REGISTERED NUMBER 07092622 (England and Wales)

Report of the Directors and

Consolidated Financial Statements

for the Year Ended 31st December 2012

for

Idea Fabrik Plc Consolidated accounts

Idea Fabrik Plc Consolidated accounts (Registered number. 07092622)

Contents of the Consolidated Financial Statements
for the year ended 31st December 2012

Idea Fabrik Plc Consolidated accounts

Company Information
for the year ended 31st December 2012

DIRECTORS.	J P Jenkins 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 Statutory Auditors & Chartered Accountants 1 Charterhouse Mews London EC1M 6BB

Idea Fabrik Plc Consolidated accounts (Registered number· 07092622)

Report of the Directors
for the year ended 31st December 2012

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2012

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

REVIEW OF BUSINESS
Idea Fabrik continues to provide what it believes is the only all-in-one solution for online game development in the market This solution, the HeroEngine, continues to grow and adopt cutting edge technologies based on the needs of the market, both perceived and verified

The HeroCloud, the online version of the HeroEngine, is currently the only Software As A Service (SAAS) solution for online game development available to game developers worldwide After an initial launch phase for the HeroCloud in 2011, where over 15,000 developers interested in using the technology signed up, Idea Fabrik shifted the HeroCloud service into the commercial phase and initiated a subscription model for use of services starting in May 2012

HeroEngine offering remains focused on the large-scale game development projects, while HeroCloud service is directed towards medium, small and indie game developers In 2012, we expanded the focus of the HeroCloud from a platform designed primarily to generate royalty revenue, to a platform designed to generate additional revenue by selling value-added licences and option packages to the developers HeroCloud subscription options range from 99 USD annually to 4,995 USD for a lifetime subscription This strategy change was enacted in order to make the HeroCloud more profitable in the short term, as well as to meet the needs of thousands of small-scale developers using the technology HeroCloud licenses continued to be purchased through the end of 2012 at an average rate of 2 per day

We expect a number of projects currently in development on the HeroCloud to launch in the 4th quarter of 2013 as Massively Multiplayer Online Games (MMO) Idea Fabrik will receive royalty payments of 30% of all revenues generated by these games We believe that the successful launch of an MMO game by a small team of developers will drive further the recognition of the value of HeroEngine and HeroCloud all-in-one platform to the game developers In January 2012, the Company began to focus its HeroEngine source code sales efforts and software development on the market for Serious Games and Simulations, and Real Money Social Gaming markets Discussions are currently taking place with major defence and military organisations, and a number of casino gaming providers, all of whom are looking to purchase known and proven game making technology and to have it converted into their own needs

We believe that Idea Fabrik is well positioned to be the premier provider of technology and resources to the MMO games and massive serious simulation market, as well as continuing to be the major name in smaller scale and independent online and networked game development software market

DIVIDENDS
No dividends will be distributed for the year ended 31st December 2012

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 2013

DIRECTORS
The directors shown below have held office during the whole of the period from 1st January 2012 to the date of this report

J P Jenkins
O Shalash

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

Report of the Directors
for the year ended 31st December 2012

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 Idea Fabrik Plc There is not considered to be any material interest rate risk

Liquidity risk
To date the Group has relied on shareholder 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 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 transfer

POST BALANCE SHEET EVENTS
The Company issued 150,000 common shares of €0 20 (20 Euro Cents) on 29 January 2013, and a further 150,000 common shares of €0 20 (20 Euro Cents) on 15 May 2013

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

Report of the Directors
for the year ended 31st December 2012

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

ON BEHALF OF THE BOARD

O Shalash - Director

Date 8 NOVEMBER 2013

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 year ended 31st December 2012 on pages seven to thirty two 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 three, 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 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 group's and the parent company's affairs as at 31st December 2012 and of the group's loss for the year 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

Emphasis of matter availability of finance
In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in the going concern note of the financial statements concerning the availability of finance provided by O Shalash and an associated group of private investors If O Shalash and the group of private investors withdrew their financial support from the business there would be serious concerns whether the business could continue as a going concern and meet its day to day working capital

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

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

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

Anstey Bond LLP.

