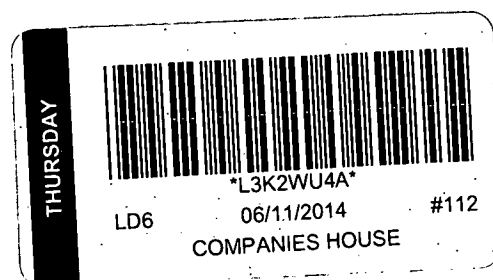


REGISTERED NUMBER: 07092622 (England and Wales)

**Group Strategic Report,
Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 December 2013
for
Idea Fabrik Plc Consolidated accounts**



Idea Fabrik Plc Consolidated accounts

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Idea Fabrik Plc Consolidated accounts

**Company Information
for the year ended 31 December 2013**

DIRECTORS: 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

Group Strategic Report for the year ended 31 December 2013

The directors present their strategic report of the company and the group for the year ended 31 December 2013.

REVIEW OF BUSINESS

Idea Fabrik is the owner of the HeroEngine, a fully collaborative game development engine that includes both the server and client. The engine is licensed by game developers who design and produce massively multiplayer online games, which are played by millions over the internet. The engine is offered on a subscription basis as well as contract for a full license. The subscriptions are hosted in the cloud and offered with one seat for \$99.00 per year, 2 seats at \$149.00 annually, 10 seats at \$199.00 annually, 25 seats at 299.00 annually and a lifetime subscription for \$749.00 which has unlimited seats.

This was a year of networking and strengthening relationships with the many of the developers who have been building games with the HeroEngine. In the strategic games development sector, Boeing was our lead customer. Senior management worked with Boeing throughout the year as the HeroEngine was one of the favoured technologies being tested to fulfil their Strategic/Operational Level Simulation Technology for Instructional Customer Experimentation. The instructional technology Boeing plans on developing is training software, which promotes simulation execution; creating and maintaining a simulation environment; aids from system training and systems maintenance. The development of interactive software for the serious games section of game development is new to Idea Fabrik. This is a small division of the industry and difficult to navigate because of the involvement of the government and security industries. We are currently pursuing this market as Idea Fabrik feels there is long term potential in the simulation for securities market, albeit a hard and long-term process getting your foot in the door. In addition to Boeing, management has also met with and discussed possible a relationship with the National Security Agency. The interest here lies in utilise the engine to develop security simulation software and programs. Being the lead technology puts Idea Fabrik on the cusp of this small but very lucrative industry section.

The Indie development area, HeroCloud, was very active, seeing large trends towards growth throughout 2013. Our lead development teams, Above and Beyond Technologies, The Repopulations; Greedmonger; Visions of Zosimos; and Foxysoft are all in the later development stages of game design. The Repopulation is the furthest along with the anticipation of having a Beta released by the end of 2013. Final testing stages are scheduled for Q4 2014 with an estimated release date for Alpha testing in Q1 2014 with final release in middle 2015. Above and Beyond technologies have held their first kickstarter campaign successfully raising a combined total of a little over \$53,000 in crowdfunding. Their goals were \$25,000. so they have exceeded these by over 100%. Addressing the Repopulation game and assisting Above & Beyond Technologies in the preparation of the game, making sure the engine will meet the expectations of the millions of simultaneous users the games release is expected to pull in. This preparation has taken the majority of engineering time and efforts the projected sales estimated to be raised by Idea Fabrik's 30% share of royalty from the Repopulation is somewhere in the millions.

Idea Fabrik will continue to provide the HeroEngine as the only all-in-one solution for online game development in the market. Idea Fabrik's main focus is to position the HeroEngine as the premier solution for serious games and simulations, and plans to grow its market share by focusing future development and feature sets on this relatively untapped market. Significant development resources are currently dedicated to two specific segments of this market: the language learning space, and the defence contracting space, and Idea Fabrik plans to increase sales into these segments by 500% over the next 24 months. All remaining resources continue to focus on shipping and launching existing products in the HeroCloud pipeline, the Software As A Service platform version of the HeroCloud. Idea Fabrik owns a 30% revenue share of all products developed in the HeroCloud, and calendar year 2014 will see the first 3 launches of major titles on the HeroCloud platform. Much of 2014 will be devoted to specifically supporting and servicing these titles, as well as developing feature sets necessary to increase the revenue generation and marketing potential for key titles.

