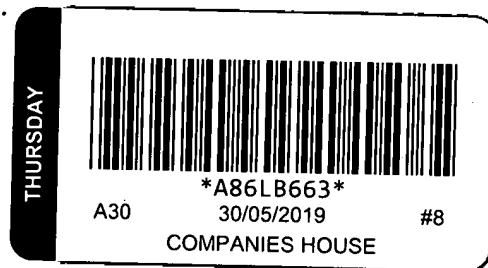


Engage Mutual Funds Limited

Annual report and financial statements

Registered number 03224780

Year ended 31 December 2018



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Directors' report

The Directors present their report and audited financial statements for the year ended 31 December 2018.

Going concern

The parent company of Engage Mutual Funds Limited is Family Assurance Friendly Society (FAFS). FAFS has prepared a business plan and has projected the future working capital requirements of the Group. Following assessment by the Board, which includes consideration of the group-wide assessment as well as factors specific to the Company, the Directors have presented the financial statements on a going concern basis. This conclusion is supported by the assessment of the Group's forecast profitability and capital resilience over the period of at least 12 months from the date of approval of the financial statements. Consequently, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future.

Results and dividends

The profit after taxation for the year ended 31 December 2018 amounted to £1,767,593 (2017: £1,788,499). The Directors recommended and paid an interim dividend for the year of £1,000,000 (2017: £3,500,000) on 30 November 2018.

Directors

The Directors who held office during the year and up to the date of signing were as follows:

| | |
|-------------|-----------------|
| SC Markey | Chairman |
| S Ferrari | Chief Executive |
| J Adams | Director |
| P Herz | Director |
| ST Nyahasha | Director |

No Director had any interest in the shares of the Company as at 31 December 2018 or as at 31 December 2017.

Directors' remuneration

The Company is required to comply with the FCA Remuneration Code. The Directors of the Company are not remunerated directly by the Company, they are remunerated by FAFS for their services to the Group as a whole. Details of the remuneration of the Directors can be found in note 6 to these accounts.

Directors' report (continued)

Provision of information to the auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing their report, and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board:


S C Markey
Director


ST Nyahasha
Director

16-17 West Street
Brighton
East Sussex
BN1 2RL

10 March 2019

Statement of Directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

Independent Auditor's Report to the Members of Engage Mutual Funds Limited

Opinion

We have audited the financial statements of Engage Mutual Funds Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 Engage Mutual Funds Limited (continued)

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 3, 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.

Auditor's responsibilities

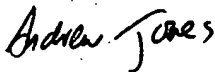
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

Independent Auditor's Report to the Members of Engage Mutual Funds Limited (continued)

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.



Andrew Jones (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

20 March 2019

**Profit and loss account and other comprehensive income
for the year ended 31 December 2018**

| | Notes | 2018 £ | 2017 £ |
|----------------------------------------------------------|----------|------------------|------------------|
| Turnover | 4 | 4,323,381 | 4,252,764 |
| Administrative expenses | | (2,142,572) | (2,342,771) |
| Profit before interest and taxation | | 2,180,809 | 1,909,993 |
| Other interest receivable and similar income | 8 | 226 | 4,116 |
| Profit before taxation | 5 | 2,181,035 | 1,914,109 |
| Tax on profit | 9 | (413,442) | (125,610) |
| Profit for the financial year | | 1,767,593 | 1,788,499 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the financial year | | 1,767,593 | 1,788,499 |

The notes on pages 10 to 16 form an integral part of the financial statements.


**Statement of financial position
as at 31 December 2018**

Registered no: 03224780

| | Notes | 2018 £ | 2017 £ |
|-------------------------------------|-------|--------------------|--------------------|
| Current assets | | | |
| Debtors | 10 | 398,358 | 429,458 |
| Cash and cash equivalents | 11 | 2,242,433 | 1,099,295 |
| Deferred tax asset | 9 | 319,698 | 733,140 |
| | | <u>2,960,489</u> | <u>2,261,893</u> |
| Creditors | | | |
| Amounts falling due within one year | 12 | (769,021) | (838,018) |
| | | <u>2,191,468</u> | <u>1,423,875</u> |
| Net assets | | | |
| Capital and reserves | | | |
| Called up share capital | 13 | 100,000 | 100,000 |
| Capital reduction reserve | 13 | 3,700,000 | 4,700,000 |
| Profit and loss account | | <u>(1,608,532)</u> | <u>(3,376,125)</u> |
| Equity shareholder's funds | | <u>2,191,468</u> | <u>1,423,875</u> |

The notes on pages 10 to 16 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 20 March 2019 and signed on its behalf by:


