Engage Mutual Funds Limited

Annual report and financial statements

Registered number 3224780

Year ended 31 December 2016

Contents

Strategic report

The Directors present their strategic report and financial statements for the year ended 31st December 2016.

Business review

Engage Mutual Funds Limited's principal activity is managing Child Trust Fund (CTF) accounts.

The CTF is a tax-advantaged savings account for children. Although new CTFs can no longer be opened, subscriptions to existing CTFs can still be made. Savings held in a CTF are locked-in until the account matures when the account holder turns 18.

When CTFs closed to new eligibility in 2011, the Junior ISA was introduced as a broadly similar tax-advantaged successor account. CTFs can now be transferred into a Junior ISA; the first transfers were made possible in April 2015.

Future outlook

The Company will continue to focus on fulfilling the current CTF policyholders' expectations.

Key risks for Engage Mutual Funds Limited

The Company is regulated by the Financial Conduct Authority (FCA); regulatory changes therefore present a risk to the Company. Turnover is derived from management fees in relation to funds under management; the loss of these accounts would therefore present a risk to the Company. Other principal risks of the Company include conduct risk, expense risk, lapse risk and operational risk. Further details of these risks are incorporated in the parent company's group accounts.

Performance and key performance indicators

The key financial indicators for Engage Mutual Funds Limited are turnover and operating profit.

During 2016, turnover has decreased by £17,240 to £3,346,695 (2015: £3,363,935), as a result of reduced management fees received based on levels of funds under management throughout the year.

Profit on ordinary activities before taxation increased by £47,190 to £1,362,507 (2015: £1,315,317) as a result of reduced cost of sales.

By order of the Board:

S C Markey
Director

S T Nyahasha
Director

16-17 West Street
Brighton
BN1 2RL

12 April 2017

Directors' report

The Directors present their report and audited financial statements for the year ended 31st December 2016.

Going Concern

The parent company of Engage Mutual Funds Limited (EMFL) is Family Assurance Friendly Society (FAFS). FAFS has prepared a business plan for itself and its subsidiaries and has projected the future working capital requirements of EMFL. Following assessment by the Board, the Directors have presented the financial statements on a going concern basis, 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.

Results and dividends

The profit on ordinary activities after taxation for the year ended 31st December 2016 amounted to £842,917 (2015: £1,600,068). The Directors do not recommend the payment of a dividend in 2016 (2015: £4,200,000).

Directors

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

S Markey	Chairman & Chief Executive
D Heard (appointed on 15 July 2016)	Company Secretary
S T Nyahasha (appointed 25 July 2016)	Director
J Adams	Director
K Meeres (resigned on 15 July 2016)	Company Secretary

No Director had any interest in the shares of the Company as 31st December 2016

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 the parent company, Family Assurance Friendly Society Limited. Details of the remuneration of the Directors can be found in the Remuneration Report of Family Assurance Friendly Society Limited at www.onefamily.com/company-information/financial-reports/ or can be provided to you on request to the Secretary.

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

KPMG LLP continue in office as auditor in accordance with section 487 (2) of the Companies Act 2006.

By order of the Board:

S C Markey
Director

S T Nyahasha
Director

16-17 West Street
Brighton
BN1 2RL

12 April 2017

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

The Directors are responsible for preparing the strategic report, 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 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 judgments and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the member of Engage Mutual Funds Limited

We have audited the financial statements of Engage Mutual Funds Limited for the year ended 31st December 2016 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Company's member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Andrew Jones

Andrew Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

12 April 2017

Profit and loss account and statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	**3,346,695**	3,363,935
Cost of sales		**-**	(108,255)
Gross profit		**3,346,695**	3,255,680
Administrative expenses		**(1,989,498)**	(1,955,079)
Operating profit on ordinary activities before interest and taxation		**1,357,197**	1,300,601
Other interest receivable and similar income	8	**5,310**	14,716
Profit on ordinary activities before taxation	5	**1,362,507**	1,315,317
Tax on profit on ordinary activities	9	**(519,590)**	284,751
Profit for the financial year	14	**842,917**	1,600,068

The Company has no recognised gains and losses other than those included in the movements on the profit & loss account above and, therefore, no separate statement of other comprehensive income has been prepared.