The following information refers to the gender split within the organisation. The directors of the parent company, Idea Fabrik PLC are both male. Within the subsidiary, IF Studios Inc, the two directors, considered to be the Senior Managers of the Group, are one each male and female. The remainder of staff throughout the Group is made up of twelve male one female.

Idea Fabrik Plc Consolidated accounts

Group Strategic Report for the year ended 31 December 2013

PRINCIPAL RISKS AND UNCERTAINTIES

The primary risk factors involved with any software service are breaches in security. IF Studios has taken all possible measures to use all the proper protocols in place to ensure the software is secure and protected from outside hacking. Additional risks include the chances of the indie games failing and the serious games contracts falling through. The likelihood of both happening is relatively low. The games ready for release have received promising reviews and pre-release traffic.

Future development and prospects for the company include continuing the HeroCloud subscription model and continued pursuit of the serious games sector. Management is in talks with several developers from the Korea who are interested in offering the HeroEngine to developers in their country. Korea has a very fast growing and lucrative game development market. Our executives have passed the preliminary talks and are working on ways to get the HeroEngine marketed in this area.

Our business is strictly internet based. Our product has no impact on the environment or any effect on social, community or human rights issues. The engine is a set of tools which developers license to create massively multiplayer online games. Idea Fabrik has no control over the types of games that are developed or the content created.

ON BEHALF OF THE BOARD:



.....
O Shalash - Director

Date: 5 Nov 2014
.....

Idea Fabrik Plc Consolidated accounts

Report of the Directors for the year ended 31 December 2013

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2013.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013.

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

O Shalash has held office during the whole of the period from 1 January 2013 to the date of this report.

Other changes in directors holding office are as follows:

J Jenkins - resigned 31 December 2013

Idea Fabrik Plc Consolidated accounts

**Report of the Directors
for the year ended 31 December 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.

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

5 Nov 2014
Date:

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 31 December 2013 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. 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 five, 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 Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 December 2013 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and 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:6/11/2014.....

Idea Fabrik Plc Consolidated accounts

Consolidated Statement of Profit or Loss
for the year ended 31 December 2013

	Notes	2013 €	2012 €
CONTINUING OPERATIONS			
Revenue		55,706	97,136
Cost of sales		<u>(360,465)</u>	<u>(342,747)</u>
GROSS LOSS		(304,759)	(245,611)
Other operating income		20,051	(44,798)
Distribution costs		(157,932)	(262,958)
Administrative expenses		<u>(2,432,250)</u>	<u>(1,784,341)</u>
OPERATING LOSS		(2,874,890)	(2,337,708)
Finance costs	3	(920,979)	(431,140)
Finance income	3	<u>330,938</u>	<u>-</u>
LOSS BEFORE INCOME TAX	4	(3,464,931)	(2,768,848)
Income tax	5	<u>464,609</u>	<u>617,110</u>
LOSS FOR THE YEAR		<u>(3,000,322)</u>	<u>(2,151,738)</u>
Loss attributable to: Owners of the parent		<u>(3,000,322)</u>	<u>(2,151,738)</u>
Earnings per share expressed in pence per share:			
Basic	7	-6.53	-4.93
Diluted		<u>-5.53</u>	<u>-4.14</u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2013**

	2013 €	2012 €
LOSS FOR THE YEAR	(3,000,322)	(2,151,738)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss:		
Foreign exchange loss	-	44,798
Income tax relating to item of other comprehensive income	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>-</u>	<u>44,798</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(3,000,322)</u>	<u>(2,106,940)</u>
Total comprehensive income attributable to: Owners of the parent	<u>(3,000,322)</u>	<u>(2,106,940)</u>

The notes form part of these financial statements.

