

**Report of the Directors and
Consolidated Financial Statements
for the period
1 December 2009 to 31 December 2010
for
Idea Fabrik Plc Consolidated accounts**



Idea Fabrik Plc Consolidated accounts

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for the period 1 December 2009 to 31 December 2010**

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Idea Fabrik Plc Consolidated accounts
Company Information
for the period 1 December 2009 to 31 December 2010

DIRECTORS:

J P Jenkins
R T Dobisch
O Shalash

SECRETARY:

G P May

REGISTERED OFFICE:

4th Floor
36 Spital Square
London
E1 6DY

REGISTERED NUMBER:

07092622 (England and Wales)

AUDITORS:

Anstey Bond LLP
1 Charterhouse Mews
London
EC1M 6BB

Idea Fabrik Plc Consolidated accounts
Report of the Directors
for the period 1 December 2009 to 31 December 2010

The directors present their report with the financial statements of the company and the group for the period 1 December 2009 to 31 December 2010

INCORPORATION

The group was incorporated on 1 December 2009 and commenced trading on the same date

The trading of shares on Frankfurt Stock Exchange started on 12 March 2010

PRINCIPAL ACTIVITY

The principal activity of the Group in the period under review was that of commercialisation of on-line game development tools, hosting and billing services for the on-line game, entertainment market

REVIEW OF BUSINESS

The Company was formed on 1 December 2009. Prior to the acquisition of certain assets from Simutronics Corporation in July 2011, the principle activity of the company was to fund the early stage development of multi-player, on-line games for the electronic entertainment industry. This work was conducted through contracts with development studios in the United States and the Ukraine.

The assets acquired from Simutronics included, among other elements, the intellectual property for HeroEngine and its variation, Hero Cloud, which are highly sophisticated development tools used by developers of Massively Multiplayer On-Line Games (MMOs). Prior to the acquisition, HeroEngine had been licensed to more than a dozen of game development firms worldwide. The HeroCloud service makes the HeroEngine development technology available in the internet cloud, lowering cost for small developers while offering additional complementary services like hosting, billing, and network operations.

After the acquisition of intellectual property from Simutronics, the Company made a strategy change, suspending direct game development activity to concentrate its resources on broader commercialisation of game development tools and hosting and billing services. To that end, it established and staffed a wholly owned subsidiary, IF Studios, in Gaithersburg, Maryland, USA and chartered that subsidiary to make additions and modifications to the Hero Engine technology as necessary to penetrate the fast developing market for social gaming across Facebook and similar networks, in addition to its continued support of the traditional MMO developer market. The Company continued to fund that development effort through the end of 2010 and on into 2011.

The Directors believe that solid progress has been made to execute this strategy.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2010.

RESEARCH AND DEVELOPMENT

The Company's primary activity has been to develop what it considers a product and service combination that the Directors believe will change dramatically the way both traditional MMO and social network games are developed and brought to market. The Company expects to begin generating revenue from these development efforts in calendar year 2011.

DIRECTORS

The directors who have held office during the period from 1 December 2009 to the date of this report are as follows:

J P Jenkins - appointed 13 January 2010
R T Dobisch - appointed 13 January 2010
O Shalash - appointed 13 January 2010

All the directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the policy of the Company and its subsidiaries to pay all creditors within a reasonable time period as and when amounts become due. The Company enjoys good commercial relationships with its trade creditors.

Idea Fabrik Plc Consolidated accounts
Report of the Directors
for the period 1 December 2009 to 31 December 2010

INTERNAL CONTROLS

The Director's acknowledge their responsibility for the Company's system of internal controls and procedures and for reviewing the effectiveness of these and ensuring that management of its subsidiaries review the internal controls and procedures operating in the subsidiaries. Such controls and procedures are designed to safeguard the Company's and the Group's assets and ensure reliability of reporting information, financial and otherwise, for both internal use and external publication. Whilst conscious that no system can provide absolute assurance against material misstatement, fraud, or loss, the Directors are satisfied that having regard to the Company's size and stage of development, the system of controls is currently adequate and effective.