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

Date 15\11\2013

Consolidated Income Statement
for the year ended 31st December 2012

	Notes	2012 €	2011 €
CONTINUING OPERATIONS			
Revenue		97,136	208,549
Cost of sales		(342,747)	(159,047)
GROSS (LOSS)/PROFIT		(245,611)	49,502
Other operating income		(44,798)	499,900
Distribution costs		(262,958)	(510,450)
Administrative expenses		(1,784,341)	(1,215,204)
OPERATING LOSS		(2,337,708)	(1,176,252)
Finance costs	3	(431,140)	(148,081)
LOSS BEFORE INCOME TAX	4	(2,768,848)	(1,324,333)
Income tax	5	617,110	541,316
LOSS FOR THE YEAR		(2,151,738)	(783,017)
Loss attributable to			
Owners of the parent		(2,151,738)	(783,017)
Earnings per share expressed			
in pence per share	7		
Basic		-4 93	-1 80
Diluted		-4 14	-1 47

The notes form part of these financial statements

Consolidated Statement of Comprehensive Income
for the year ended 31st December 2012

	2012 €	2011 €
LOSS FOR THE YEAR	(2,151,738)	(783,017)
OTHER COMPREHENSIVE INCOME		
Foreign exchange loss	44,798	(38,360)
Income tax relating to other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	44,798	(38,360)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(2,106,940)	(821,377)
Total comprehensive income attributable to Owners of the parent	(2,106,940)	(821,377)

The notes form part of these financial statements

Consolidated Statement of Financial Position
31st December 2012

	Notes	2012 €	2011 €
ASSETS			
NON-CURRENT ASSETS			-
Intangible assets	8	1,683,650	1,136,600
Property, plant and equipment	9	37,286	47.815
Investments	10	-	-
Deferred tax	19	1,307,716	690,606
		3,028,652	1,875,021
CURRENT ASSETS			
Trade and other receivables	11	61,292	57,769
Cash and cash equivalents	12	-	96,295
		61,292	154,064
TOTAL ASSETS		3,089,944	2,029,085
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	435,660	435,660
Share premium	14	63,046	63,046
Retained earnings	14	(3,738,069)	(1,586,331)
TOTAL EQUITY		(3,239,363)	(1,087,625)
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	3,890,040	2,777,717
CURRENT LIABILITIES			
Trade and other payables	15	929,570	338,993
Financial liabilities - borrowings			
Bank overdrafts	16	7,965	-
Interest bearing loans and borrowings	16	1,501,732	-
		2,439,267	338,993
TOTAL LIABILITIES		6,329,307	3,116,710
TOTAL EQUITY AND LIABILITIES		3,089,944	2,029,085

The financial statements were approved by the Board of Directors on 8 NOV 2013 and were signed on its behalf by

O Shalash - Director

The notes form part of these financial statements

Company Statement of Financial Position
31st December 2012

	Notes	2012 €	2011 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	1,683,650	1 136,600
Property, plant and equipment	9	-	-
Investments	10	75	75
Trade and other receivables	11	3,086,190	-
		4,769,915	1,136,675
CURRENT ASSETS			
Trade and other receivables	11	-	1,875,476
Cash and cash equivalents	12	5,007	64,017
		5,007	1,939,493
TOTAL ASSETS		4,774,922	3,076,168
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	435,660	435,660
Share premium	14	63,046	63,046
Retained earnings	14	(1,936,439)	(452,936)
TOTAL EQUITY		(1,437,733)	45,770
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	3,890,040	2,777,717
CURRENT LIABILITIES			
Trade and other payables	15	820,883	252,681
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	1,501,732	-
		2,322,615	252,681
TOTAL LIABILITIES		6,212,655	3,030,398
TOTAL EQUITY AND LIABILITIES		4,774,922	3,076,168

The financial statements were approved by the Board of Directors on 8 NOV 2013 and were signed on its behalf by

O Shalash - Director

The notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the year ended 31st December 2012

	Called up share capital €	Retained earnings €	Share premium €	Total equity €
Balance at 1st January 2011	455,200	(803,314)	-	(348,114)
Changes in equity				
Issue of share capital	(19,540)	-	63,046	43,506
Total comprehensive income	-	(783,017)	-	(783,017)
Balance at 31st December 2011	435,660	(1,586,331)	63,046	(1,087,625)
Changes in equity				
Total comprehensive income	-	(2,151,738)	-	(2,151,738)
Balance at 31st December 2012	435,660	(3,738,069)	63,046	(3,239,363)