Consolidated Statement of Financial Position
31 December 2013

	Notes	2013 €	2012 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	1,812,773	1,683,650
Property, plant and equipment	9	11,093	37,286
Investments	10	-	-
Deferred tax	19	<u>1,772,325</u>	<u>1,307,716</u>
		<u>3,596,191</u>	<u>3,028,652</u>
CURRENT ASSETS			
Trade and other receivables	11	47,100	61,292
Cash and cash equivalents	12	<u>27,990</u>	<u>-</u>
		<u>75,090</u>	<u>61,292</u>
TOTAL ASSETS		<u><u>3,671,281</u></u>	<u><u>3,089,944</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	550,530	435,660
Share premium	14	856,343	63,046
Retained earnings	14	<u>(6,738,391)</u>	<u>(3,738,069)</u>
TOTAL EQUITY		<u>(5,331,518)</u>	<u>(3,239,363)</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	<u>4,013,891</u>	<u>3,890,040</u>
CURRENT LIABILITIES			
Trade and other payables	15	2,802,055	929,570
Financial liabilities - borrowings			
Bank overdrafts	16	-	7,965
Interest bearing loans and borrowings	16	<u>2,186,853</u>	<u>1,501,732</u>
		<u>4,988,908</u>	<u>2,439,267</u>
TOTAL LIABILITIES		<u>9,002,799</u>	<u>6,329,307</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,671,281</u></u>	<u><u>3,089,944</u></u>

The notes form part of these financial statements

Consolidated Statement of Financial Position
31 December 2013

The financial statements were approved by the Board of Directors on 5 Nov 2014 and were signed on its behalf by:


.....

O Shalash - Director

Company Statement of Financial Position
31 December 2013

	Notes	2013 €	2012 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	1,812,773	1,683,650
Property, plant and equipment	9	-	-
Investments	10	75	75
Trade and other receivables	11	<u>4,256,750</u>	<u>3,086,190</u>
		<u>6,069,598</u>	<u>4,769,915</u>
CURRENT ASSETS			
Cash and cash equivalents	12	<u>-</u>	<u>5,007</u>
TOTAL ASSETS		<u><u>6,069,598</u></u>	<u><u>4,774,922</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	550,530	435,660
Share premium	14	856,343	63,046
Retained earnings	14	<u>(3,602,511)</u>	<u>(1,936,439)</u>
TOTAL EQUITY		<u>(2,195,638)</u>	<u>(1,437,733)</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	<u>4,013,891</u>	<u>3,890,040</u>
CURRENT LIABILITIES			
Trade and other payables	15	2,063,274	820,883
Financial liabilities - borrowings			
Bank overdrafts	16	1,218	-
Interest bearing loans and borrowings	16	<u>2,186,853</u>	<u>1,501,732</u>
		<u>4,251,345</u>	<u>2,322,615</u>
TOTAL LIABILITIES		<u>8,265,236</u>	<u>6,212,655</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,069,598</u></u>	<u><u>4,774,922</u></u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts (Registered number: 07092622)

Company Statement of Financial Position
31 December 2013

The financial statements were approved by the Board of Directors on 5 Nov 2014 and were signed on its behalf by:


.....
O Shalash - Director

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2013**

	Called up share capital €	Retained earnings €	Share premium €	Total equity €
Balance at 1 January 2012	435,660	(1,586,331)	63,046	(1,087,625)
Changes in equity				
Total comprehensive income	-	(2,151,738)	-	(2,151,738)
Balance at 31 December 2012	435,660	(3,738,069)	63,046	(3,239,363)
Changes in equity				
Issue of share capital	114,870	-	793,297	908,167
Total comprehensive income	-	(3,000,322)	-	(3,000,322)
Balance at 31 December 2013	550,530	(6,378,391)	856,343	(5,331,518)

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Company Statement of Changes in Equity
for the year ended 31 December 2013**

	Called up share capital €	Retained earnings €	Share premium €	Total equity €
Balance at 1 January 2012	435,660	(452,936)	63,046	45,770
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(1,483,503)</u>	<u>-</u>	<u>(1,483,503)</u>
Balance at 31 December 2012	<u>435,660</u>	<u>(1,936,439)</u>	<u>63,046</u>	<u>(1,437,733)</u>
Changes in equity				
Issue of share capital	114,870	-	793,297	908,167
Total comprehensive income	<u>-</u>	<u>(1,666,072)</u>	<u>-</u>	<u>(1,666,072)</u>
Balance at 31 December 2013	<u><u>550,530</u></u>	<u><u>(3,602,511)</u></u>	<u><u>856,343</u></u>	<u><u>(2,195,638)</u></u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Consolidated Statement of Cash Flows
for the year ended 31 December 2013**