MANAGEMENT OF FINANCIAL RISKS

The Board endeavours to balance the financial risks that the Company may have exposure to, with the desire to maximise value and returns for shareholders.

The Group has not entered into any derivative transactions and it is not currently the Group's policy to undertake trading in financial instruments.

The main financial risks arising from the Group's activities are currency, liquidity, credit and interest rates. The Board reviews and agrees policies for managing each of these risks and these are summarised below.

Interest rate risk

The Group currently finances its operations through financing provided by a director of the Idea Fabrik Plc.

There is not considered to be any material interest rate risk.

Liquidity risk

To date the Group has relied on shareholder loan funding. The Group's objectives when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increase in value of the Group for the benefit of the shareholders. In establishing its capital requirement the Group will try to take account of the risks inherent in its plans and proposed activities and prevailing market conditions.

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables. The Group deposits surplus cash with financial institutions that hold good credit ratings. Whilst the Group currently generates only small and irregular revenues it does seek to receive full settlement by bank transfers on delivery of its product to the purchaser to minimise its exposure to credit risk on its receivables.

Currency risk

Although the Parent Company is incorporated in England and Wales, its financial statements and those of the Group are denominated in Euros.

The Group's subsidiary operates in the United States with its expenditure being principally in US Dollars and its financial statements are maintained in that currency. The Group's policy for dealing with exchange differences is outlined in the Statement of Accounting policies under the heading "Foreign currencies".

The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates.

Idea Fabrik Plc Consolidated accounts

**Report of the Directors
for the period 1 December 2009 to 31 December 2010**

POST BALANCE SHEET EVENTS

From December 31, 2010 through June 30, 2011, Director Oleksander Shalash has loaned the Company additional amounts. The note underlying these loans is convertible into common shares of the Company at € 20 (20 Euro Cents). Mr Shalash and the Company have executed a subscription agreement that provides him the opportunity to lend up to €3,000,000 at that conversion price.

The Company issued warrants to acquire 4,950,000 common shares to Mr Neil Harris, CEO of its wholly owned subsidiary, IF Studios Inc. The warrants have a 10 year life and vest over a four year period.

In May of 2011, the Company appointed Millers Associates Limited 36 Spital Square London E1 6DY as its new Company Secretary.

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 International Financial Reporting Standards as adopted by the European Union. 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 the group and of the profit or loss of the group 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,
- state that the financial statements comply with IFRS,
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

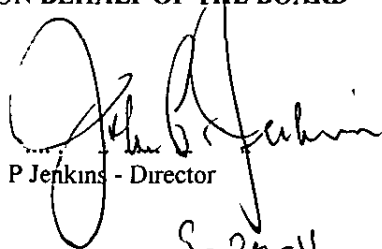
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Anstey Bond LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD


J P Jenkins - Director

Date

5-20-11

**Report of the Independent Auditors to the Members of
Idea Fabrik Plc Consolidated accounts**

We have audited the financial statements of Idea Fabrik Plc Consolidated accounts for the period ended 31 December 2010 on pages six to twenty four. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 page 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 group's and the parent 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.



Colin Ellis (Senior Statutory Auditor)
for and on behalf of Anstey Bond LLP
1 Charterhouse Mews
London
EC1M 6BB

30/8/2011

Idea Fabrik Plc Consolidated accounts
Consolidated Income Statement
for the period 1 December 2009 to 31 December 2010

	Notes	€
CONTINUING OPERATIONS		
Revenue		23,861
Cost of sales		<u>(108,577)</u>
GROSS LOSS		(84,716)
Other operating income		2,731
Distribution costs		(130,252)
Administrative expenses		<u>(687,796)</u>
OPERATING LOSS		(900,033)
Finance costs	3	<u>(469)</u>
LOSS BEFORE INCOME TAX	4	(900,502)
Income tax	5	<u>137,863</u>
LOSS FOR THE PERIOD		<u>(762,639)</u>
Loss attributable to Owners of the parent		<u>(762,639)</u>
 Earnings per share expressed in pence per share	 7	
Basic		-1 91
Diluted		<u>-1 66</u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Consolidated Statement of Comprehensive Income
for the period 1 December 2009 to 31 December 2010**