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts (Registered number. 07092622)

Company Statement of Changes in Equity
for the year ended 31st December 2012

	Called up share capital €	Retained earnings €	Share premium €	Total equity €
Balance at 1st January 2011	455,200	(493,598)	-	(38,398)
Changes in equity				
Issue of share capital	(19,540)	-	63,046	43,506
Total comprehensive income	-	40,662	-	40,662
Balance at 31st December 2011	435,660	(452,936)	63,046	45,770
Changes in equity				
Total comprehensive income	-	(1,483,503)	-	(1,483,503)
Balance at 31st December 2012	435,660	(1,936,439)	63,046	(1,437,733)

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts (Registered number: 07092622)

Consolidated Statement of Cash Flows
for the year ended 31st December 2012

	Notes	2012 €	2011 €
Cash flows from operating activities			
Cash generated from operations	1	(973,930)	(787,938)
Interest paid		(431,140)	-
Net cash from operating activities		(1,405,070)	(787,938)
Cash flows from investing activities			
Purchase of intangible fixed assets		(1,251,333)	(931,853)
Purchase of tangible fixed assets		(17,114)	(50,161)
Net cash from investing activities		(1,268,447)	(982,014)
Cash flows from financing activities			
Director's loan		-	1,905,834
Loans		2,569,257	21,968
Directors loan interest		-	(148,081)
Share issue		-	43,506
Net cash from financing activities		2,569,257	1,823,227
(Decrease)/increase in cash and cash equivalents		(104,260)	53,275
Cash and cash equivalents at beginning of year	2	96,295	43,020
Cash and cash equivalents at end of year	2	(7,965)	96,295

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts (Registered number. 07092622)

Company Statement of Cash Flows
for the year ended 31st December 2012

	Notes	2012 €	2011 €
Cash flows from operating activities			
Cash generated from operations	1	1,837,950	(907,002)
Interest paid		(421,204)	-
Net cash from operating activities		1,416,746	(907,002)
Cash flows from investing activities			
Purchase of intangible fixed assets		(1,251,333)	(931,853)
Interest received		247,712	-
Net cash from investing activities		(1,003,621)	(931,853)
Cash flows from financing activities			
Director's loan		-	1,905,834
Director's loan interest		-	(148,081)
Longterm loan		(472,135)	97,302
Share issue		-	43,506
Net cash from financing activities		(472,135)	1,898,561
(Decrease)/increase in cash and cash equivalents		(59,010)	59,706
Cash and cash equivalents at beginning of year	2	64,017	4,311
Cash and cash equivalents at end of year	2	5,007	64,017

The notes form part of these financial statements

Notes to the Statements of Cash Flows
for the year ended 31st December 2012

1 RECONCILIATION OF LOSS/(LOSS)/PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

Group

	2012	2011
	€	€
Loss before income tax	(2,768,848)	(1,324,333)
Depreciation charges	731,926	273,588
Discontinued operations	-	(35,710)
Currency adjustment on consolidation	44,798	(38,360)
Finance costs	431,140	148,081
	(1,560,984)	(976,734)
(Increase)/decrease in trade and other receivables	(3,523)	24,380
Increase in trade and other payables	590,577	164,416
Cash generated from operations	(973,930)	(787,938)

Company

	2012	2011
	€	€
(Loss)/profit before income tax	(1,483,503)	40,662
Depreciation charges	704,283	244,550
Finance costs	421,204	162,911
Finance income	(247,712)	(97,302)
	(605,728)	350,821
Decrease/(increase) in trade and other receivables	1,875,476	(1,481,664)
Increase in trade and other payables	568,202	223,841
Cash generated from operations	1,837,950	(907,002)

2 CASH AND CASH EQUIVALENTS

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

	Group		Company	
Year ended 31st December 2012				
	31 12 12	1 1 12	31 12 12	1 1 12
	€	€	€	€
Cash and cash equivalents	-	96,295	5,007	64,017
Bank overdrafts	(7,965)	-	-	-
	(7,965)	96,295	5,007	64,017
Year ended 31st December 2011				
	31 12 11	1 1 11	31 12 11	1 1 11
	€	€	€	€
Cash and cash equivalents	96,295	43,020	64,017	4,311