	Notes	2013 €	2012 €
Cash flows from operating activities			
Cash generated from operations	1	1,545,708	(973,930)
Interest paid		<u>(920,979)</u>	<u>(431,140)</u>
Net cash from operating activities		<u>624,729</u>	<u>(1,405,070)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(1,034,582)	(1,251,333)
Purchase of tangible fixed assets		-	(17,114)
Interest received		<u>330,938</u>	<u>-</u>
Net cash from investing activities		<u>(703,644)</u>	<u>(1,268,447)</u>
Cash flows from financing activities			
Loans		-	2,569,257
Share issue		<u>114,870</u>	<u>-</u>
Net cash from financing activities		<u>114,870</u>	<u>2,569,257</u>
Increase/(decrease) in cash and cash equivalents		<u>35,955</u>	<u>(104,260)</u>
Cash and cash equivalents at beginning of year	2	<u>(7,965)</u>	<u>96,295</u>
Cash and cash equivalents at end of year	2	<u><u>27,990</u></u>	<u><u>(7,965)</u></u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Company Statement of Cash Flows
for the year ended 31 December 2013**

	Notes	2013 €	2012 €
Cash flows from operating activities			
Cash generated from operations	1	1,187,955	1,837,950
Interest paid		<u>(605,406)</u>	<u>(421,204)</u>
Net cash from operating activities		<u>582,549</u>	<u>1,416,746</u>
 Cash flows from investing activities			
Purchase of intangible fixed assets		(1,034,582)	(1,251,333)
Interest received		<u>330,938</u>	<u>247,712</u>
Net cash from investing activities		<u>(703,644)</u>	<u>(1,003,621)</u>
 Cash flows from financing activities			
Longterm loan		-	(472,135)
Share issue		<u>114,870</u>	<u>-</u>
Net cash from financing activities		<u>114,870</u>	<u>(472,135)</u>
 Decrease in cash and cash equivalents		<u>(6,225)</u>	<u>(59,010)</u>
Cash and cash equivalents at beginning of year	2	<u>5,007</u>	<u>64,017</u>
 Cash and cash equivalents at end of year	2	<u><u>(1,218)</u></u>	<u><u>5,007</u></u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

**Notes to the Statements of Cash Flows
for the year ended 31 December 2013**

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

Group

	2013 €	2012 €
Loss before income tax	(3,464,931)	(2,768,848)
Depreciation charges	922,108	731,926
Currency adjustment on consolidation	1,611,813	44,798
Finance costs	920,979	431,140
Finance income	<u>(330,938)</u>	<u>-</u>
	(340,969)	(1,560,984)
Decrease/(increase) in trade and other receivables	14,192	(3,523)
Increase in trade and other payables	<u>1,872,485</u>	<u>590,577</u>
Cash generated from operations	<u><u>1,545,708</u></u>	<u><u>(973,930)</u></u>

Company

	2013 €	2012 €
Loss before income tax	(1,666,072)	(1,483,503)
Depreciation charges	905,459	704,283
Other adjustments	431,709	-
Finance costs	605,406	421,204
Finance income	<u>(330,938)</u>	<u>(247,712)</u>
	(54,436)	(605,728)
Decrease in trade and other receivables	-	1,875,476
Increase in trade and other payables	<u>1,242,391</u>	<u>568,202</u>
Cash generated from operations	<u><u>1,187,955</u></u>	<u><u>1,837,950</u></u>

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 31 December 2013	31.12.13 €	1.1.13 €	31.12.13 €	1.1.13 €
Cash and cash equivalents	27,990	-	-	5,007
Bank overdrafts	<u>-</u>	<u>(7,965)</u>	<u>(1,218)</u>	<u>-</u>
	<u><u>27,990</u></u>	<u><u>(7,965)</u></u>	<u><u>(1,218)</u></u>	<u><u>5,007</u></u>
Year ended 31 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	<u>(7,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>(7,965)</u></u>	<u><u>96,295</u></u>	<u><u>5,007</u></u>	<u><u>64,017</u></u>

The notes form part of these financial statements

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

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 2013 but not relevant:

The following new standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2013 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 2013, 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.

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued for the year ended 31 December 2013

Basis of consolidation

The Group financial statements comprise the financial statements of Idea Fabrik Plc and its subsidiary made up to 31 December 2013. 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 €1,032,816 for the year ended 31 December 2013 (2012: €1,251,333). The Group amortises computer software development costs over their estimated useful lives of three years. Amortisation expense incurred and charged to operations was €905,459 for the year ended 31 December 2013 (2012: €704,283).

