

IMUTUAL PLC
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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for the Year Ended 30 June 2012**

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COMPANY INFORMATION
for the Year Ended 30 June 2012

DIRECTORS:

R Yendall
Mrs S Yendall

REGISTERED OFFICE:

12 Payton Street
Stratford upon Avon
Warwickshire
CV37 6UA

REGISTERED NUMBER:

07296295 (England and Wales)

AUDITORS:

Cooper Adams Ltd
12 Payton Street
Stratford upon Avon
Warwickshire
CV37 6UA

REPORT OF THE DIRECTORS for the Year Ended 30 June 2012

The directors present their report with the financial statements of the company for the year ended 30 June 2012.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a marketing company.

The company generates revenues through the promotion of online retail offers on its website imutual.co.uk, earning commission on a Cost-per-action (CPA) basis. It passes that cashback to its customers and also offers free shares in the company as an incentive for them to transact on the website and recommend it to others.

REVIEW OF BUSINESS

The year under review was the company's second year of operation. We made continuous improvements to our cashback service, with a dual aim of generating the maximum amount of cashback for members whilst also establishing a reputation as the most reliable and trustworthy cashback website. To date, imutual can boast the following achievements:

- We have extended our range of cashback merchants to around 3,000.
- We have tracked and awarded cashback to imutual members over one million times.
- Only 1.3% of 'purchase' transactions failed to track automatically and required a claim.
- Virtually all claims have been resolved within our target period of 80 days, and only 25 such claims have been rejected in over two years of imutual's operation. We also introduced an additional option for members with rejected claims, unique to the cashback industry; they can appeal directly to members, who vote on whether imutual should honour the claim even when the merchant has refused to pay, and imutual abides by the outcome of the members' vote.

Our online discussion forum is central to our operations, giving members the opportunity to ask questions and make suggestions, and to have company management respond to them directly, promptly and publicly. We believe that operating an open forum, with members free to comment and criticise, places a healthy discipline on management and also acts as a great advertisement to prospective members. We have been pleased to see an increase in forum activity, from 8,350 posts in the previous period to 31,903 posts in 2011/12.

imutual's aim is to allow people to work together to save money and to this end, we introduced a "Post a deal" facility early in 2012, enabling members to easily post and share deals and discounts that they have discovered. Over 6,000 deals have already been posted by our members and we'll continue to develop our technology to provide other ways for our members to save money.

Performance of the business

During the year, our revenues increased from £44,603 to £118,296, an increase of 265%. This represents a small fraction of the potential revenues the company can achieve in the long term, but at this early stage for imutual we are pleased to see such a significant increase in turnover.

We attracted a further 2,185 members to the website during the year. imutual's approach to recruitment has been to rely on word-of-mouth recommendation rather than spend members' funds on advertising. We are starting to see an increase in favourable commentary of imutual on third party websites and, together with planned improvements to our site design and other initiatives such as tell-a-friend incentives, we hope to recruit significantly more members in the year ahead.

As a unique "quasi-mutual" company whose shareholders are also its customers, our objective is not simply to maximise profits. We aim to pay out the greatest possible cashback to our members subject to maintaining a solid financial position, whilst minimising those overheads necessary to operate and develop the business.

Our administrative expenses for the year were £37,430, and the company recorded a loss after tax for the year of £4,688 (versus a loss after tax of £26,072 in 2010/11). The administration expenses included combined directors' salaries of £15,000 (vs £0 in 2010/11). We believe these results demonstrate a significantly-improved financial performance whilst also demonstrating our commitment to pass on the highest possible amount of our revenue as cashback to our members. In this latter respect, we compare favourably with the UK's largest "100% cashback" company, whose most recent accounts show a gross profit of over £5.5m and admin expenses of over £3m.

**REPORT OF THE DIRECTORS
for the Year Ended 30 June 2012****Financial position**

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross margin and return on capital employed.

The company reported a loss after tax of £4,688. Share capital in issue at the year end was £12,508 and closing reserves were -£18,252. The amount of cash at bank has increased from £6,056 to £7,899. The directors have demonstrated their commitment to the business by giving a written undertaking to provide ongoing financial support for the company.

RISK MANAGEMENT

The directors are aware of their responsibilities to review and manage any perceived risks to the business. Our analysis of current areas of risk for the company is as follows:

Credit risk

imutual's revenues are spread across several hundred different merchants, and each merchant relationship is managed through one of around twenty third party affiliate networks. The company takes care to ensure that it does not become over-reliant on revenue from a single source and takes active steps to manage credit risk.

Commercial risk

The company operates standard marketing agreements with affiliate networks, in an industry with which the directors have considerable experience. The company has taken expert advice from several sources with regards to the share offer, and will continue to review its legal framework to ensure that the imutual business model complies with the UK's regulatory environment.