	€
LOSS FOR THE PERIOD	(762,639)
OTHER COMPREHENSIVE INCOME	
Foreign exchange gain	2,731
Income tax relating to other comprehensive income	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>2,731</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(759,908)
 Total comprehensive income attributable to Owners of the parent	 (759,908)

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

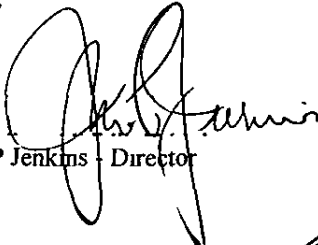
Consolidated Statement of Financial Position
31 December 2010

	Notes	€
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	8	449,297
Property, plant and equipment	9	26,692
Investments	10	-
Deferred tax	18	<u>137,863</u>
		<u>613,852</u>
CURRENT ASSETS		
Trade and other receivables	11	82,149
Cash and cash equivalents	12	<u>43,020</u>
		<u>125,169</u>
TOTAL ASSETS		<u><u>739,021</u></u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	13	455,200
Retained earnings	14	<u>(762,639)</u>
TOTAL EQUITY		<u>(307,439)</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities - borrowings		
Interest bearing loans and borrowings	16	<u>871,883</u>
CURRENT LIABILITIES		
Trade and other payables	15	<u>174,577</u>
TOTAL LIABILITIES		<u>1,046,460</u>
TOTAL EQUITY AND LIABILITIES		<u><u>739,021</u></u>

The financial statements were approved by the Board of Directors on
by

8-24-11

and were signed on its behalf


J P Jenkins - Director

O Shalash - Director



The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Company Statement of Financial Position
31 December 2010**

	Notes	€
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	8	449,297
Property, plant and equipment	9	-
Investments	10	<u>75</u>
		<u>449,372</u>
CURRENT ASSETS		
Trade and other receivables	11	393,812
Cash and cash equivalents	12	<u>4,311</u>
		<u>398,123</u>
TOTAL ASSETS		<u><u>847,495</u></u>
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	13	455,200
Retained earnings	14	<u>(493,598)</u>
TOTAL EQUITY		<u>(38,398)</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities - borrowings		
Interest bearing loans and borrowings	16	<u>871,883</u>
CURRENT LIABILITIES		
Trade and other payables	15	<u>14,010</u>
TOTAL LIABILITIES		<u>885,893</u>
TOTAL EQUITY AND LIABILITIES		<u><u>847,495</u></u>

The financial statements were approved by the Board of Directors on .. 8-24-11 .. and were signed on its behalf by

J P Jenkins - Director

O Shalash - Director

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Consolidated Statement of Changes in Equity
for the period 1 December 2009 to 31 December 2010**

	Called up share capital €	Profit and loss account €	Total equity €
Changes in equity			
Issue of share capital	455,200	-	455,200
Total comprehensive income	-	(762,639)	(762,639)
Balance at 31 December 2010	<u>455,200</u>	<u>(762,639)</u>	<u>(307,439)</u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Company Statement of Changes in Equity
for the period 1 December 2009 to 31 December 2010**

	Called up share capital €	Profit and loss account €	Total equity €
Changes in equity			
Issue of share capital	455,200	-	455,200
Total comprehensive income	-	(493,598)	(493,598)
Balance at 31 December 2010	<u>910,400</u>	<u>(1,256,237)</u>	<u>(345,837)</u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts
Consolidated Statement of Cash Flows
for the period 1 December 2009 to 31 December 2010