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.

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued for the year ended 31 December 2013

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.

**Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013**

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.

Idea Fabrik Plc Consolidated accounts

**Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013**

2. EMPLOYEES AND DIRECTORS

	2013 €	2012 €
Wages and salaries	<u>1,195,533</u>	<u>362,344</u>

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

	2013	2012
Management	1	1
Administration	2	2
Programmers	<u>11</u>	<u>20</u>
	<u>14</u>	<u>23</u>

	2013 €	2012 €
Directors' remuneration	<u>160,000</u>	<u>95,801</u>

3. NET FINANCE COSTS

	2013 €	2012 €
Finance income:		
Deposit account interest	<u>330,938</u>	<u>-</u>
Finance costs:		
Bank interest	315,573	257,648
Loan	<u>605,406</u>	<u>173,492</u>
	<u>920,979</u>	<u>431,140</u>
Net finance costs	<u>590,041</u>	<u>431,140</u>

4. LOSS BEFORE INCOME TAX

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

	2013 €	2012 €
Cost of inventories recognised as expense	360,465	342,747
Depreciation - owned assets	26,193	27,643
Intellectual Property amortisation	905,459	704,283
Foreign exchange differences	(125,002)	141,294
Research and Development	57,943	123,266
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	3,500
Fees payable to the subsidiary company's auditors	<u>15,400</u>	<u>15,400</u>

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

5. INCOME TAX**Analysis of tax income**

	2013 €	2012 €
Deferred tax	(464,609)	(617,110)
Total tax income in consolidated statement of profit or loss	<u>(464,609)</u>	<u>(617,110)</u>

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 €(1,666,072) (2012 - €(1,483,503)).

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 €	2013 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(3,000,322)	45,968,308	-6.53
Effect of dilutive securities			
Convertible loan note	<u>-</u>	<u>8,333,334</u>	<u>-</u>
Diluted EPS			
Adjusted earnings	<u>(3,000,322)</u>	<u>54,301,642</u>	<u>-5.53</u>

	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	<u>-</u>	<u>8,333,334</u>	<u>-</u>
Diluted EPS			
Adjusted earnings	<u>(2,151,738)</u>	<u>51,946,904</u>	<u>-4.14</u>

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

8. INTANGIBLE ASSETS

Group

	Intellectual Property €
COST	
At 1 January 2013	2,711,508
Additions	<u>1,034,582</u>
At 31 December 2013	<u>3,746,090</u>
AMORTISATION	
At 1 January 2013	1,027,858
Amortisation for year	<u>905,459</u>
At 31 December 2013	<u>1,933,317</u>
NET BOOK VALUE	
At 31 December 2013	<u>1,812,773</u>
At 31 December 2012	<u>1,683,650</u>

Company

	Intellectual Property €
COST	
At 1 January 2013	2,711,508
Additions	<u>1,034,582</u>
At 31 December 2013	<u>3,746,090</u>
AMORTISATION	
At 1 January 2013	1,027,858
Amortisation for year	<u>905,459</u>
At 31 December 2013	<u>1,933,317</u>
NET BOOK VALUE	
At 31 December 2013	<u>1,812,773</u>
At 31 December 2012	<u>1,683,650</u>

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

9. **PROPERTY, PLANT AND EQUIPMENT**

Group

	Plant and machinery €	Fixtures and fittings €	Computer equipment €	Totals €
COST				
At 1 January 2013 and 31 December 2013	<u>89,565</u>	<u>4,154</u>	<u>13,066</u>	<u>106,785</u>
DEPRECIATION				
At 1 January 2013	61,478	2,605	5,416	69,499
Charge for year	<u>20,530</u>	<u>300</u>	<u>5,363</u>	<u>26,193</u>
At 31 December 2013	<u>82,008</u>	<u>2,905</u>	<u>10,779</u>	<u>95,692</u>
NET BOOK VALUE				
At 31 December 2013	<u>7,557</u>	<u>1,249</u>	<u>2,287</u>	<u>11,093</u>
At 31 December 2012	<u>28,087</u>	<u>1,549</u>	<u>7,650</u>	<u>37,286</u>

10. **INVESTMENTS**

Company

	Shares in group undertakings €
COST	
At 1 January 2013 and 31 December 2013	<u>75</u>
NET BOOK VALUE	
At 31 December 2013	<u>75</u>
At 31 December 2012	<u>75</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

