

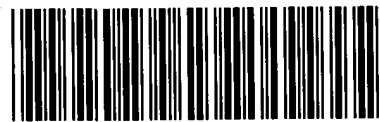
Engage Mutual Funds Limited

Annual report and financial statements

Registered number 3224780

Year ended 31 December 2015

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Strategic report

The Directors present their strategic report and financial statements for the year ended 31 December 2015.

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.

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

The key performance indicators for Engage Mutual Funds Limited (EMFL) focus on the CTF business, and are reviewed on a monthly basis through the committee structures. The KPIs comprise:

- Funds under management and fund performance of the OEIC fund.
Funds under management at 31 December 2015 were £212.1 million (2014: £218.2 million).
Fund performance in 2015 was a 5% loss (2014: 9.4% profit).
- New contributions received during 2015 amounted to £9.5million (2014: £9.4million) and withdrawals amounted to £4.4 million (2014: £0.2 million).

By order of the board:


KF Meeres
Director

16-17 West Street
Brighton
BN1 2RL


JW Adams
Director

30 March 2016

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2015.

Business review

The profit on ordinary activities after taxation for the year ended 31 December 2015 amounted to £1,600,068 (2014: £1,166,231).

The principal driver of turnover is the annual management charge of policyholder funds under management, supplemented by additional contributions into existing policies. Turnover is up in the year due to the existing customer base and additional net contributions received.

The CTF business model is to continue servicing existing CTF policy holders, charging an annual management charge.

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 in April 2015.

On 30 November 2015 the capital of the company was reduced by £12,400,000 creating a capital reserve equal to the reduction.

Change in ultimate parent

On 1 April 2015, Family Assurance Friendly Society Limited (FAFSL) merged with Homeowners Friendly Society Limited (HFSL), the former ultimate parent of EMFL. The terms of the merger of the two entities set out in the instrument of transfer, are such that the property, rights and liabilities of HFSL were transferred under paragraph 86 (5)(a) of the Friendly Society Act 1992 into FAFSL. This transfer included the ownership of this company.

Going Concern

Future management fees are expected to exceed future costs in subsequent periods. The Directors have considered the financial position of the company and anticipate profits in future years will give a modest return on the amounts invested in the CTF business. The Directors do not anticipate additional capital will be required from the parent company, FAFSL.

The parent company of EMFL is FAFSL. FAFSL has prepared a business plan for itself and its subsidiaries and has projected the future working capital requirements of EMFL. The Directors of EMFL have presented the accounts on a going concern basis as FAFSL has confirmed, as part of the business plan, its commitment to funding the future working capital requirements of EMFL for a period of at least twelve months from the date of the signing of the financial statements.

Paid dividend

The Directors recommended and paid a dividend for the year of £4,200,000 (2014: £nil).

Directors' report (continued)

Directors

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

C M McComb (Chairman) (resigned 1 April 2015)
P J Burrows (resigned 30 June 2015)
P Chandler (resigned 1 April 2015)
K J D Elliott (resigned 1 April 2015)
C Fawcett (resigned 1 April 2015)
A T Gosling (resigned 1 April 2015)
N Masters (resigned 1 April 2015)

SC Markey (Chairman) (appointed 1 April 2015)
KF Meeres (appointed 1 April 2015)
JW Adams (appointed 1 April 2015)

The board changes were a consequence of the merger between the company's former ultimate parent company (HFSL) and FAFSL on 1 April 2015.

Disclosure of information to the auditor

The Directors who held office at the date of the approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

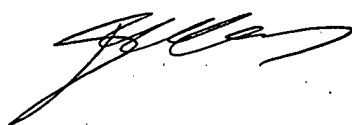
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

As part of an orderly wind down, KPMG Audit Plc resigned during 2015. KPMG LLP was appointed under section 487 of the Companies Act 2006 to fill the casual vacancy. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to have been re-appointed and KPMG LLP will therefore continue in office.