The notes on pages 9 to 15 form an integral part of the financial statements.

**Statement of financial position
as at 31 December 2016**

Registered No: 3224780

	Note	2016 £	2015 £
CURRENT ASSETS			
Debtors	10	**255,728**	284,929
Cash and cash equivalents	11	**3,630,667**	673,127
Deferred tax asset	9	**858,750**	1,378,340
		4,745,145	2,336,396
CREDITORS : amounts falling due within 1 year	12	**(1,609,769)**	(43,937)
NET ASSETS		**3,135,376**	2,292,459
CAPITAL AND RESERVES			
Called up share capital	13	**100,000**	100,000
Capital reserve	13	**8,200,000**	8,200,000
Profit and loss account	14	**(5,164,624)**	(6,007,541)
EQUITY SHAREHOLDER'S FUNDS		**3,135,376**	2,292,459

The notes on pages 9 to 15 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 12 April 2017 and signed on its behalf by:

S C Markey
Director

S T Nyahasha
Director

Statement of changes in equity
for the year ended 31 December 2016

	Share capital £	Capital reserve (Distribution) £	Profit and loss account £	Total £
As at 1 January 2015	12,500,000	-	(7,607,609)	4,892,391
Capital reduction	(12,400,000)	12,400,000	-	-
Dividend distribution	-	(4,200,000)	-	(4,200,000)
Total comprehensive income: Profit for the year	-	-	1,600,068	1,600,068
As at 31 December 2015	100,000	8,200,000	(6,007,541)	2,292,459
As at 1 January 2016	**100,000**	**8,200,000**	**(6,007,541)**	**2,292,459**
Total comprehensive income: Profit for the year	**-**	**-**	**842,917**	**842,917**
As at 31 December 2016	**100,000**	**8,200,000**	**(5,164,624)**	**3,135,376**

The note on page 15 includes details of the profit and loss movement.

The notes on pages 9 to 15 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 (EMFL) is a company limited by shares and incorporated 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 31st December 2016.

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 includes the Company in its consolidated financial statements, which are available to the public. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of financial instrument disclosures and the presentation of the cash flow statement and related notes.

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.

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 in respect of certain expenses. Cost of sales consists of recharges of expenses from other group entities.

Notes to the financial statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 FRS102, 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.

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 comprise cash balances and units in liquidity funds.

Financial liabilities
Basic financial liabilities including trade and other creditors are initially recognised at transaction price. 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 instrument for a similar debt instrument. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of 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.

k) Distributions to equity shareholder
Dividends and other distributions 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.

Notes to the financial statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Accounting estimates and judgements

Key sources of estimation uncertainty

Assets consist of bank balances, intercompany balances, trade and other debtors and deferred taxation. Liabilities consist of intercompany balances or other creditors and accruals. All asset and liability values are the face values of the amounts due. It is expected that all the debtors will be realisable in full when they fall due and that creditors will be settled in full when they are due. Where applicable, the Company applies estimations and assumptions that are aligned with relevant accounting guidance based on knowledge of the current situation. This requires assumptions and predictions of future events and actions.

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.

	2016	2015
	£	£
Sales of units	**3,755,254**	9,545,098
Repurchases, creations and liquidations of units	**(3,764,413)**	(9,562,550)
Dealing loss	**(9,159)**	(17,452)
Investment management fees receivable	**3,355,854**	3,381,387
	3,346,695	3,363,935

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2016	2015
Amounts receivable by the Company's auditor and its associates in respect of:	**£**	£
Audit of these financial statements	**6,900**	-
Audit related assurance services	**27,500**	-
	34,400	-

In the prior year auditor remuneration fees of £6,450 were borne by FAFS on the Company's behalf. The total value of fees for non-audit and other services paid by the Company to KPMG LLP are disclosed in the accounts of the ultimate parent undertaking, Family Assurance Friendly Society (FAFS) on a consolidated basis.