Class of shares:	%
Common stock	holding 100.00

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	€	€	€	€
Current:				
Trade debtors	8,620	8,303	-	-
Other debtors	16,166	24,933	-	-
Prepayments & accrued income	<u>22,314</u>	<u>28,056</u>	<u>-</u>	<u>-</u>
	<u>47,100</u>	<u>61,292</u>	<u>-</u>	<u>-</u>
Non-current:				
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>4,256,750</u>	<u>3,086,190</u>
Aggregate amounts	<u>47,100</u>	<u>61,292</u>	<u>4,256,750</u>	<u>3,086,190</u>

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	€	€	€	€
Bank accounts	<u>27,990</u>	<u>-</u>	<u>-</u>	<u>5,007</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2013	2012
			€	€
45,968,308	Ordinary shares	0.01	<u>550,530</u>	<u>435,660</u>

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

14. RESERVES

Group

	Retained earnings €	Share premium €	Totals €
At 1 January 2013	(3,738,069)	63,046	(3,675,023)
Deficit for the year	(3,000,322)		(3,000,322)
Cash share issue	-	793,297	793,297
At 31 December 2013	<u>(6,738,391)</u>	<u>856,343</u>	<u>(5,882,048)</u>

Company

	Retained earnings €	Share premium €	Totals €
At 1 January 2013	(1,936,439)	63,046	(1,873,393)
Deficit for the year	(1,666,072)		(1,666,072)
Cash share issue	-	793,297	793,297
At 31 December 2013	<u>(3,602,511)</u>	<u>856,343</u>	<u>(2,746,168)</u>

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 €	2012 €	2013 €	2012 €
Current:				
Trade creditors	39,513	41,183	-	-
Other creditors	253,333	93,310	253,333	93,310
Other loans	477,385	-	477,385	-
Accrued expenses	<u>2,031,824</u>	<u>795,077</u>	<u>1,332,556</u>	<u>727,573</u>
	<u>2,802,055</u>	<u>929,570</u>	<u>2,063,274</u>	<u>820,883</u>

16. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2013 €	2012 €	2013 €	2012 €
Current:				
Debentures	2,186,853	1,501,732	2,186,853	1,501,732
Bank overdrafts	<u>-</u>	<u>7,965</u>	<u>1,218</u>	<u>-</u>
	<u>2,186,853</u>	<u>1,509,697</u>	<u>2,188,071</u>	<u>1,501,732</u>
Non-current:				
Other loans - 1-2 years	<u>4,013,891</u>	<u>3,890,040</u>	<u>4,013,891</u>	<u>3,890,040</u>

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

16. FINANCIAL LIABILITIES - BORROWINGS - continued

Terms and debt repayment schedule

Group

	1 year or less €	1-2 years €	Totals €
Debentures	2,186,853	-	2,186,853
Other loans	-	4,013,891	4,013,891
	<u>2,186,853</u>	<u>4,013,891</u>	<u>6,200,744</u>

Company

	1 year or less €	1-2 years €	Totals €
Debentures	2,186,853	-	2,186,853
Bank overdrafts	1,218	-	1,218
Other loans	-	4,013,891	4,013,891
	<u>2,188,071</u>	<u>4,013,891</u>	<u>6,201,962</u>

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	
	2013 €	2012 €
Within one year	75,112	92,894
Between one and five years	111,331	348,533
In more than five years	-	37,274
	<u>186,443</u>	<u>478,701</u>

Company

2013 €	2012 €
<u> </u>	<u> </u>

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

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:

	Assets at fair value through Income statement designated upon initial recognition €	Loan and receivables €	Other non-financial assets €	Total €
Group 31 December 2013				
Non-current financial assets				
Other financial assets	-	-	7,783,543	7,783,543
Current financial assets				
Trade and other receivables	-	47,100	-	47,100
Cash and cash equivalents -	-	27,990	-	27,990
Total assets	-	75,090		7,858,633

	Other financial liabilities at amortised cost €	Other non- financial liabilities €	Total €
Group 31 December 2013			
Non-current liabilities			
Long term liabilities	4,013,891	3,298,992	7,312,883
Current liabilities			
Trade and other payables	-	2,802,056	2,802,056
Interest bearing loans	2,186,853	-	2,186,853
Total assets	6,200,744	6,101,048	12,301,792
Equity	(4,443,159)		(4,443,159)
Total liabilities and equity	1,757,585	6,101,048	7,858,633