The notes form part of these financial statements

1 ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention Historical cost is generally based on fair value of the consideration given in exchange for assets The principal accounting policies adopted are set out below

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements

Statement of compliance
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 under IFRS The principal accounting policies adopted are set out below They have all been applied consistently throughout the period under review

Application of new and revised International Financial Reporting Standards (IFRS)
a) Standards, amendments and interpretations effective in 2012 but not relevant:
The following new standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2012 but they are not relevant to the Company's operations

- Amendments to IFRS 7 Disclosures - Transfer of Financial Assets
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
- Amendments to IAS 1 (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)
- Amendments to IAS 12 Deferred Tax Recovery of Underlying Assets

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
The following new standards, amendments and interpretation to existing standards were in issue at the date of authorisation of these financial statements, but are not yet effective for the financial year 31 December 2012, and in some cases have not been adopted by the EU

- IAS 19 'Employee Benefits' (as revised in 2011)
- IAS 27 'Separate Financial Statements' (as revised in 2011)
- IAS 28 'Investment in Associates and Joint Venture' (as revised in 2011)
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to IFRSs 'Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1'
- IFRS 9 'Financial Instruments' (Issued in 2009 and subsequent amendments in 2010)
- IFRS 10 'Consolidated financial statements' (2011)
- IFRS 11 'Joint Arrangement' (2011)
- IFRS 12 'Disclosure of Interests in Other Entities' (2011)
- IFRS 13 'Fair Value Measurement' (2011)
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'

Use of estimate and judgements
The preparation and financial statements, in conformity with IFRS, requires management to make judgements, estimate 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 ongoing basis Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected

continued

Basis of consolidation
The Group financial statements comprise the financial statements of Idea Fabrik Plc and its subsidiary made up to 31 December 2012 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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and amounts received for the use of the software provided in the normal course of business, net of any sales related taxes

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 Group expenses research and development costs until certain criteria such as technological feasibility, complete product coding and probability of commercial success has occurred for each product The Group incurred capitalised costs of €1,251,333 for the year ended 31 December 2012 (2011 €931,854) The Group amortises computer software development costs over their estimated useful lives of three years Amortisation expense incurred and charged to operations was €704,283 for the year ended 31 December 2012 (2011 €255,550)

Items of Intellectual Property are measured at capitalised cost less accumulated amortisation less any impairment losses The management team undertake an impairment review of Intellectual Property each year

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

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset

continued

1 **ACCOUNTING POLICIES - continued**

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

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

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

continued

1 **ACCOUNTING POLICIES - continued**

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

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

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

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

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

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

 continued

1 ACCOUNTING POLICIES - continued

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

2 EMPLOYEES AND DIRECTORS

	2012	2011
	€	€
Wages and salaries	362,344	309,009

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

	2012	2011
Management	1	1
Administration	2	2
Programmers	20	9
	23	12

	2012	2011
	€	€
Directors' remuneration	95,801	-

3 NET FINANCE COSTS

	2012	2011
	€	€
Finance costs		
Bank interest	257,648	-
Loan	173,492	148,081
	431,140	148,081

4 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging

	2012	2011
	€	€
Cost of inventories recognised as expense	342,747	159,047
Depreciation - owned assets	27,643	29,038
Intellectual Property amortisation	704,283	244,550
Foreign exchange differences	141,294	2,197
Research and Development	123,266	502,904
Auditors' remuneration -Fees payable to group's auditor for the audit of the group's financial statements	18,600	18,600
Fees payable to group's auditor for taxation	3,500	2,000
Fees payable to the subsidiary company's auditors	15,400	10,354

continued

5 INCOME TAX

Analysis of tax income

	2012	2011
	€	€
Deferred tax	(617,110)	(541,316)
Total tax income in consolidated income statement	(617,110)	(541,316)

Tax effects relating to effects of other comprehensive income

	2012		
	Gross	Tax	Net
	€	€	€
Foreign exchange loss	44,798	-	44,798
	44,798	-	44,798

	2011		
	Gross	Tax	Net
	€	€	€
Foreign exchange loss	(38,360)	-	(38,360)
	(38,360)	-	(38,360)

6 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements The parent company's loss for the financial year was €(1,483,503) (2011 - €40,662 profit)

continued

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 €	2012 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(2,151,738)	43,613,570	-4 93
Effect of dilutive securities			
Convertible loan note	-	8,333,334	-
Diluted EPS			
Adjusted earnings	(2,151,738)	51,946,904	-4 14

