

Engage Mutual Services Limited

Annual report and financial statements

Registered number 3088162

Year ended 31 December 2016



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Strategic report

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

Business review

The principal activity of the Company is as an appointed representative of the Family Assurance Friendly Society Limited (FAFS) Group and of other third party companies to introduce insurance, regulated financial products and non-regulated financial products.

Future outlook

The Directors believe that the present level of activity should be sustained for the foreseeable future.

Key risks for Engage Mutual Services Limited

The turnover that is derived from third party contracts is in relation to over 50's life insurance products; the loss of these products would therefore present a risk to the Company. Other principal risks of the Company include conduct risk, expense risk and operational risk. Further details of these risks are incorporated in the parent company's group accounts.

Performance and key performance indicators

The performance during the year is as expected. The key financial indicators for Engage Mutual Services Limited are turnover and operating profit.

During 2016 turnover has decreased by £1,909,093 to £8,288,122 (2015: £10,197,215), which reflects a reduction in third party revenue due to an increase in mortality rates and a reduction in revenue derived from other group companies as a result of synergy savings following the merger of Homeowners Friendly Society Limited (HFSL) with Family Assurance Friendly Society Limited (FAFS) in 2015.

The profit for the financial year has increased by £107,581 to £295,719 (2015: £188,138). This was driven by a reduction in administrative expenses as a result of the synergy savings from the merger of HFSL with Family Assurance Friendly Society Limited (FAFS) in 2015.

By order of the Board



S C Markey
Director

16-17 West Street
Brighton
BN1 2RL

12 April 2017



S T Nyahasha
Director

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 Services Limited (EMSL) is Family Assurance Friendly Society Limited (FAFS). FAFS has prepared a business plan for itself and its subsidiaries and has projected the future working capital requirements of EMSL. FAFS has confirmed its commitment to funding the future working capital requirements of the Company for a period of at least twelve months from the date of approval of the financial statements. 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 dividend

The profit for the year was £295,719 (2015: £188,138). The Directors do not recommend the payment of a dividend for the year (2015: £nil).

Directors

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

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

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.

Directors' report (continued)

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

16-17 West Street
Brighton
BN1 2RL
12 April 2017



S T Nyahasha
Director

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 Services Limited

We have audited the financial statements of Engage Mutual Services 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.

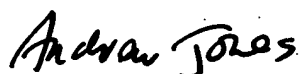
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the strategic report and the Directors' report:

- 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 (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**

	Notes	2016 £	2015 £
Turnover	4	8,288,122	10,197,215
Cost of sales		(6,703,708)	(5,658,063)
Gross profit		1,584,414	4,539,152
Administration expenses		(1,288,695)	(4,351,014)
Operating profit on ordinary activities before taxation	5	295,719	188,138
Tax on ordinary activities	6	-	-
Profit for the financial year		295,719	188,138

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

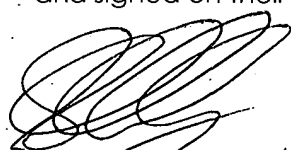
The notes on pages 9 to 15 form an integral part of the financial statements.

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

Registered No. 3088162

	Notes	2016 £	2015 £
CURRENT ASSETS			
Debtors	9	98,500	667,882
		<u>98,500</u>	<u>667,882</u>
CREDITORS			
Amounts falling due within 1 year	10	(1,683,449)	(2,548,550)
		<u>(1,683,449)</u>	<u>(2,548,550)</u>
NET LIABILITIES		<u>(1,584,949)</u>	<u>(1,880,668)</u>
CAPITAL AND RESERVES			
Called up share capital	11	325,000	325,000
Profit and loss account	12	(1,909,949)	(2,205,668)
		<u>(1,909,949)</u>	<u>(2,205,668)</u>
EQUITY SHAREHOLDER DEFICIT		<u>(1,584,949)</u>	<u>(1,880,668)</u>

The financial statements on pages 6 to 15 were approved by the Board of Directors on 12 April 2017 and signed on their behalf by:



S C Markey
Director

16-17 West Street
Brighton
BN1 2RL



S T Nyahasha
Director

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

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

	Share capital £	Profit and loss account £	Total £
As at 1 January 2015	325,000	(2,393,806)	(2,068,806)
Total comprehensive income: Profit for the year	-	188,138	188,138
As at 31 December 2015	<u>325,000</u>	<u>(2,205,668)</u>	<u>(1,880,668)</u>
As at 1 January 2016	325,000	(2,205,668)	(1,880,668)
Total comprehensive income: Profit for the year	-	295,719	295,719
As at 31 December 2016	<u>325,000</u>	<u>(1,909,949)</u>	<u>(1,584,949)</u>

The notes on page 14 include 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 Services Limited is an appointed representative of the Family Assurance Friendly Society Limited (FAFS) Group and of other third party companies to introduce insurance, regulated financial products and non-regulated financial products.

