000	2019 £ 000
At 1 January	(81,045)	(73,548)
Effects of changes in demographic assumptions	(1,798)	6,309
Effects of changes in financial assumptions	(9,522)	(9,961)
Effects of experience adjustments	-	(3,597)
Interest cost	(1,655)	(2,163)
Benefits payments from scheme	5,257	1,915
At 31 December	(88,763)	(81,045)

Amounts recognised in the profit and loss account

	2020 £ 000	2019 £ 000
Administrative expenses	319	210
Net interest cost	239	385
	558	595

(Losses)/gains recognised in the Statement of Comprehensive Income

	2020 £ 000	2019 £ 000
Changes in demographic assumptions	(1,798)	6,309
Changes in financial assumptions	(9,522)	(9,961)
Experience adjustments	-	(3,597)
Re-measurement gains on plan assets	10,691	6,230
	(629)	(1,019)

12 Pension (continued)

Plan assets

The major categories of scheme assets are as follows:

	2020 Fair value £ 000	2019 Fair value £ 000
Cash and cash equivalents	418	461
Equity instruments	6,095	4,726
Assets held by insurance company	71,566	63,061
	78,079	68,248

Principal actuarial assumptions

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

Weighted average assumptions used to determine the defined benefit obligation

	2020 %	2019 %
Discount rate	1.46	2.11
Rate of pension increases	2.82	2.91
Rate of price inflation (RPI)	2.95	3.00
Rate of price inflation (CPI)	2.05	2.10

Weighted average assumptions used to determine the defined benefit cost

	2020 %	2019 %
Discount rate	2.11	2.98
Rate of pension increases	2.91	3.05
Rate of inflation (RPI)	3.00	3.23
Rate of inflation (CPI)	2.10	2.23

Mortality assumptions

The mortality assumptions for the UK defined benefit scheme at 31 December 2020 follow the 103/106% of S3PMA light tables for male pensioners/non-pensioners (2019: 103/106% of S3PMA) and 101/103% of S3PFA light tables for female pensioners/non-pensioners (2019: 101/103% of S3PFA). The implied life expectancy at age 65 (2019: 60) assumptions are shown in the table below:

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

Pension (continued)

Mortality assumptions (continued)

	2020 Years	2019 Years
Male currently aged 65 (2019: 60)	28.3	28.2
Female currently aged 65 (2019: 60)	30.0	29.9
Male currently aged 45 (2019: 40)	29.8	29.7
Female currently aged 45 (2019: 40)	31.5	31.5

Sensitivity analysis

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

	2020		2019	
	+0.1%	-0.1%	+0.1%	-0.1%
Adjustment to discount rate	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of defined benefit obligation	(1,656)	1,700	(1,417)	1,455

	2020		2019	
	+0.1%	-0.1%	+0.1%	-0.1%
Adjustment to rate of inflation	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of defined benefit obligation	1,626	(1,588)	1,396	(1,364)

	2020	2019
	+1 Year	+1 Year
Adjustment to mortality age assumption	**£ 000**	**£ 000**
Present value of defined benefit obligation	4,013	3,292

13 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 2020, the net amount guaranteed under this arrangement was £76,668k (2019, £73,158k).

14 Events after the balance sheet date

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