GARRIDO AUDITORES

ZINKIA ENTERTAINMENT, S.A.

Report on Limited Review, Interim Financial Statements and Director´s Report at June 30, 2015

Translation of a report originally issued in Spanish based on our work performed in accordance with the International Standard on Review Engagements 2410, in force in Spain and of interim financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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REPORT ON LIMITED REVIEW OF THE INTERIM FINANCIAL STATEMENTS

To the shareholders of Zinkia Entertainment, S.A., at the request of the Directors:

Report on the interim financial statements

Introduction

We have carried out audited a limited review of the accompanying interim financial statements of Zinkia Entertainment, S.A., comprising the balance sheet at June 30, 2015, the income statement, the statement of changes in equity, the cash flow statement and explanatory notes thereto for the six months period ended on this date. The Company's directors are responsible for the preparation of said interim financial statements in accordance with the applicable accounting principles and standards generally accepted in Spain, as identified in the note 2 of the accompany explanatory notes, and for such internal control as the board of directors determines is necessary to enable the preparation of interim financial statements that are free from material misstatements, whether due to fraud or error. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the review

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Basis for Qualified Conclusion

The financial expenses included in the accompanying interim income statement for the six month period ended June 30, 2014, which is presented only for comparative purposes, does not include an amount of financial expenses of euro 188.000 which were not recognized because of the company had been declared in voluntary arrangement with creditors on April 7th, 2014. As consequence, in the comparative figures at June 30 2014 which are presented only for comparative purposes, financial expenses and financial liabilities must be augmented, and the equity must be reduced, in the said amount. These financial expenses were already recognized in the financial statement at December 31 2014, and also in the accompanying Interim Financial

Statements for the six months period ended on June 30 2015. Additionally it is noted the fact that on July 24, 2015 the Commercial Court of Madrid nº8 judicially approved the Creditors' Arrangement. Our audit opinion on the interim financial statements at June 30, 2014 contained a qualification with this respect.

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, except for the effects of the fact described in the in the preceding paragraph about the comparative figures at June 30 2014, no matter came to our attention which would lead us to conclude that the accompanying interim financial statements for the six-month period ended June 30, 2015 have not been prepared, in all significant respects, the equity and financial position of Zinkia Entertainment, S.A. at June 30, 2015 and the results of its operations and cash flows for the period then ended, in accordance with the applicable regulatory financial reporting framework and, in particular, with the accounting principles and rules contained therein.

Emphasis paragraphs

We draw attention to what is indicated in accompany explanatory note 2.f, where is indicated that on April 7th 2014, has been declared the voluntary arrangement with creditors of the company. This fact, along with the rest of factors indicated in the same note is indicative of a significant uncertainty about the company´s ability to continue its operations. Nevertheless, the Directors have prepared the accompanying interim financial statements on a going concern basis, because they believe that the adoption of a number of measures, and the judgment of the Commercial Court No. 8 in Madrid on July 24, 2015 under which the Creditor´s arrangement is judicially approved, described in the note will allow to obtain financial resources and the required agreements to accomplish all of its commitments. This matter does not change our opinion.

We draw attention to what is indicated in note 24 of the accompanying explanatory notes, which indicates that during the first half of 2015 has been initiated a process of resolving a dispute regarding a contract with an US customer to develop educational applications. The evolution of the outstanding balance at June 30, 2015 which amounts to euro 2.672.267, as well as the caption "Current accruals and deferred income" amounting to euro 2.055.590 could be affected by the above mentioned process which is in a very early stage. This matter does not change our opinion.

Report on other legal and regulatory requirements

The accompanying directors' report for the six months period ended June 30, 2015 contains the explanations that the company's directors consider appropriate regarding important events of this period and their impact on the interim financial statements presented, of which is not an integral part, as well as the information required as provided in the Article 15 of the Royal Decree 1362/2007. We have checked that the accounting information contained in the directors' report is consistent with that contained in the interim financial statements for the six month period ended June 30, 2015. Our work was confined to check the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Zinkia Entertainment, S.A. accounting records.