	Notes	€
Cash flows from operating activities		
Cash generated from operations	1	(715,762)
Interest paid		<u>(469)</u>
Net cash from operating activities		<u>(716,231)</u>
 Cash flows from investing activities		
Purchase of intangible fixed assets		(528,322)
Purchase of tangible fixed assets		<u>(39,510)</u>
Net cash from investing activities		<u>(567,832)</u>
 Cash flows from financing activities		
Director's loan		871,883
Share issue		<u>455,200</u>
Net cash from financing activities		<u>1,327,083</u>
 Increase in cash and cash equivalents		43,020
Cash and cash equivalents at beginning of period	2	<u>-</u>
Cash and cash equivalents at end of period	2	<u><u>43,020</u></u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Notes to the Consolidated Statement of Cash Flows
for the period 1 December 2009 to 31 December 2010**

1 RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	€
Loss before income tax	(900,502)
Depreciation charges	91,843
Finance costs	<u>469</u>
	(808,190)
Increase in trade and other receivables	(82,149)
Increase in trade and other payables	<u>174,577</u>
Cash generated from operations	<u>(715,762)</u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

Period ended 31 December 2010

	31 12 10	1 12 09
	€	€
Cash and cash equivalents	<u>43,020</u>	<u>-</u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements for the period 1 December 2009 to 31 December 2010

1. ACCOUNTING POLICIES

The following principal accounting policies have been used consistently in the preparation of these consolidated financial statements

1.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted are set out below

1.2 Basis of consolidation

The Group financial statements comprise the financial statements of Idea Fabrik Plc and its subsidiary made up to 31 December 2010. The results of operations of subsidiary undertakings are included in the consolidated financial statements as from the date of acquisition, which is the date on which control of the acquired subsidiary is effectively transferred to the buyer. The results of operations of subsidiary undertakings disposed of are included in the consolidated income statement until the date of disposal, which is the date on which the parent ceases to have control of the subsidiary undertaking. Intragroup balances and intragroup transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intragroup transactions are also eliminated unless cost can be recovered.

1.3 Foreign currency

Foreign currencies

Transactions in foreign currencies are translated into euros at the rates of exchange ruling on the date on which transactions occur. At the balance sheet date foreign currency monetary items are translated into euros at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement in the year in which they arise. At the balance sheet date, non-monetary items, which are carried in terms of historical denominated foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are carried at fair value denominated in a foreign currency, are reported using the exchange rate that existed at the date when the values were determined.

Financial statements of foreign operations

The income and expenses of foreign operations are translated at the exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity until the disposal of the investments in the foreign operation. The assets and liabilities of foreign operations, both monetary and non-monetary, are translated into euros at the exchange rates ruling at the balance sheet date.

1.4 Business combinations

This consolidated financial information incorporates the results of business combinations using the purchase method.

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at fair values at the acquisition date.

The results of the acquired operations are included in the consolidated income statement from the date on which control is obtained.

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct cost of acquisition.

1.5 Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction.

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment or more regularly where an indication of impairment exists. When there is an impairment, goodwill is written down immediately to its recoverable amount and the impairment losses are recognised in

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the period 1 December 2009 to 31 December 2010

1 ACCOUNTING POLICIES - continued

the income statement Impairment losses are not subsequently reversed

1 6 Financial instruments

Financial assets and liabilities are recognised at fair value in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

The Group classifies its financial instruments into loans and receivables (comprising cash and trade receivables) and other liabilities (comprising loan notes and trade payables)

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value unadjusted to reflect discounting for the time value of cash flows recoverable and are reduced by appropriate allowances for estimated irrecoverable amounts

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities

Trade payables

Trade payables are not interest bearing and are stated at their nominal value

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs

1 7 Investments

Non-current asset investments are stated at cost less provision for diminution in value

1 8 Taxation

The tax expense comprises the current tax payable by the Group and deferred tax

Current taxes are based on the taxable profit for the period of the Group companies and are calculated according to local tax rules using the tax rates that have been enacted or substantially enacted by the balance sheet date

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the financial statements Deferred tax liabilities are not discounted.

Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised Deferred tax assets are not discounted

1 9 Intellectual Property

The group has adopted IAS 38 and capitalises research & development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group During the year the Group capitalised costs for three main product models The company expenses research and The Group incurred capitalised costs of €535,113 for the year ended 31 December 2010. The development costs until certain criteria such as technological feasibility, complete product coding and probability of commercial success has occurred for each product Group amortises computer software

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued for the period 1 December 2009 to 31 December 2010

1. ACCOUNTING POLICIES - continued

development costs over their estimated useful lives of three years. Amortisation expense incurred and charged to operations was €80,1572 for the year ended 31 December 2010.

1.10 Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and machinery	- 33% on cost
Fixtures and fittings	- 20% on cost
Computer equipment	- 33% on cost

1.11 Research and development

Expenditure on research and development is written off in the year in which it is incurred.

1.12 Functional currency

The financial statements have been presented using the Euro currency, even though the Group's functional currency is the US Dollar.

1.13 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.14 Going concern

During the year the Group met its day to day working capital requirements through financing provided by O Shalash, who is a director of Idea Fabrik plc. The company has agreed with O Shalash that he will not withdraw his financial support in the foreseeable future and so the directors feel it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustment that would result from a withdrawal of support.

1.15 Earnings per share

The Group calculates both basic and diluted earnings per share in accordance with IAS 33 "Earnings per share". Under IAS 33, basic earnings per share are computed using the weighted average number of shares outstanding during the period.

Diluted earnings per share are computed using the weighted average number of shares outstanding during the period plus the dilutive effects of a convertible loan note outstanding during the year.

1.15 Adoption of new and revised standards and interpretations

a) Standards, amendments and interpretations effective in 2010 but not relevant

The following new standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but they are not relevant to the company's operations:

- " IFRIC 17 'Distribution of Non Cash Assets to Owners'
- " IFRIC 18 'Transfers of Assets from Customers'
- " Revised IFRS 3 'Business Combinations'
- " Amendment to IAS 27 'Consolidated and Separate Financial Statements'
- " Revised IFRS 1 'First Time Adoption of IFRS'
- " Amendment to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'
- " Amendment to IAS 39 'Financial Instruments - Recognition and Measurement Eligible Hedged Items'
- " Amendment to IFRIC 9 and IAS 39 'Embedded Derivatives'
- " Amendment to IFRS 1 'Additional exemptions for first time adopters'
- " Amendment to IFRS 2 'Group cash settled share based payment transactions'

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued for the period 1 December 2009 to 31 December 2010

1 ACCOUNTING POLICIES - continued

" Improvements to IFRS's (issued April 2009)

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the company and are not relevant to the company's operations

" IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

" Amendment to IFRIC 14 'Prepayments of a minimum funding requirement'

" Amendments to IFRS 1 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters'

" Amendments to IAS 32 'Financial instruments, Presentation Clarification of rights issue'

c) Standards, amendments and interpretations to existing standards that are not yet effective and have been adopted by the European Union and are relevant to the company's operation No material impact is anticipated to disclosures by the implementation of this Standard

" Revised IAS 24 'Related Party Disclosures'

d) Standards, amendments and interpretations to existing standards that not yet effective and have not been adopted by the European Union and are not relevant to the company's operations

" IFRS 9 'Financial Instruments'

" Amendment to IFRS 7 'Financial Instruments Disclosures'

" Improvements to IFRS's (issued May 2010)

" Deferred tax Recovery of Underlying Assets (Amendments to IAS 12)

" Severe Hyperinflation and removal of fixed dates for first-time adopters (Amendments to IFRS 1

2 EMPLOYEES AND DIRECTORS

	€
Wages and salaries	<u>151,100</u>

The average monthly number of employees during the period was as follows

Programmers	<u>9</u>
-------------	----------

	€
Directors' remuneration	<u>-</u>

3 NET FINANCE COSTS

	€
Finance costs	
Bank interest	<u>469</u>

Idea Fabrik Plc Consolidated accounts

**Notes to the Consolidated Financial Statements - continued
for the period 1 December 2009 to 31 December 2010**

4 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting)