S C Markey
Director


ST Nyahasha
Director

**Statement of changes in equity
for the year ended 31 December 2018**

| | Share capital £ | Capital reduction reserve £ | Profit and loss account £ | Total £ |
|----------------------------------------------------|-----------------------|--------------------------------------|------------------------------------|------------------|
| As at 1 January 2017 | 100,000 | 8,200,000 | (5,164,624) | 3,135,376 |
| Total comprehensive income: Profit for the year | - | - | 1,788,499 | 1,788,499 |
| Dividend distribution | - | (3,500,000) | - | (3,500,000) |
| As at 31 December 2017 | <u>100,000</u> | <u>4,700,000</u> | <u>(3,376,125)</u> | <u>1,423,875</u> |
| As at 1 January 2018 | 100,000 | 4,700,000 | (3,376,125) | 1,423,875 |
| Total comprehensive income: Profit for the year | - | - | 1,767,593 | 1,767,593 |
| Dividend distribution | - | (1,000,000) | - | (1,000,000) |
| As at 31 December 2018 | <u>100,000</u> | <u>3,700,000</u> | <u>(1,608,532)</u> | <u>2,191,468</u> |

The notes on pages 10 to 16 form an integral part of the financial statements.

Notes to the financial statements

1 General information

Engage Mutual Funds Limited provides fund management for Child Trust Fund (CTF) accounts.

Engage Mutual Funds Limited is a Company limited by shares and incorporated in England and Wales and domiciled in the UK. The address of its registered office is 16-17 West Street, Brighton, BN1 2RL.

2 Statement of compliance

The individual financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 *"The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland"* ("FRS 102") as it applies to the financial statements for the year ended 31 December 2018.

3 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These individual financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

b) Going concern

These individual financial statements have been prepared on a going concern basis, supported by an assessment of the Group's forecast profitability and capital resilience over the period of at least 12 months from the date of approval of the financial statements.

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company's parent undertaking, Family Assurance Friendly Society Limited (FAFS), includes the Company in its consolidated financial statements, which are available to the public by request to the address shown in note 15 or at www.onefamily.com/company-information/financial-reports. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of financial instrument disclosures, key management personnel compensation disclosures and the presentation of the cash flow statement and related notes.

The Company has taken advantage of an exemption from FRS 102.33.1A not to disclose transactions with Family Assurance Friendly Society Limited's group undertakings as they are fully controlled by FAFS.

d) Revenue recognition

Fee income receivable in relation to commission on funds under management net of trade discounts, is recognised when the services are provided, to the extent the amounts are considered recoverable.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

e) Interest

Interest receivable represents interest receivable on Company bank and deposit accounts and is recognised in profit or loss as it accrues.

f) Expenses

Expenses are recognised when they are incurred. Expenses include a service charge payable by the Company to other group entities in respect of certain expenses. Cost of sales consists of recharges of expenses from other group entities.

g) Current tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws enacted or substantially enacted at the balance sheet date.

h) Deferred tax

Except as set out in FRS 102, deferred tax is provided on timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax balances are not discounted.

i) Basic financial instruments

Financial assets

Basic financial assets, including trade and other debtors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired an impairment loss is calculated, representing the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of ownership of the asset are transferred to another party or (iii) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and other short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value with a short maturity of three months or less from the date of acquisition.

Financial liabilities

Basic financial liabilities including trade and other creditors are initially recognised at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

business from suppliers. Trade and other creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

j) Share capital

Ordinary shares are classified as equity and the holders of such shares are entitled to full voting rights.

k) Distributions to equity shareholder

Dividends and other distributions to the Company's shareholder are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholder. These amounts are recognised in the statement of changes in equity.

l) Accounting estimates and judgements

Key sources of estimation uncertainty

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. In making this assessment estimates are made of future profits. There is uncertainty on the timing and level of these future profits and therefore on the associated deferred tax asset.

Critical Accounting Judgements

No judgements have been made in applying the Company's accounting policies.

4 Turnover

The total turnover of the Company derives from its principal activity, wholly undertaken in the United Kingdom, and is stated exclusive of value added tax.

5 Profit before taxation

| | 2018 | 2017 |
|-------------------------------------------------------------------------------|-------|-------|
| | £ | £ |
| Profit before taxation is stated after charging: | | |
| Amounts receivable by the Company's auditor and its associates in respect of: | | |
| Audit of these financial statements | 8,742 | 7,073 |

Fees paid to KPMG LLP for non-audit services and the audit of associated companies are disclosed in the consolidated accounts of the ultimate parent company (FAFS) on a consolidated basis.

6 Directors emoluments

All directors were remunerated by the parent company, FAFS, for their services to the Group as a whole. No direct charge has been made to the Company in respect of the emoluments of these directors as they were not specifically remunerated for their services to the Company. Accordingly, no emoluments are disclosed in respect of the directors. Directors of the Company that are not directors of FAFS are classified as Key Management Personnel of FAFS. Details of the remuneration of directors of the Group, and of Key Management Personnel, can be found in the Annual Report and Consolidated Financial Statements of FAFS, which is available from the FAFS Secretary at the address in Note 15.

Notes to the financial statements (continued)

7 Employees

There are no employees directly employed by the Company (2017: nil) A service charge is payable by the Company to the parent in respect of certain expenses (including salary and staff related costs), as well as for other operational and support costs.