By order of the board:


KF Meeres
Director


JW Adams
Director

16-17 West Street
Brighton
BN1 2RL

30 March 2016

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 members of Engage Mutual Funds Limited

We have audited the financial statements of Engage Mutual Funds Limited for the year ended 31 December 2015 set out on pages 9 to 17. 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 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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 31 December 2015 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 for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Engage Mutual Funds Limited (continued)

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

Date: 30 March 2016

**Profit and Loss Account and Other Comprehensive Income
 for the year ended 31 December 2015**

	Note	2015 £	2014 £
Turnover	2	3,363,935	3,261,385
Cost of sales		(108,255)	(94,680)
Gross profit		3,255,680	3,166,705
Administrative expenses	3	(1,955,079)	(2,241,101)
Operating profit		1,300,601	925,604
Other interest receivable and similar income	6	14,716	38
Profit on ordinary activities before taxation	3	1,315,317	925,642
Tax on profit on ordinary activities	7	284,751	240,589
Profit for the financial year		1,600,068	1,166,231

There are no recognised gains or losses for 2015 (2014: £nil) other than the profit on ordinary activities shown above. Accordingly, no separate statement of other comprehensive income has been presented.

The notes on pages 12 to 17 form an integral part of the financial statements.

**Balance Sheet
at 31 December 2015**

	Note	2015 £	2014 £
Current assets			
Debtors	8	284,929	315,576
Cash and cash equivalents	9	673,127	3,513,781
Deferred tax asset	7	1,378,340	1,093,589
		2,336,396	4,922,946
Creditors : amounts falling due within 1 year	10	(43,937)	(30,555)
Net current assets		2,292,459	4,892,391
Total assets less current liabilities		2,292,459	4,892,391
Capital and reserves			
Called up share capital	11	100,000	12,500,000
Capital Reserve	11	8,200,000	-
Profit and loss account		(6,007,541)	(7,607,609)
Equity shareholders' funds		2,292,459	4,892,391

The notes on pages 12 to 17 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 30 March 2016 and signed on its behalf by:


KF Meeres
Director


JW Adams
Director

Company Number: 3224780

Statement of Changes in Equity

	Share Capital £	Capital Reserve (Distribution) £	Profit and loss account £	Total £
As at 1 January 2014	12,500,000	-	(8,773,840)	3,726,160
Profit for the year	-	-	1,166,231	1,166,231
As at 31 December 2014	12,500,000	-	(7,607,609)	4,892,391
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)
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

The notes on pages 12 to 17 form an integral part of the financial statements.

Notes to the financial statements

1. Accounting policies

The company is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. In the transition to FRS 102 from old UK GAAP, the company has made no measurement or recognition adjustments.

Going concern

The parent company of Engage Mutual Funds Limited (EMFL) is Family Assurance Friendly Society Ltd (FAFSL). FAFSL has prepared a business plan for itself and its subsidiaries and has projected the future working capital requirements of EMFL. The Directors of EMFL have presented the accounts on a going concern basis as FAFSL has confirmed, as part of the business plan, its commitment to funding the future working capital requirements of EMFL for a period of at least twelve months from the date of the signing of the accounts.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentational currency of these financial statements is sterling. In the transition to FRS 102 from old UK GAAP, the company has made no measurement and recognition adjustments.

The Company's parent undertaking FAFSL includes the Company in its consolidated financial statements. The consolidated financial statements of FAFSL are prepared in accordance with FRS 102 and are available to the public and may be obtained from Family Assurance Friendly Society Limited, 16-17 West Street, Brighton, BN1 2RL. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

Revenue recognition

Turnover represents amounts receivable for commission on funds under management, net of VAT and trade discounts. The company acts as an agent on behalf of investors in the funds that it manages, purchasing and selling units on their behalf. Revenues associated with this activity are reported net in the profit and loss account as it accrues.

Cost of sales

Cost of sales consists of recharges of expenses from other group entities.

Financial instruments

Cash and Cash equivalents comprise cash balances and units in liquidity funds.

Taxation

Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised in Other Comprehensive Income. 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.

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 at tax rates enacted or substantially enacted at the balance sheet date.

Notes to the financial statements (continued)

2. Analysis of turnover

Turnover, which is wholly attributable to United Kingdom operations.

	2015 £	2014 £
Sales of units	9,545,098	9,706,582
Repurchases, creations and liquidations of units	(9,562,550)	(9,704,920)
Dealing (Loss)/Profit	(17,452)	1,662
Investment management fees receivable	3,381,387	3,259,723
Total turnover	3,363,935	3,261,385

3. Administrative expenses

The following auditor remuneration fees are borne by FAFSL on the company's behalf:

	2015 £	2014 £
Fee payable to the company's auditor for the audit of the company's accounts	6,450	7,740

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 Ltd (FAFSL) on a consolidated basis.