GARRIDO AUDITORES

Paragraph on other issues

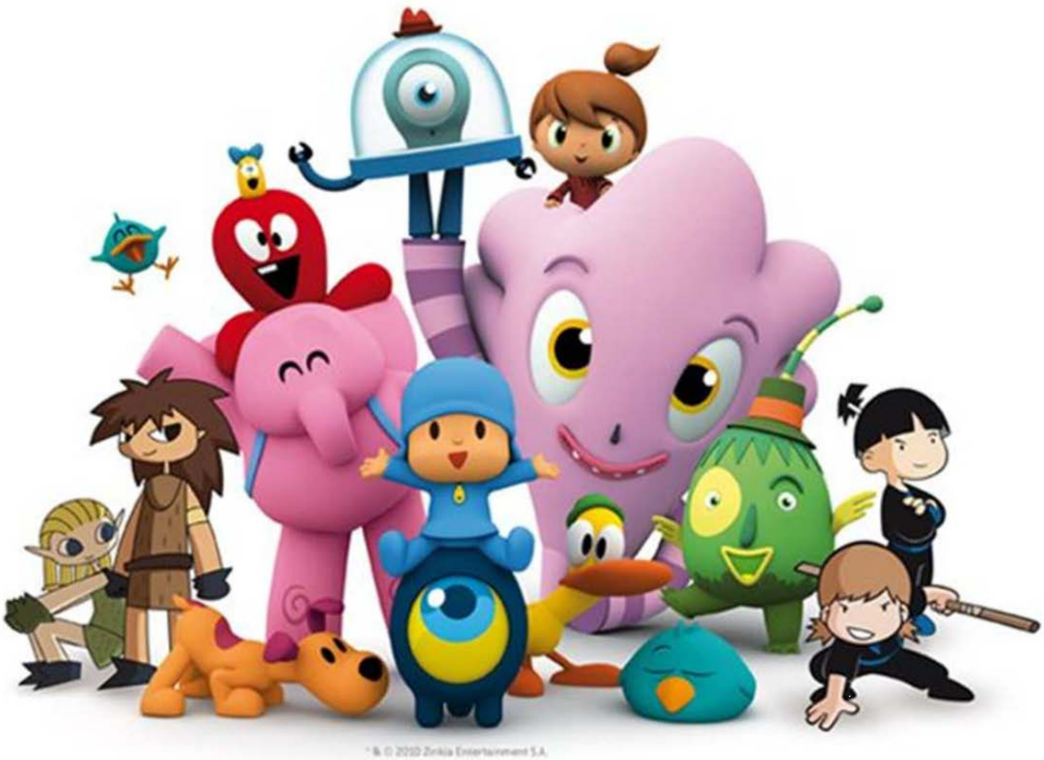
This report has been prepared at the request of the Board of Directors with regard to the publication of the semi-annual financial report required by article 35 of Securities Market Law 24/1988, of July 28, further developed by Royal Decree 1362/2007, of October 19.

Garrido Auditores, S.L.

David Jiménez Matías
August 26, 2015

ZINKIA ENTERTAINMENT, S.A.

INTERIM FINANCIAL STATEMENTS AT JUNE 30th 2015



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ZINKIA ENTERTAINMENT, S.A.
INTERIM FINANCIAL STATEMENTS AT JUNE 30th 2015 (In EUR)

ASSETS	Note	6/30/2015	12/31/2014
A) NON-CURRENT ASSETS		**14,600,126**	**16,173,709**
I. Intangible fixed assets	**5**	**8,147,424**	**8,404,571**
1. Development		4,374,350	4,526,317
3. Patents, licenses, trademarks and similar		3,743,769	3,841,175
5. Computer software		29,305	37,079
II. Property, plant and equipment	**6**	**38,612**	**37,135**
2. Plant and other PPE		38,612	37,135
IV. Non-current investments in group companies and associates	**8**	**3,006**	**3,006**
1. Equity instruments		3,006	3,006
V. Non-current financial investments	**7 , 11**	**300**	**300**
1. Equity instruments		300	300
VI. Tax credits	**21**	**6,126,918**	**6,163,415**
VII. Non-current trade receivables	**7 , 11**	**283,866**	**1,565,282**
1. From clients		283,866	1,565,282
B) CURRENT ASSETS		**7,573,493**	**6,274,918**
III. Trade and other accounts receivable	**7 , 11**	**3,575,153**	**3,337,767**
1. From clients		3,556,075	3,291,810
2. Clients, group companies and associates		1,617	25,348
3. Sundry receivables		16,243	16,243
4. Employees		232	361
5. Current tax assets		-	-
6. Other tax credits		986	4,005
IV. Current investments in group companies and associates	**7, 11 , 26**	**178**	**178**
2. Loans to companies		-	-
5. Other financial assets		178	178
V. Current financial investments	**7 , 11**	**1,134,090**	**1,139,892**
1. Equity instruments		141	149
5. Other financial assets		1,133,949	1,139,743
VI. Prepaid expenses		**5,823**	**3,393**
VII. Cash and cash equivalents	**14**	**2,858,249**	**1,793,688**
1. Cash		2,858,239	1,793,515
2. Cash equivalents		10	173
TOTAL ASSETS		**22,173,619**	**22,448,627**