	Earnings €	2011 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(783,017)	43,613,570	-1 80
Effect of dilutive securities			
Convertible loan note	-	9,529,170	-
Diluted EPS			
Adjusted earnings	(783,017)	53,142,740	-1 47

continued

8 INTANGIBLE ASSETS

Group

	Intellectual Property €
COST	
At 1st January 2012	1,460,175
Additions	1,251,333
At 31st December 2012	2,711,508
AMORTISATION	
At 1st January 2012	323,575
Amortisation for year	704,283
At 31st December 2012	1,027,858
NET BOOK VALUE	
At 31st December 2012	1,683,650
At 31st December 2011	1,136,600

Company

	Intellectual Property €
COST	
At 1st January 2012	1,460,175
Additions	1,251,333
At 31st December 2012	2,711,508
AMORTISATION	
At 1st January 2012	323,575
Amortisation for year	704,283
At 31st December 2012	1,027,858
NET BOOK VALUE	
At 31st December 2012	1,683,650
At 31st December 2011	1,136,600

continued

9 PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery €	Fixtures and fittings €	Computer equipment €	Totals €
COST				
At 1st January 2012	75,060	2,641	11,970	89,671
Additions	14,505	1,513	1,096	17,114
At 31st December 2012	89,565	4,154	13,066	106,785
DEPRECIATION				
At 1st January 2012	36,216	1,392	4,248	41,856
Charge for year	25,262	1,213	1,168	27,643
At 31st December 2012	61,478	2,605	5,416	69,499
NET BOOK VALUE				
At 31st December 2012	28,087	1,549	7,650	37,286
At 31st December 2011	38,844	1,249	7,722	47,815

10 INVESTMENTS

Company

	Shares in group undertakings €
COST	
At 1st January 2012 and 31st December 2012	75
NET BOOK VALUE	
At 31st December 2012	75
At 31st December 2011	75

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

Class of shares	% holding
Common stock	100 00

continued

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	€	€	€	€
Current				
Trade debtors	8,303	-	-	-
Other debtors	24,933	25,451	-	-
Due from group undertakings	-	-	-	1,875,476
Prepayments & accrued income	28,056	32,318	-	-
	61,292	57,769	-	1,875,476
Non-current				
Amounts owed by group undertakings	-	-	3,086,190	-
Aggregate amounts	61,292	57,769	3,086,190	1,875,476

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	€	€	€	€
Bank accounts	-	96,295	5,007	64,017

13 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	2012	2011
			€	€
43,613,570	Ordinary shares	0 01	435,660	435,660

continued

14 RESERVES

Group

	Retained earnings €	Share premium €	Totals €
At 1st January 2012	(1,586,331)	63,046	(1,523,285)
Deficit for the year	(2,151,738)		(2,151,738)
At 31st December 2012	(3,738,069)	63,046	(3,675,023)

Company

	Retained earnings €	Share premium €	Totals €
At 1st January 2012	(452,936)	63,046	(389,890)
Deficit for the year	(1,483,503)		(1,483,503)
At 31st December 2012	(1,936,439)	63,046	(1,873,393)

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 €	2011 €	2012 €	2011 €
Current				
Trade creditors	41,183	27,155	-	-
Other creditors	93,310	-	93,310	-
Accrued expenses	795,077	311,838	727,573	252,681
	929,570	338,993	820,883	252,681

16 FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2012 €	2011 €	2012 €	2011 €
Current				
Debentures	1,501,732	-	1,501,732	-
Bank overdrafts	7,965	-	-	-
	1,509,697	-	1,501,732	-
Non-current				
Other loans - 1-2 years	3,890,040	2,777,717	3,890,040	2,777,717

continued

16 **FINANCIAL LIABILITIES - BORROWINGS - continued**

Terms and debt repayment schedule

Group

	1 year or less	1-2 years	Totals
	€	€	€
Debentures	1,501,732	-	1,501,732
Bank overdrafts	7,965	-	7,965
Other loans	-	3,890,040	3,890,040
	1,509,697	3,890,040	5,399,737