Cashflow

In general, website members are only paid once imutual receives payment from the merchant for the associated transactions. In addition, the company has minimal overheads to maintain and strives to keep sufficient cash resources to meet any future expenses.

DIVIDENDS

No dividends will be distributed for the year ended 30 June 2012.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2011 to the date of this report.

R Yendall
Mrs S Yendall

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**REPORT OF THE DIRECTORS
for the Year Ended 30 June 2012**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Cooper Adams Ltd, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

R Yendall - Director

17 October 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF IMUTUAL PLC

We have audited the financial statements of imutual Plc for the year ended 30 June 2012 on pages six to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages three and four, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 June 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

David Cooper FCA (Senior Statutory Auditor)
for and on behalf of Cooper Adams Ltd
12 Payton Street
Stratford upon Avon
Warwickshire
CV37 6UA

17 October 2012

PROFIT AND LOSS ACCOUNT
for the Year Ended 30 June 2012

	Notes	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
TURNOVER		118,296	44,603
Cost of sales		86,711	40,971
GROSS PROFIT		31,585	3,632
Administrative expenses		37,430	33,962
OPERATING LOSS	3	(5,845)	(30,330)
Interest receivable and similar income		1	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,844)	(30,330)
Tax on loss on ordinary activities	4	(1,156)	(4,258)
LOSS FOR THE FINANCIAL YEAR		<u>(4,688)</u>	<u>(26,072)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous period.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous period.

BALANCE SHEET
30 June 2012

	Notes	2012 £	2011 £
CURRENT ASSETS			
Debtors	5	43,145	27,816
Cash at bank		7,899	6,056
		<u>51,044</u>	<u>33,872</u>
CREDITORS			
Amounts falling due within one year	6	69,296	38,861
		<u>(18,252)</u>	<u>(4,989)</u>
NET CURRENT LIABILITIES			
		<u>(18,252)</u>	<u>(4,989)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>(18,252)</u>	<u>(4,989)</u>
CREDITORS			
Amounts falling due after more than one year	7	-	8,581
		<u>(18,252)</u>	<u>(13,570)</u>
NET LIABILITIES			
		<u>(18,252)</u>	<u>(13,570)</u>
CAPITAL AND RESERVES			
Called up share capital	9	12,508	12,502
Profit and loss account	10	(30,760)	(26,072)
	14	<u>(18,252)</u>	<u>(13,570)</u>

The financial statements were approved by the Board of Directors on 17 October 2012 and were signed on its behalf by:

R Yendall - Director

CASH FLOW STATEMENT
for the Year Ended 30 June 2012

	Notes	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
Net cash inflow/(outflow) from operating activities	1	921	(6,996)
Returns on investments and servicing of finance	2	1	-
		<u>922</u>	<u>(6,996)</u>
Financing	2	921	13,052
Increase in cash in the period		<u>1,843</u>	<u>6,056</u>

**Reconciliation of net cash flow
to movement in net funds**

	3		
Increase in cash in the period		<u>1,843</u>	<u>6,056</u>
Change in net funds resulting from cash flows		<u>1,843</u>	<u>6,056</u>
Movement in net funds in the period		<u>1,843</u>	<u>6,056</u>
Net funds at 1 July		<u>6,056</u>	<u>-</u>
Net funds at 30 June		<u>7,899</u>	<u>6,056</u>

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 30 June 2012

1. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
Operating loss	(5,845)	(30,330)
Increase in loans to group companies	(1,514)	-
Increase in debtors	(12,659)	(23,558)
Increase in creditors	20,939	46,892
Net cash inflow/(outflow) from operating activities	<u>921</u>	<u>(6,996)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
Returns on investments and servicing of finance		
Interest received	<u>1</u>	<u>-</u>
Net cash inflow for returns on investments and servicing of finance	<u>1</u>	<u>-</u>
Financing		
Amount introduced by directors	1,465	550
Amount withdrawn by directors	(550)	-
Share issue	6	12,502
Net cash inflow from financing	<u>921</u>	<u>13,052</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.7.11 £	Cash flow £	At 30.6.12 £
Net cash:			
Cash at bank	<u>6,056</u>	<u>1,843</u>	<u>7,899</u>
	<u>6,056</u>	<u>1,843</u>	<u>7,899</u>
Total	<u>6,056</u>	<u>1,843</u>	<u>7,899</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2012

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The company is showing net current liabilities and net liabilities as at 30 June 2012 and 30 June 2011. The financial statements have been prepared on a going concern basis which assumes that the company will continue in operation for the foreseeable future.

The directors believe that the company will achieve sufficient growth in order for the company to continue to trade as a going concern.