Notes 1-32 in the joint memoir are an integral part of the Interim Financial Statements at June 30th 2015

ZINKIA ENTERTAINMENT, S.A.
INTERIM FINANCIAL STATEMENTS AT JUNE 30th 2015 (In EUR)

EQUITY AND LIABILITIES	Note	6/30/2015	12/31/2014
A) NET EQUITY		**5,211,792**	**5,130,485**
A-1) SHAREHOLDER'S EQUITY		**5,077,168**	**4,995,862**
I. Capital	**15**	**2,445,677**	**2,445,677**
1. Registered capital		2,445,677	2,445,677
II. Share premium	**15**	**9,570,913**	**9,570,913**
III. Reserves	**16**	**918,423**	**918,423**
1. Legal and statutory		330,475	330,475
2. Other reserves		587,948	587,948
IV. Treasury stock	**17**	**(403,841)**	**(403,841)**
V. Profit/(loss) carryforwards		**(7,535,310)**	**(3,701,910)**
2. Tax loss carryforwards		(7,535,310)	(3,701,910)
VII. Profit/(loss) for the year	**18**	**81,306**	**(3,833,399)**
A-2) ADJUSTMENTS DUE TO VALUE CHANGES	**12**	**(3,950)**	**(3,950)**
II. Hedgings transactions		**(3,950)**	**(3,950)**
A-3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	**20**	**138,573**	**138,573**
B) NON-CURRENT LIABILITIES		**3,892,398**	**5,344,202**
II. Non-current payables	**7 , 13**	**3,838,738**	**4,027,867**
2. Bank borrowings		268,831	317,511
5. Other financial liabilities		3,569,907	3,710,356
IV. Deferred tax liabilities		**53,660**	**53,660**
V. Non current accruals and deferred tax liabilities	**13**	**-**	**1,262,675**
C) CURRENT LIABILITIES	**7 , 13**	**13,069,429**	**11,973,940**
II. Current provisions	**24**	**100,000**	**100,000**
III. Current payables	**7**	**8,340,055**	**7,846,269**
1. Debentures and other marketable securities		2,640,319	2,517,229
2. Bank borrowings		1,694,366	1,629,293
5. Other financial liabilities		4,005,370	3,699,746
IV. Current accruals and deferred income	**7 , 13**	**29,381**	**29,381**
V. Trade an other payables		**2,544,403**	**2,610,431**
3. Sundry payables		2,331,621	2,386,818
4. Wages and salaries pending of payment		1,409	1,409
6. Other tax payables		175,785	186,616
7. Clients advances		35,588	35,588
VI. Current accruals and deferred income	**13**	**2,055,590**	**1,387,859**
TOTAL LIABILITIES AND EQUITY		**22,173,619**	**22,448,627**

Notes 1-32 in the joint memoir are an integral part of the Interim Financial Statements at June 30th 2015

ZINKIA ENTERTAINMENT, S.A.

INCOME STATEMENT FOR THE INTERIM PERIOD ENDED AT JUNE 30th 2015 (In Euros)

	Note	6/30/2015	6/30/2014
1. Revenue	22.b	3,057,434	2,922,776
3. Own work capitalised	5	428,147	493,527
4. Raw materials and consumables	22.c	(158,049)	(68,606)
6. Staff expenses	22.e	(1,183,146)	(1,212,918)
7. Other operating expenses	22.d	(1,031,572)	(1,064,689)
8. Fixed assets amortisation	5 , 6	(694,055)	(506,442)
9. Allocation of grants and other non-financial assets	20	-	4,831
11. Impairment and profit/(loss) on fixes assets disposals		-	1,460
a) Impairment and losses	5	-	-
b) Profit/(loss) on disposals and other		-	1,460
12. Other results		26,231	(6,873)
A) OPERATING PROFIT/(LOSS)		**444,990**	**563,067**
13. Financial income		79,776	100,524
14. Financial expense		(373,300)	(193,098)
16. Exchange differences	22.a	(8,376)	38,147
17. Impairment losses on disposal of financial instruments	26	-	(491,824)
B) FINANCIAL PROFIT/(LOSS)		**(301,900)**	**(546,251)**
C) PROFIT/(LOSS) BEFORE INCOME TAX		**143,090**	**16,816**
18. Corporate income tax	23	(61,784)	(380,145)
D) PROFIT/(LOSS) FOR THE YEAR		**81,306**	**(363,330)**

Notes 1-32 in the joint memoir are an integral part of the Interim Income Financial Statements at June 30th 2015

ZINKIA ENTERTAINMENT, S.A.