8 Other interest receivable and similar income

| | 2018 £ | 2017 £ |
|-----------------------|------------|--------------|
| Bank deposit interest | 226 | 4,116 |
| | <u>226</u> | <u>4,116</u> |

9 Taxation

a) Analysis of charge in the year

| | 2018 £ | 2017 £ |
|-------------------------------------|----------------|----------------|
| <i>Current tax:</i> | | |
| Current tax on income for the year | - | - |
| Total current tax | - | - |
| <i>Deferred tax:</i> | | |
| Utilisation of tax losses | 413,442 | 125,610 |
| Total deferred tax | 413,442 | 125,610 |
| Tax charge for the year (note 9(b)) | <u>413,442</u> | <u>125,610</u> |

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2017: lower) than the main rate of corporation tax in the UK (19%) (2017: 19.25%). The differences are explained below:

| | 2018 £ | Restated 2017 £ |
|-----------------------------------------------------------------------------------|------------------|-----------------------|
| Profit before tax | <u>2,181,035</u> | <u>1,914,109</u> |
| Profit multiplied by main rate of corporation tax in the UK of 19% (2017: 19.25%) | 414,397 | 368,466 |
| <i>Effects of:</i> | | |
| Use of unrecognised deferred tax asset | - | (242,856) |
| Rate change impact on deferred tax asset | 955 | - |
| Total tax charge for the year (note 9(a)) | <u>413,442</u> | <u>125,610</u> |

Notes to the financial statements (continued)

9 Taxation (continued)

b) Factors affecting the tax charge for the year (continued)

The prior year presentation has been updated to reflect the current year's. There is no impact on the overall tax balances or reconciliation of this change, which nets down balances previously presented gross.

c) Factors that may affect future tax charges

The Finance Act 2015 reduced the main rate of corporation tax from 20% to 19% from 1 April 2017. Finance Act 2016 will further reduce the main rate of corporation tax to 17% from 1 April 2020. This will reduce the Company's future current tax charge accordingly.

The Company has trading losses carried forward for tax purposes of £1.1m (2017: £3.9m) of which a value of £320k (2017: £733k) has been recognised in the balance sheet as a deferred tax asset. These are expected to be utilised against future taxable profits within three years from the balance sheet date.

d) Deferred taxation

| | 2018 | 2017 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Deferred tax asset at 1 January | 733,140 | 858,750 |
| Utilisation of tax losses | (413,442) | (125,610) |
| Deferred tax asset at 31 December | <u>319,698</u> | <u>733,140</u> |

Deferred tax assets as stated in the balance sheet are attributable to accumulated unused tax losses. The movement in the asset is the result of a reduction in the expected utilisation of losses over the following three years and the tax rate at which the losses are expected to be utilised. All movement in the deferred tax asset was charged to the profit and loss account during the year.

The deferred tax asset is forecast to be fully utilised in 2019. All deferred tax relates to prior year losses.

10 Debtors

| | 2018 | 2017 |
|--------------------------------------|----------------|----------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Other debtors | <u>398,358</u> | 429,458 |
| | <u>398,358</u> | <u>429,458</u> |

Notes to the financial statements (continued)

11 Cash and cash equivalents

| | 2018 | 2017 |
|------------------------|------------------|------------------|
| | £ | £ |
| Cash at bank | 2,241,704 | 1,098,792 |
| Cash in liquidity fund | 729 | 503 |
| | <u>2,242,433</u> | <u>1,099,295</u> |

12 Creditors

| | 2018 | 2017 |
|----------------------------------------------------|----------------|----------------|
| | £ | £ |
| Amounts due within one year: | | |
| Other creditors and accruals | 27,737 | 14,555 |
| Amounts owed to group undertakings: parent company | 741,284 | 823,463 |
| | <u>769,021</u> | <u>838,018</u> |

13 Share capital and capital reduction reserve

| | 2018 | 2017 |
|----------------------------------|------------------|------------------|
| | £ | £ |
| Share capital | | |
| Allotted, issued and fully paid: | | |
| Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |
| Capital reduction reserve | <u>3,700,000</u> | <u>4,700,000</u> |

The capital reserve is a distributable reserve relating to a capital reduction carried out on 30 November 2015. On 30th November 2018 the Company paid a dividend of £1,000,000 (£10 per share) (2017: £3,500,000).

14 Related party disclosures

The Company has taken advantage of an exemption from FRS 102.33.1A not to disclose transactions with Family Assurance Friendly Society Limited's group undertakings as they are fully controlled by the Society. Balances with Family Assurance Friendly Society Limited's group undertakings are shown in notes 10 and 12.

No member of key management personnel, being any person having authority and responsibility for planning, directing or controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company, nor their close family, had a material transaction with the Company.

Notes to the financial statements. (continued)

15 Registered office and ultimate parent

The registered office of Engage Mutual Funds Limited is the same address as its parent company below. The ultimate parent is Family Assurance Friendly Society Limited, a Friendly Society incorporated in England and Wales in accordance with the Friendly Societies Act 1992. Copies of the ultimate parent's consolidated financial statements may be obtained from:

The Secretary
Family Assurance Friendly Society Limited
16-17 West Street
Brighton
East Sussex
BN1 2RL