If the company was unable to continue its operations for the foreseeable future, adjustments would be required to provide for any reclassification and impairment of assets to their recoverable amounts. These financial statements do not include any such adjustments.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the amounts receivable from affiliate networks and other customers in the year, excluding value added tax. Commissions generated are recognised at the point that the original transaction takes place. A provision is made for any transactions not validated by merchants at the date of the audit report.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. STAFF COSTS

	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
Wages and salaries	29,661	11,564
Social security costs	118	-
	<u>29,779</u>	<u>11,564</u>

The average monthly number of employees during the year was as follows:

	Year Ended 30.6.12	Period 25.6.10 to 30.6.11
Administration	1	1
Management	2	2
	<u>3</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2012

3. OPERATING LOSS

The operating loss is stated after charging:

	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
Auditors' remuneration	1,860	1,800
Directors' remuneration	15,000	-

4. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
Deferred tax	(1,156)	(4,258)
Tax on loss on ordinary activities	(1,156)	(4,258)

Factors affecting the tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 30.6.12 £	Period 25.6.10 to 30.6.11 £
Loss on ordinary activities before tax	(5,844)	(30,330)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2011 - 20%)	(1,169)	(6,066)
Effects of:		
Expenses not deductible for tax purposes	13	1,808
Tax losses carried forward	1,156	4,258
Current tax credit	-	-

Factors that may affect future tax charges

The company has tax losses of £27,070 that are available indefinitely for offset against future taxable profits of the company. A deferred tax asset has been recognised in respect of these losses.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2012

5. DEBTORS

	2012 £	2011 £
Amounts falling due within one year:		
Trade debtors	35,792	23,558
Deferred tax asset	5,414	4,258
	<u>41,206</u>	<u>27,816</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	1,514	-
Other debtors	425	-
	<u>1,939</u>	<u>-</u>
Aggregate amounts	<u>43,145</u>	<u>27,816</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade creditors	46,970	27,746
Social security and other taxes	16,399	2,840
Other creditors	-	3,000
Directors' current accounts	1,465	550
Accrued expenses	4,462	4,725
	<u>69,296</u>	<u>38,861</u>

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £	2011 £
Other creditors	-	8,581
	<u>-</u>	<u>8,581</u>

8. DEFERRED TAX

	£
Balance at 1 July 2011	(4,258)
Tax losses	(1,156)
Balance at 30 June 2012	<u>(5,414)</u>

9. CALLED UP SHARE CAPITAL

Allotted and issued:

Number:	Class:	Nominal Value:	Paid up	£
1,052,692	Ordinary	£0.00001	100%	11
4,998,947,308	Ordinary	£0.00001	25%	12,497
				<u>12,508</u>
<u>5,000,000,000</u>				<u>12,508</u>

During the year 747,311 (2011: 305,381) ordinary shares of £0.00001 each were fully paid up at par.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2012

10. RESERVES

	Profit and loss account £
At 1 July 2011	(26,072)
Deficit for the year	(4,688)
	<hr/>
At 30 June 2012	(30,760)
	<hr/> <hr/>

11. ULTIMATE PARENT COMPANY

The company's ultimate parent company is IMTL Member Shares Ltd.

12. RELATED PARTY DISCLOSURES

R Yendall

A director of the company.

During the year R Yendall received £233 (2011: £247) from imutual Plc for commissions earned through affiliate networks, as a member of the imutual Plc website. The amount owed to R Yendall at the year end was £480 (2011: £247) and is included in trade creditors.

R Yendall also received nil (2011: 2,401) shares in the year from imutual Plc for shares earned through the imutual Plc website. R Yendall has agreed to no longer earn shares by using the imutual Plc website.

During the year R Yendall paid £1,465 (2011: £550) in expenses on behalf of the company. At the balance sheet date £1,465 (2011: £550) was owed to R Yendall.

Mrs S Yendall

A director of the company.

During the year S Yendall received £nil (2011: £19) from imutual Plc for commissions earned through affiliate networks, as a member of the imutual Plc website. The amount owed to S Yendall at the year end was £19 (2011: £19) and is included in trade creditors.

imutual Worldwide Ltd

A company in which R Yendall is also a director.

During the year imutual Plc made loan repayments of £11,581 and an additional net loan of £425 to (2011: received a net loan of £11,581 from) imutual Worldwide Ltd. The amount owed by imutual Worldwide Ltd at the year end was £425 (2011: the amount owed to imutual Worldwide Ltd was £11,581).

13. ULTIMATE CONTROLLING PARTY

The company is controlled by R Yendall, director of the company, by virtue of his 100% shareholding in the parent company, IMTL Member Shares Ltd.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2012**14. RECONCILIATION OF MOVEMENTS IN RESERVES**

	2012	2011
	£	£
Loss for the financial year	(4,688)	(26,072)
Share capital issued	6	12,502
	<u> </u>	<u> </u>
Net reduction of reserves	(4,682)	(13,570)
Opening reserves	(13,570)	-
	<u> </u>	<u> </u>
Closing reserves	(18,252)	(13,570)
	<u> </u>	<u> </u>