STATEMENT OF CHANGE IN EQUITY AT THE INTERIM PERIOD ENDED ATJUNE 30th 2015 (In EUR)

A) STATEMENT OF INTERIM RECOGNIZED INCOME AND EXPENSE (In EUR)

	6/30/2015	6/30/2014
A) Profit/(loss) for the year	**81,306**	**(363,330)**
Income and expense recognised directly in equity		
I. Change in value of financial assets	-	-
1. Available-for-sale financial assets	-	-
2. Other income/expense	-	-
II. Cash-flow hedges	-	(3)
III. Grants, donations and bequests received	-	-
IV. Arising from actuarial gains and losses and other adjustments	-	-
V. Tax effect	-	-
B) Total income and expense recognised directly in equity	**-**	**(3)**
Transfers to income statements		
VI. Change in value of financial assets	-	-
1. Available-for-sale financial assets	-	-
2. Other income/expense	-	-
VII. Cash-flow hedges	-	-
VIII. Grants, donations and bequests received	-	-
IX. Tax effect	-	-
C) Total transfers to income statements	**-**	**-**
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)	**81,306**	**(363,333)**

Notes 1-32 in the joint memoir are an integral part of the Interim Income Financial Statements at June 30th 2015

B) INTERIM STATEMENT OF TOTAL CHANGES IN EQUITY (In EUR)

	NOTES	REGISTERED CAPITAL	SHARE PREMIUM	RESERVES	TREASURY STOCK	PRIOR-YEAR RESULTS	PROFIT/(LOSS) FOR THE YEAR	VALUE ADJUSTMENTS	GRANTS AND DONATIONS	TOTAL
D. 2014, ADJUSTED STARTING BALANCE		**2,445,677**	**9,570,913**	**918,423**	**(403,841)**	**(2,681,613)**	**(1,020,297)**	**(3,947)**	**154,515**	**8,979,829**
I. Total recognised income and expense	18	-	-	-	-	-	(3,833,399)	(3)	(15,942)	(3,849,344)
II. Transactions with shareholders										-
5. Trading treasury stock	16, 17	-	-		-	-	-	-	-	-
III. Other movements in equity	18	-	-		-	(1,020,297)	1,020,297	-	-	-
E. 2014, ENDING BALANCE		**2,445,677**	**9,570,913**	**918,423**	**(403,841)**	**(3,701,910)**	**(3,833,399)**	**(3,950)**	**138,573**	**5,130,485**
I. Adjustments due to criteria changes										-
II. Adjustments due to errors										-
D. 2015, ADJUSTED STARTING BALANCE		**2,445,677**	**9,570,913**	**918,423**	**(403,841)**	**(3,701,910)**	**(3,833,399)**	**(3,950)**	**138,573**	**5,130,485**
I. Total recognised income and expense	18	-	-	-	-	-	81,306	-	-	81,306
III. Other movements in equity	18	-	-	-	-	(3,833,399)	3,833,399	-	-	-
E. BALANCE AT 06/30/2015		**2,445,677**	**9,570,913**	**918,423**	**(403,841)**	**(7,535,309)**	**81,306**	**(3,950)**	**138,573**	**5,211,792**

	NOTES	REGISTERED CAPITAL	SHARE PREMIUM	RESERVES	TREASURY STOCK	PRIOR-YEAR RESULTS	PROFIT/(LOSS) FOR THE YEAR	VALUE ADJUSTMENTS	GRANTS AND DONATIONS	TOTAL
D. 2013, ADJUSTED STARTING BALANCE		**2,445,677**	**9,570,913**	**994,353**	**(403,841)**	**(3,520,530)**	**932,131**	**(4,003)**	**130,978**	**10,145,677**
I. Total recognised income and expense	18	-	-	-	-	-	(1,020,297)	55	23,537	(996,706)
II. Transactions with shareholders										-
5. Trading treasury stock	16, 17			(185,793)						(185,793)
III. Other movements in equity	18	-	-	109,863	-	838,918	(932,131)	-	-	16,649
E. 2013, ENDING BALANCE		**2,445,677**	**9,570,913**	**918,423**	**(403,841)**	**(2,681,613)**	**(1,020,297)**	**(3,947)**	**154,515**	**8,979,828**
I. Adjustments due to criteria changes										-
II. Adjustments due to errors										-
D. 2014, ADJUSTED STARTING BALANCE		**2,445,677**	**9,570,913**	**918,423**	**(403,841)**	**(2,681,613)**	**(1,020,297)**	**(3,947)**	**154,515**	**8,979,828**
I. Total recognised income and expense	18	-	-	-	-	-	(363,330)	(3)	-	(363,333)
III. Other movements in equity	18	-	-		-	(1,020,297)	1,020,297	-	-	-
E. BALANCE AT 06/30/2014		**2,445,677**	**9,570,913**	**918,423**	**(403,841)**	**(3,701,910)**	**(363,330)**	**(3,950)**	**154,515**	**8,616,496**