	€
Cost of inventories recognised as expense	108,577
Depreciation - owned assets	12,818
Intellectual Property amortisation	79,025
Auditors' remuneration	14,010
Foreign exchange differences	(2,731)
Research and Development	<u>211,662</u>

5 INCOME TAX

Analysis of the tax credit

	€
Deferred tax	<u>(137,863)</u>
Total tax credit in income statement	<u>(137,863)</u>

**Tax effects relating to effects of
other comprehensive income**

	1 12 09 to 31 12 10	
	Gross	Tax
Foreign exchange gain	<u>2,731</u>	<u>-</u>
	<u>2,731</u>	<u>-</u>
		Net
		<u>2,731</u>

6 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was €(493,598)

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued for the period 1 December 2009 to 31 December 2010

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares

Reconciliations are set out below

	Earnings €	Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(762,639)	40,000,000	-1 91
Effect of dilutive securities			
Convertible loan note	-	5,849,649	-
Diluted EPS			
Adjusted earnings	<u>(762,639)</u>	<u>45,849,649</u>	<u>-1 66</u>

8 INTANGIBLE ASSETS

Group

	Intellectual Property €
COST	
Additions	<u>528,322</u>
At 31 December 2010	<u>528,322</u>
AMORTISATION	
Amortisation for period	<u>79,025</u>
At 31 December 2010	<u>79,025</u>
NET BOOK VALUE	
At 31 December 2010	<u>449,297</u>

Idea Fabrik Plc Consolidated accounts

**Notes to the Consolidated Financial Statements - continued
for the period 1 December 2009 to 31 December 2010**

8 INTANGIBLE ASSETS - continued

Company

	Intellectual Property €
COST	
Additions	<u>528,322</u>
At 31 December 2010	<u>528,322</u>
AMORTISATION	
Amortisation for period	<u>79,025</u>
At 31 December 2010	<u>79,025</u>
NET BOOK VALUE	
At 31 December 2010	<u><u>449,297</u></u>

9 PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery €	Fixtures and fittings €	Computer equipment €	Totals €
COST				
Additions	<u>34,605</u>	<u>2,641</u>	<u>2,264</u>	<u>39,510</u>
At 31 December 2010	<u>34,605</u>	<u>2,641</u>	<u>2,264</u>	<u>39,510</u>
DEPRECIATION				
Charge for period	<u>11,535</u>	<u>528</u>	<u>755</u>	<u>12,818</u>
At 31 December 2010	<u>11,535</u>	<u>528</u>	<u>755</u>	<u>12,818</u>
NET BOOK VALUE				
At 31 December 2010	<u><u>23,070</u></u>	<u><u>2,113</u></u>	<u><u>1,509</u></u>	<u><u>26,692</u></u>

Idea Fabrik Plc Consolidated accounts

**Notes to the Consolidated Financial Statements - continued
for the period 1 December 2009 to 31 December 2010**

10 INVESTMENTS

Company

	Shares in group undertakings €
COST	
Additions	<u>75</u>
At 31 December 2010	<u>75</u>
NET BOOK VALUE	
At 31 December 2010	<u><u>75</u></u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following

Subsidiary

IF Studios, Inc

Country of incorporation USA

Nature of business Game development technology platforms

	% holding	
Class of shares	100 00	
Common stock		2010 €
Aggregate capital and reserves		616,576
Loss for the period		<u>(452,799)</u>

11 TRADE AND OTHER RECEIVABLES

	Group €	Company €
Current		
Trade debtors	73,212	-
Other debtors	-	7,475
Due from group undertakings	-	386,337
Prepayments & accrued income	<u>8,937</u>	<u>-</u>
	<u><u>82,149</u></u>	<u><u>393,812</u></u>

12. CASH AND CASH EQUIVALENTS

	Group €	Company €
Bank accounts	<u><u>43,020</u></u>	<u><u>4,311</u></u>

Idea Fabrik Plc Consolidated accounts

**Notes to the Consolidated Financial Statements - continued
for the period 1 December 2009 to 31 December 2010**

13 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	€
40,000,000	Ordinary shares	€0 01138	455,200