Engage Mutual Services Limited (EMSL) 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. The parent company has confirmed its commitment to funding the future working capital requirements of the Company for a period of at least twelve 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

Introductory and referral fees earned by the Company are recognised on inception of the underlying arrangement, to the extent the amounts are considered recoverable. Fee income receivable in relation to the provision of administration services, is recognised when the services are provided, to the extent the amounts are considered recoverable.

e) Expenses

Expenses, including cost of sales and administrative expenses, are recognised when they are incurred. Expenses include a service charge payable by the Company to the parent in respect of certain expenses.

Notes to the financial statements (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

g) 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.

h) 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.

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.

i) Share capital

Ordinary shares are classified as equity.

j) Accounting estimates and judgements

Key sources of estimation uncertainty

Assets consist of other debtors. Liabilities consist of intercompany balances or contractual amounts due to suppliers. 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. No estimations of values are made and therefore there is no uncertainty over estimates at the balance sheet date.

Notes to the financial statements (continued)

4 TURNOVER

The total turnover for the Company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

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	<u>1,700</u>	<u>-</u>

In the prior year the auditor remuneration fees of £1,450 were borne by FAFS on the Company's behalf.

6 TAXATION

a) Analysis of charge in the period

	2016 £	2015 £
<i>Current Tax:</i>		
UK corporation tax on profit of the period	<u>-</u>	<u>-</u>
Adjustments in respect of previous periods	<u>-</u>	<u>-</u>
<i>Total current tax</i>	<u>-</u>	<u>-</u>
<i>Total deferred tax</i>	<u>-</u>	<u>-</u>
<i>Total tax (note 6 (b))</i>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

6 TAXATION (continued)

b) Factors affecting the tax charge for the period

The tax charge for the period is lower (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	295,719	188,138
Profit on ordinary activities multiplied by the main rate of corporation tax in the UK of 20% (2015: 20.25%)	59,144	38,098
Effects of:		
Utilisation of tax losses for which no deferred tax asset was recognised	(59,388)	(37,418)
Expenses disallowed for tax purposes	199	869
Timing differences	45	(1,549)
Total tax charge for the period (note 6 (a))	-	-

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 approximately £2.4m (2015: £2.6m) available for offset against future trading profits. The Directors do not consider it prudent to recognise a deferred tax asset. The amount of unprovided deferred tax asset is estimated to be approximately £457k (2015: £493k).

7 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).

Notes to the financial statements (continued)

8 EMPLOYEES

Whilst the Company does not employ any staff directly, it fully utilises the services of 5 FTE staff (2015: 42 staff), employed by Engage Mutual Administration Limited, a fellow subsidiary of FAFS. The costs of these staff, which are explicitly charged to the Company and included in Administration expenses, are set out below:

	2016 £	2015 £
Wages and salaries	314,780	1,350,368
Social security costs	36,145	153,311
Other pension costs	19,972	90,910
	<u>370,897</u>	<u>1,594,589</u>

9 DEBTORS

Amounts due within one year:

	2016 £	2015 £
Accrued income	98,500	642,466
Prepayments	-	25,416
	<u>98,500</u>	<u>667,882</u>

10 CREDITORS

Amounts due within one year:

	2016 £	2015 £
Trade creditors	51,278	114,049
Amounts owed to group undertakings	1,282,598	1,880,394
Other creditors	5,892	11,211
Accruals and deferred income	343,681	542,896
	<u>1,683,449</u>	<u>2,548,550</u>

Notes to the financial statements (continued)

11 SHARE CAPITAL

	2016 £	2015 £
Allotted, issued and fully paid		
325,000 ordinary shares of £1 each	325,000	325,000

12 PROFIT AND LOSS ACCOUNT

	2016 £	2015 £
Balance at 1 January	(2,205,668)	(2,393,806)
Profit for the year	295,719	188,138
Balance at 31 January	(1,909,949)	(2,205,668)

13 COMMITMENTS

Total commitments under non-cancellable operating lease rentals are payable as follows:

	2016 £	2015 £
Operating leases payments:		
Less than one year	2,327	11,955
Between one and five years	-	3,808
	2,327	15,763

During the year £6,105 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £16,996).

14 RELATED PARTY TRANSACTIONS

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 note 10.

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 Services 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