Company

	1 year or less	1-2 years	Totals
	€	€	€
Debentures	1,501,732	-	1,501,732
Other loans	-	3,890,040	3,890,040
	1,501,732	3,890,040	5,391,772

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

17 **LEASING AGREEMENTS**

Group

	Non-cancellable operating leases	
	2012	2011
	€	€
Within one year	92,894	129,116
Between one and five years	348,533	194,672
In more than five years	37,274	-
	478,701	323,788

Company

	2012	2011
	€	€

continued

18 FINANCIAL INSTRUMENTS

Capital management

The Group aims to manage its overall capital so as to ensure that companies within the Group continue to operate as a going concern, whilst maximising the return to shareholders through the optimisation of the debt and equity balance The Company manages its capital via funding from one of its directors who has provided funding during the year

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year

Categories of Group's financial instruments

The Group and Company hold a number of financial instruments, including bank deposits, loans and receivables, long term liabilities and trade payables

The totals for each category of financial instrument measured in accordance with IAS 39 are as follows

Group 31 December 2012	Assets at fair value through Income statement designated upon initial recognition	Loan and receivables	Other non-financial assets	Total
	€	€	€	€
Non-current financial assets				
Other financial assets	-		3,028,652	3,028,652
Current financial assets				
Trade and other receivables	-	61,292	-	61,292
Cash and cash equivalents	-		-	-
Total assets	-	61,292	3,028,652	3,089,944

Group 31 December 2012	Other financial liabilities at amortised cost	Other non-financial liabilities	Total
	€	€	€
Non-current liabilities			
Long term liabilities	3,890,040	-	3,890,040
Current liabilities			
Trade and other payables	-	929,570	929,570
Interest bearing loans	1,509,697	-	1,509,697
Total liabilities	5,399,737	929,570	6,329,307
Equity	(3,239,363)		(3,239,363)
Total liabilities and equity	2,160,374	929,570	3,089,944

continued

Notes to the Consolidated Financial Statements - continued
for the year ended 31st December 2012

Group 31 December 2011	Assets at fair value through Income statement designated upon initial recognition	Loan and receivables	Other non-financial assets	Total
	€	€	€	€
Non-current financial assets				
Other financial assets	-	-	1,875,021	1,875,021
Current financial assets				
Trade and other receivables	-	57,769	-	57,769
Cash and cash equivalents -	-	96,295	-	96,295
Total assets	-	154,064	1,875,021	2,029,085

Group 31 December 2011	Other financial liabilities at amortised cost	Other non-financial liabilities	Total
	€	€	€
Non-current liabilities			
Long term liabilities	2,777,717	-	2,777,717
Current liabilities			
Trade and other payables	-	338,993	338,993
Interest bearing loans	-	-	-
Total assets	2,777,717	338,993	3,116,710
Equity	1,087,625		(1,087,625)
Total liabilities and equity	1,690,092	338,993	2,029,085

Company 31 December 2012	Assets at fair value through Income statement designated upon initial recognition	Loan and receivables	Other non-financial assets	Total
	€	€	€	€
Non-current financial assets				
Other financial assets	-	-	1,683,725	1,683,725
Current financial assets				
Trade and other receivables	-	3,086,190	-	3,086,190
Cash and cash equivalents -	-	5,007	-	5,007
Total assets	-	3,091,197	1,683,725	4,774,922

continued

Company 31 December 2012	Other financial liabilities at amortised cost €	Other non-financial liabilities €	Total €
Non-current liabilities			
Long term liabilities	3,890,040	-	3,890,040
Current liabilities			
Trade and other payables	-	820,883	820,883
Interest bearing loans	1,501,732	-	1,501,732
Total liabilities	5,391,772	820,883	6,212,655
Equity	(1,437,733)	-	(1,437,733)
Total liabilities and equity	3,954,039	820,883	4,774,922

Company 31 December 2011	Assets at fair value through Income statement designated upon initial recognition €	Loan and receivables €	Other non-financial assets €	Total €
Non-current financial assets				
Other financial assets	-	-	1,136,675	1,136,675
Current financial assets				
Trade and other receivables	-	1,875,476	-	1,875,476
Cash and cash equivalents -	-	64,017	-	64,017
Total assets	-	1,939,493	1,136,675	3,076,168