14 RESERVES

Group

Retained
earnings
€

Deficit for the period (762,639)

At 31 December 2010 (762,639)

Company

Retained
earnings
€

Deficit for the period (493,598)

At 31 December 2010 (493,598)

15 TRADE AND OTHER PAYABLES

	Group €	Company €
Current		
Trade creditors	18,500	-
Accrued expenses	<u>156,077</u>	<u>14,010</u>
	<u>174,577</u>	<u>14,010</u>

16 FINANCIAL LIABILITIES - BORROWINGS

	Group €	Company €
Non-current		
Other loans - 1-2 years	<u>871,883</u>	<u>871,883</u>

The note underlying these loans is convertible into common shares of the company at €0 20 (20 Euro Cents)

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued for the period 1 December 2009 to 31 December 2010

17 LEASING AGREEMENTS

Rent

IF Studio Inc leases space in Saint Charles, Missouri, Germantown, Maryland, Gaithersburg, Maryland and Chantilly, Virginia. The terms are as follows

Saint Charles, Missouri

1,070 square feet located at 19 Point West Boulevard is being leased at €942 per month during 2010. The original lease term was from 19 May 2010 through to 19 May 2011, with a one year option to renew. The Company exercised this option through 19 May 2012, and then subsequently terminated the lease.

760 square feet located 2085 Bluestone drive is being leased at €573 per month beginning June 2011. The lease term is from 1 June 2011 through 31 May 2013, with a one year option to renew.

Germantown, Maryland

19,698 square feet located at 19847 Century Boulevard is being subleased. The sublease commenced on 1 April 2011 and expires on 30 June 2016. The base rent under this lease for the year ended 31 December 2011 is €5,574 per month.

Gaithersburg, Maryland

2,500 square feet located 349 Main Street, Gaithersburg, Maryland is being leased at €3,395 per month during 2010. The lease term is from 1 June 2007 through 31 May 2012. Subsequent to the balance sheet date, the Company effectively terminated this lease agreement, however the Company will continue to make payments through 30 June 2011.

Chantilly, Virginia

3,339 square feet located at site No 400E on the 2nd floor of the building commonly known as Sullyfield Circle located at 1410 Sullyfield Circle, Chantilly, Virginia is being leased at €3,780 per month beginning March 2011. The term is from 1 March 2011 through 28 February 2013.

Future minimum payments as of 31 December 2010 are as follows

	€
Within 1 year	92,894
Between 2 and 5 years	348,533
In more than 5 years	<u>37,274</u>
	478,701

18 DEFERRED TAX

Group

	€
Accelerated allowances	<u>(137,863)</u>
Balance at 31 December	<u>(137,863)</u>

19 TRANSACTIONS WITH DIRECTORS

During the year consulting fees of €31,767 have been paid to John Jenkins as part of the Management and Service Agreement between Idea Fabrik Plc and IF Studios Inc.

During the year IF Studio Inc leased a property from Neil Harris, an Executive officer of the company, where the payments amounted to €40,746.

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued for the period 1 December 2009 to 31 December 2010

20 RELATED PARTY DISCLOSURES

During the year Idea Fabrik Plc loaned monies to IF Studio Inc amounting to €386,337, which was still outstanding as at the year end

Interest amounting to €7,475 has been charged and included in both companies financial statements

21 ULTIMATE CONTROLLING PARTY

The directors believe that there is no ultimate controlling party

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	€
Loss for the financial period	(762,639)
Share issue	<u>455,200</u>
Net reduction of shareholders' funds	(307,439)
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>(307,439)</u>
Equity interests	<u>(307,439)</u>

Company

	€
Loss for the financial period	(493,598)
Ordinary shares	<u>455,200</u>
Net reduction of shareholders' funds	(38,398)
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>(38,398)</u>
Equity interests	<u>(38,398)</u>