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

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

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

Company 31 December 2013	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	-	-	1,812,773	1,812,773
Current financial assets				
Trade and other receivables	-	4,256,825	-	4,256,825
Cash and cash equivalents -	-	-	-	-
Total assets	-	4,256,825	1,812,773	6,069,598

Company 31 December 2013	Other financial liabilities at amortised cost €	Other non- financial liabilities €	Total €
Non-current liabilities			
Long term liabilities	4,013,891	-	4,013,891
Current liabilities			
Trade and other payables	-	2,063,274	2,063,274
Interest bearing loans	2,188,071	-	2,188,071
Total liabilities	6,201,962	2,063,274	8,265,236
Equity	(2,195,638)	-	(2,195,638)
Total liabilities and equity	4,006,324	2,063,274	6,069,598

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

	Assets at fair value through Income statement designated upon initial recognition €	Loan and receivables €	Other non-financial assets €	Total €
Company 31 December 2012				
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

	Other financial liabilities at amortised cost €	Other non- financial liabilities €	Total €
Company 31 December 2012			
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

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.

**Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013**

Risk management objectives

The Group manages financial risks relating to the companies within the Group through a centralised Treasury function which, monitors the risks and acts accordingly. The principal risks to which the group is exposed are commodity price risk, credit risk, liquidity risk and foreign currency risk.

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligation to the group. The Group manages its exposure to this risk by applying Board approved limits to the amount of credit exposure to any one counter-party and employs strict minimum credit worthiness criteria as to the choice of counter-party thereby ensuring that there are no significant concentrations of credit risk. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

Liquidity risk

Liquidity risk is the risk that companies within the Group will encounter difficulty in meeting these obligations associated with financial liabilities. To counter this risk the Group is mainly financed via a loan from one of the Directors which brings in strong cash flows into the business. The director has committed his full support to the business so there will be no issue with the Group defaulting on the loan.

Foreign currency risk

The presentation currency for the Group is the Euro and they are exposed to currency fluctuations against this from the US Dollar, UK Sterling and the Swiss Franc. To mitigate against this the risk the Group has bank accounts in all of these currencies to minimise any foreign exchange risk.

19. DEFERRED TAX

Group

	2013 €	2012 €
Balance at 1 January	(1,307,716)	(690,606)
Accelerated allowances	<u>(464,609)</u>	<u>(617,110)</u>
Balance at 31 December	<u>(1,772,325)</u>	<u>(1,307,716)</u>

20. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

During the year consulting fees of €Nil (2012: €50,375) has been paid to John Jenkins as part of the Management and Service Agreement between Idea Fabrik Plc and IF Studios Inc.

21. RELATED PARTY DISCLOSURES

During the year Idea Fabrik Plc loaned monies to IF Studio Inc amounting to €1,722,048 (2012: €2,178,454) of which €3,298,991 (2012: €2,358,991) was still outstanding as at the year end.

Interest amounting to €315,573 (2012: €345,880) has been charged and included in both companies financial statements.

During the year IF Studio Inc. capitalised €990,620 (2012: €1,251,333) of research and development costs. This has been transferred to Idea Fabrik Plc and set off against the intercompany loan.

22. ULTIMATE CONTROLLING PARTY

The directors believe that there is no ultimate controlling party.

Idea Fabrik Plc Consolidated accounts

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2013

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2013 €	2012 €
Loss for the financial year	(3,000,322)	(2,151,738)
Share issue	114,870	-
Share premium	793,297	-
Share buy back		
Net reduction of shareholders' funds	(2,092,155)	(2,151,738)
Opening shareholders' funds	<u>(3,239,363)</u>	<u>(1,087,625)</u>
Closing shareholders' funds	<u>(5,331,518)</u>	<u>(3,239,363)</u>

Company

	2013 €	2012 €
Loss for the financial year	(1,666,072)	(1,483,503)
Share issue	114,870	-
Share Premium	793,297	-
Share buy back		
Net reduction of shareholders' funds	(757,905)	(1,483,503)
Opening shareholders' funds	<u>(1,437,733)</u>	<u>45,770</u>
Closing shareholders' funds	<u>(2,195,638)</u>	<u>(1,437,733)</u>