Company 31 December 2011	Other financial liabilities at amortised cost €	Other non-financial liabilities €	Total €
Non-current liabilities			
Long term liabilities	2,777,717	-	2,777,717
Current liabilities			
Trade and other payables	-	252,681	252,681
Interest bearing loans		-	-
Total liabilities	2,777,717	252,681	3,030,398
Equity	45,770	-	45,770
Total liabilities and equity	2,823,487	252,681	3,076,168

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks

continued

Risk management objectives

The Group manages financıal rısks relatıng to the companıes wıthın the Group through a centralısed Treasury functıon whıch, monıtors the rısks and acts accordıngly The prıncıpal rısks to whıch the group ıs exposed are commodıty prıce rısk, credıt rısk, lıquıdıty rısk and foreıgn currency rısk

Credit risk

Credıt rısk ıs the rısk that a counter-party wıll cause a financıal loss to the Group by faılıng to dıscharge ıts oblıgatıon to the group The Group manages ıts exposure to thıs rısk by applyıng Board approved lımıts to the amount of credıt exposure to any one counter-party and employs strıct mınımum credıt worthıness crıterıa as to the choıce of counter-party thereby ensurıng that there are no sıgnıficant concentratıons of credıt rısk The maxımum exposure to credıt rısk for receıvables and other financıal assets ıs represented by theır carryıng amount

Liquidıty risk

Lıquıdıty rısk ıs the rısk that companıes wıthın the Group wıll encounter dıfficulty ın meetıng these oblıgatıons assocıated wıth financıal lıabılıtıes To counter thıs rısk the Group ıs maınly financed vıa a loan from one of the Dırectors whıch brıngs ın strong cash flows ınto the busıness The dırector has commıtted hıs full support to the busıness so there wıll be no ıssue wıth the Group defaultıng on the loan

Foreign currency rısk

The presentatıon currency for the Group ıs the Euro and they are exposed to currency fluctuatıons agaınst thıs from the US Dollar, UK Sterlıng and the Swıss Franc To mıtıgate agaınst thıs the rısk the Group has bank accounts ın all of these currencıes to mınımıse any foreıgn exchange rısk

19 DEFERRED TAX

Group

	2012	2011
	€	€
Balance at 1st January	(690,606)	(137,863)
Accelerated allowances	(617,110)	(552,743)
Balance at 31st December	(1,307,716)	(690,606)

20 TRANSACTIONS WITH DIRECTORS

Durıng the year consultıng fees of €50,375 (2011 €56,439) have been paıd to John Jenkıns as part of the Management and Servıce Agreement between Idea Fabrık Plc and IF Studıos Inc

21 RELATED PARTY DISCLOSURES

Durıng the year Idea Fabrık Plc loaned monıes to IF Studıo Inc amountıng to €2,178,454 (2011 €2,323,690) of whıch €2,358,991 (2011 €1,778,173) was stıll outstandıng as at the year end

Interest amountıng to €345,880 (2011 €97,302) has been charged and ıncluded ın both companıes financıal statements

Durıng the year IF Studıo Inc capıtalısed €1,251,333 (2011 €931,854) of research and development costs Thıs has been transferred to Idea Fabrık Plc and set off agaınst the ıntercompany loan

22 ULTIMATE CONTROLLING PARTY

The dırectors belıeve that there ıs no ultımate controllıng party

contınued

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2012	2011
	€	€
Loss for the financial year	(2,151,738)	(783,017)
Share issue	-	1,740
Share premium	-	63,046
Share buy back	-	(21,280)
Net reduction of shareholders' funds	(2,151,738)	(739,511)
Opening shareholders' funds	(1,087,625)	(348,114)
Closing shareholders' funds	(3,239,363)	(1,087,625)

Company

	2012	2011
	€	€
(Loss)/profit for the financial year	(1,483,503)	40,662
Share issue	-	1,740
Share Premium	-	63,046
Share buy back	-	(21,280)
Net (reduction)/addition to shareholders' funds	(1,483,503)	84,168
Opening shareholders' funds	45,770	(38,398)
Closing shareholders' funds	(1,437,733)	45,770