Notes to the financial statements (continued)

6 DIRECTORS EMOLUMENTS

The Directors are also Directors of the ultimate holding company, Family Assurance Friendly Society (FAFS). The Directors have been wholly remunerated by FAFS for their services to FAFS and other group undertakings. The costs of the Directors are recovered through charges to the group companies. During 2016 the total remuneration paid to the Directors was £2,645k (2015: £2,847k) and the total remuneration paid to the highest paid director was £1,240k (2015: £1,169k).

7 EMPLOYEES

The Company does not employ any staff, but utilises the services provided by Engage Mutual Administration Limited, another member of the FAFS Group.

8 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2016	2015
	£	£
Bank deposit interest	**5,310**	3,569
Income from units held in liquidity funds	**-**	11,147
	5,310	14,716

9 TAXATION

a) Analysis of charge/(credit) in the period

	2016	2015
	£	£
Current tax:		
Current tax on income for the year	**-**	-
Total current tax	**-**	-
Deferred tax:		
Derecognition (recognition) of tax losses	**519,590**	(284,751)
Total deferred tax	**519,590**	(284,751)
Tax charge/(credit) on profit on ordinary activities (note 9 (b))	**519,590**	(284,751)

Notes to the financial statements (continued)

9 TAXATION (continued)

b) Factors affecting the tax charge for the period

The tax assessed for the period is higher (2015: lower) than the main rate of corporation tax in the UK (20%) (2015: 20.25%). The differences are explained below:

	2016	2015
	£	£
Profit on ordinary activities before tax	**1,362,507**	1,315,318
Profit on ordinary activities multiplied by main rate of corporation tax in the UK of 20% (2015: 20.25 %)	**272,501**	266,352
Effects of:		
Utilisation of tax losses brought forward	**(272,501)**	(266,352)
Derecognition (recognition) of tax losses	**519,590**	(284,751)
Total tax charge/(credit) for the period (note 9(a))	**519,590**	(284,751)

c) Factors that may affect future tax charges

The Finance Act 2013 reduced the main rate of corporation tax from 21% to 20% from 1st April 2015. Finance Acts 2015 and 2016 will further reduce the main rate of corporation tax to 19% from 1st April 2017 and to 17% from 1st April 2020. This will reduce the Company's future current tax charge accordingly.

The Company has trading losses carried forward for tax purposes of £5.7m (2015: £7.1m) of which a value of £859k (2015: £1.4m) 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

	2016	2015
	£	£
Deferred tax asset at 1 January	**1,378,340**	1,093,589
Derecognition (recognition) of tax losses	**(519,590)**	284,751
Deferred tax asset at 31 December	**858,750**	1,378,340

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 period.

Notes to the financial statements (continued)

10 DEBTORS

Amounts due within one year:

	2016	2015
	£	£
Other debtors	**255,728**	276,705
Amounts owed by group undertakings	**-**	8,224
	255,728	284,929

11 CASH AND CASH EQUIVALENTS

	2016	2015
	£	£
Cash at bank	**994,407**	244,867
Cash in liquidity fund	**2,636,260**	428,260
	3,630,667	673,127

12 CREDITORS

Amounts due within one year:

	2016	2015
	£	£
Other creditors and accruals	**12,455**	10,967
Amounts owed to group undertakings	**1,597,314**	32,970
	1,609,769	43,937

Notes to the financial statements (continued)

13 SHARE CAPITAL and CAPITAL RESERVE

	2016	2015
	£	£
Allotted, issued and fully paid		
Ordinary shares of £1 each	**100,000**	100,000
Capital reserve	**8,200,000**	8,200,000

14 PROFIT AND LOSS ACCOUNT

	2016	2015
	£	£
Balance at 1 January	**(6,007,541)**	(7,607,609)
Profit for the financial year	**842,917**	1,600,068
Balance at 31 December	**(5,164,624)**	(6,007,541)

15 RELATED PARTY DISCLOSURES

The Company has taken advantage of an exemption from FRS102.33.1A 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.

16 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