4. Remuneration of Directors

The company paid no Directors' remuneration (2014: £nil). None of the Directors had any pension benefits provided by the company (2014: £nil).

Prior to 1 April 2015, the Directors of the company were also Directors of Homeowners Friendly Society Limited (HFSL), the ultimate holding company. These Directors were remunerated by Engage Mutual Administration Limited, further details of which can be found in the Engage Mutual Administration Limited Report and Accounts, which are available from the address in note 13 to these accounts.

Notes to the financial statements (continued)

From 1 April 2015 onwards, the Directors of the company were also Directors of Family Assurance Friendly Society Limited (FAFSL), the ultimate holding company following the merger of HFSL and FAFSL on 1 April 2015. These Directors are remunerated by FAFSL, further details of which can be found in the FAFSL Group Report and Accounts, which are available from the address in note 13 to these accounts.

None of the Directors in the period received any remuneration in respect of their services to the company, and it was not possible to determine an appropriate proportion of their services on behalf of the company.

5. Staff costs

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

6. Other interest receivable and similar income

	2015 £	2014 £
Bank deposit interest	3,569	5
Income from units held in liquidity funds	11,147	33
	<u>14,716</u>	<u>38</u>

7. Taxation

Analysis of credit in year:	2015 £	2014 £
UK Corporation Tax		
Current tax on income for the year	-	-
Total current tax	-	-
Recognition of previously unrecognised tax losses	284,751	240,589
Total deferred tax	<u>284,751</u>	<u>240,589</u>
Tax on profit on ordinary activities	<u>284,751</u>	<u>240,589</u>

Notes to the financial statements (continued)

7. Taxation (continued)

The average current tax charge for the year in the UK is 20.25% (2014: 21.50%). The differences are included in the current tax reconciliation as follows.

Total tax reconciliation

	2015 £	2014 £
Profit on ordinary activities before tax	1,315,318	1,166,231
Tax Rate @ 20.25% (2014: 21.50%)	266,352	250,740
Effects of:		
Utilisation of tax losses brought forward	(266,352)	(250,740)
Recognition of previously unrecognised tax losses	(284,751)	(240,589)
Total tax credit	(284,751)	(240,589)

The tax charge future will be lower than the standard rate of corporation tax owing to brought forward trading losses. The deferred tax asset is stated at tax rates expected to apply on the forecast date of reversal, based on tax laws substantively enacted at the balance sheet date.

At the year end the company has unused trading losses carried forward for tax purposes of £7,140,273 (2014: £8,455,591) of which a value of £1,378,340 (2014: £1,093,589) has been recognised in the balance sheet as a deferred tax asset. These are expected to be utilised against future taxable profits within 3 years from the balance sheet date.

The Finance Act 2013 reduced the main rate of corporation tax from 21% to 20% from 1 April 2015. The Finance Act 2015 will further reduce the main rate of corporation tax to 19% from 1 April 2017, and to 18% from 1 April 2020. This will reduce the company's future tax charge accordingly. The deferred tax liability at 31 December 2015 has been calculated based on the rate of 18.75% substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

8. Debtors

Amounts due within one year:

	2015	2014
	£	£
Other debtors	276,705	315,576
Amounts owed by group undertakings	8,224	-
	284,929	315,576

9. Cash and cash equivalents

	2015	2014
	£	£
Cash at bank	244,867	3,505,647
Cash in liquidity fund	428,260	8,134
	673,127	3,513,781

10. Creditors

Amounts due within one year:

	2015	2014
	£	£
Other creditors and accruals	10,967	30,555
Amounts owed to group undertakings	32,970	-
	43,937	30,555

Notes to the financial statements (continued)

11. Called up share capital

On 30 November 2015 the capital of the company was reduced by £12,400,000 creating a capital reserve equal to the reduction.

Allotted, issued and fully paid

Ordinary shares of £1 each

100,000

12,500,000

12. Related party disclosures

As the company is a wholly owned subsidiary of Family Assurance Friendly Society Limited, the company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

13. Ultimate parent company

The consolidated financial statements of Family Assurance Friendly Society Limited, the company's immediate and ultimate parent and the smallest and largest entity within which this company is included, can be obtained from Family Assurance Friendly Society Limited, 16-17 West Street, Brighton, BN1 2RL.