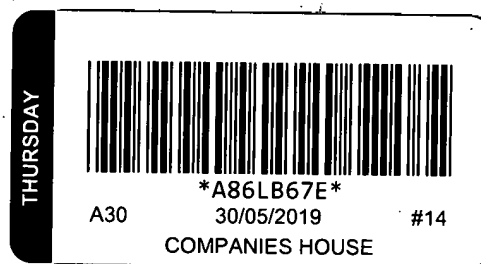


Engage Mutual Services Limited

Annual report and financial statements

Registered number 03088162

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 Services Limited (EMSL) is Family Assurance Friendly Society Limited (FAFS). 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. Therefore, 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.

Results and dividends

The profit for the year was £293,130 (2017: £239,785). The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Directors

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

S C Markey	Chairman & Chief Executive
S T Nyahasha	Director
J Adams	Director

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

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

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



S T Nyahasha
Director

16-17 West Street
Brighton
East Sussex
BN1 2RL

20 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 Services Limited

Opinion

We have audited the financial statements of Engage Mutual Services 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 Services 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 Services 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	6,942,114	6,190,710
Cost of sales		(6,618,933)	(5,916,777)
Gross profit		323,181	273,933
Administration expenses		(30,051)	(34,148)
Profit before taxation	5	293,130	239,785
Tax on profit	6	-	-
Profit for the financial year		293,130	239,785
Other comprehensive income		-	-
Total comprehensive income for the financial year		293,130	239,785

The notes on pages 10 to 15 form an integral part of the financial statements.

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

Registered no: 03088162

	Notes	2018 £	2017 £
Current assets			
Debtors	9	135,900	63,385
		<u>135,900</u>	<u>63,385</u>
Creditors			
Amounts falling due within 1 year	10	(1,187,934)	(1,408,549)
Net current liabilities		<u>(1,052,034)</u>	<u>(1,345,164)</u>
Net liabilities		<u>(1,052,034)</u>	<u>(1,345,164)</u>
Capital and reserves			
Called up share capital	11	325,000	325,000
Profit and loss account		(1,377,034)	(1,670,164)
Equity shareholder's deficit		<u>(1,052,034)</u>	<u>(1,345,164)</u>

The notes on pages 10 to 15 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 their behalf by:


S C Markey
Director


S T Nyahasha
Director

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

	Share capital £	Profit and loss account £	Total £
As at 1 January 2017	325,000	(1,909,949)	(1,584,949)
Total comprehensive income: Profit for the year	-	239,785	239,785
As at 31 December 2017	<u>325,000</u>	<u>(1,670,164)</u>	<u>(1,345,164)</u>
As at 1 January 2018	325,000	(1,670,164)	(1,345,164)
Total comprehensive income: Profit for the year	-	293,130	293,130
As at 31 December 2018	<u>325,000</u>	<u>(1,377,034)</u>	<u>(1,052,034)</u>

The notes on pages 10 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 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. 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 (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 FRS102.33.1A not to disclose transactions with Family Assurance Friendly Society Limited's group undertakings as they are fully controlled by FAFS.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

d) Revenue recognition

Introductory and referral fees earned by the Company are recognised on inception of the underlying arrangement. Clawback commission is recognised at the end of the month in which the debt becomes payable to the Company. Fee income receivable in relation to the provision of administration services, is recognised on an accruals basis when the services are provided. All revenue streams are recognised to the extent the amounts are considered recoverable.

e) Expenses

Expenses, including 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. Cost of sales consists of recharges of expenses from other group entities.

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. Deferred tax balances are not discounted.

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.

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

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

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 interest. 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) Provision for bad debt

The provision for bad debt relates to clawback commission which has is contractually due but in the assessment of the directors is unlikely to be repaid. It is based on experience and, if available, any specific knowledge of the debtor.

j) Share capital

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

k) Accounting estimates and judgements

Key sources of estimation uncertainty

The Company has recognised a provision for bad debts in relation to indemnity commission clawback. The provision has been established due to the nature of these debts and the Company's limited experience of recovery. The level of the provision required is estimated based on experience to date and, if available, any specific knowledge of the debtor. It will be reviewed at each reporting date as the Company gains further expertise in this area. The estimation uncertainty arises principally from management's assessment of likelihood of recovery, which the provision is sensitive to. The balance of the provision is disclosed in note 9.

Critical Accounting Judgements

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

4 Turnover

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

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	2,154	1,743

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.

Notes to the financial statements (continued)

6 Taxation

a) Analysis of charge in the year

	2018	2017
	£	£
Current tax:		
UK corporation tax on profit for the year	-	-
Adjustments in respect of previous years	-	-
Total current tax	-	-
Total deferred tax	-	-
Total tax (note 6 (b))	-	-

b) Factors affecting the tax charge for the year

The tax charge 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	2017
	£	£
Profit before tax	293,130	239,785
Profit multiplied by the main rate of corporation tax in the UK of 19% (2017: 19.25%)	55,695	46,159
Effects of:		
Utilisation of tax losses for which no deferred tax asset was recognised	(55,695)	(46,159)
Total tax charge for the year (note 6 (a))	-	-

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 approximately £2m (2017: £2m), available for offset against future trading profits. The Directors do not consider it appropriate to recognise a deferred tax asset as there is uncertainty as to whether the Company will continue to make profits in future years. The amount of unprovided deferred tax asset is estimated to be approximately £355k (2017: £418k).

Notes to the financial statements (continued)

7 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.

8 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.

9 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Accrued income	135,900	55,850
Clawback commission	645,554	7,535
Bad debt provision	(645,554)	-
	<u>135,900</u>	<u>63,385</u>

In 2018 the Company started to recognise the total clawback commission owed from IFA firms, and based on knowledge of these firms and experience with low repayment rates, a provision for bad debt was recognised, which is 100% of the total debt balance (2017: £nil).

10 Creditors

	2018 £	2017 £
Amounts falling due within one year:		
Trade creditors	41,355	44,161
Amounts owed to group undertakings	1,049,369	1,284,440
Accruals and deferred income	97,210	79,948
	<u>1,187,934</u>	<u>1,408,549</u>

11 Share capital

	2018 £	2017 £
Allotted, issued and fully paid 325,000 ordinary shares of £1 each	<u>325,000</u>	<u>325,000</u>

Notes to the financial statements (continued)

13 Commitments

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

	2018	2017
	£	£
Operating leases payments:		
Less than one year	-	-
	-	-

During the year £nil was recognised as an expense in the profit and loss account in respect of operating leases (2017: £2,578).

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.

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