Notes 1-32 in the joint memoir are an integral part of the Statement of Total Changes in Equity at June 30th 2015

ZINKIA ENTERTAINMENT, S.A.
INTERIM CASH FLOW STATEMENT AT JUNE 30th 2015 (In EUR)

A) CASH FLOWS FROM OPERATIONS	NOTES	6/30/2015	6/30/2014
1. Profit before taxes		**143,090**	**16,816**
2. Adjustments to profit (loss)		**969,724**	**1,053,275**
a) Fixed asset depreciation	5 , 6	694,055	506,442
b) Value corrections	5 , 8	-	491,824
d) Profit(loss) from fixed asset disposals		-	(1,460)
e) Financial Income		(79,776)	(100,524)
f) Financial expenses		373,300	193,098
g) Exchange differences		8,376	(38,147)
h) Allocation of grants		-	(4,831)
i) Other incomes and expenses		(26,231)	6,873
3. Change in working capital		**380,628**	**(316,210)**
b) Other current assets and liabilities	7 , 11	(237,386)	(1,088,663)
c) Creditors and other payables		(2,430)	15,266
c) Creditors and other payables	7 , 13	(66,029)	306,330
d) Other current liabilities	7 , 11 , 21	667,731	66,321
d) Other non-current assets and liabilities	7 , 11 , 21	18,741	384,535
4.- Other cash flows from operations		**945**	**(125,815)**
a) Interest paid		-	(89,980)
c) Collections (payments) for corporate income tax		(25,286)	(28,964)
d) Other payments (collections)		26,231	(6,873)
e) Collections for interests		-	2
5.- Cash flows from operations (1+2+3+4)		**1,494,386**	**628,065**
B) CASH FLOWS FROM INVESTMENTS			
6. Paid on investments (-)		**(438,385)**	**(548,273)**
a) Group companies and associates	7 , 8	-	(14,965)
b) Intangible assets	5	(430,097)	(494,307)
c) Property, plant and equipment	6	(8,288)	(5,110)
e) Other financial assets		-	(33,891)
7. Amounts collected from divestments (+)		**-**	**9,214**
e) Other financial assets		-	9,214
8. Cash flows from investments (7-6)		**(438,385)**	**(539,059)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Collections and payments on equity instruments		**-**	**-**
c) Acquisition of equity instruments		-	-
d) Disposal of equity instruments		-	-
10. Collections and payments on financial liability instruments		**-**	**(31,913)**
a) Issues		-	-
2. Bank borrowings		-	
3. Other payables		-	-
b) Retur and amortisation of		-	(31,913)
1. Bank borrowings		-	(4,128)
2. Other payables		-	(27,785)
12. Cash flows from financing (9+10+11)		**-**	**(31,913)**
D) Effect of exchange rate fluctuations		8,560	5,369
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**1,064,561**	**62,462**
Cash and cash equivalents at January, 1st		1,793,688	903,578
Cash and cash equivalents at June, 30th		2,858,249	966,040

Notes 1-32 in the joint memoir are an integral part of the Cash Flow Statement corresponding to the first semester in 2015

ZINKIA ENTERTAINMENT, S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS AT JUNE 30th 2015
(In Euros)

1. General Information

The Company was founded as a limited liability company under the name of Junk & Beliavsky, S.L. on April, 27th 2000. On December, 27th 2001, the name was changed to Zinkia Sitement, S.L. and the company's registered offices were established at Calle Infantas, 27 in Madrid.

On June, 11th 2002, the name of the company was once again changed to ZINKIA ENTERTAINMENT, S.L.

On July, 20th 2007, the General Meeting of Shareholders agreed to transform the company into a public limited company, which was formalised in the public deed executed before the notary public of Madrid, Miguel Mestanza Iturmendi, on October, 24th 2007.

The corporate purposes of the Company, which are governed by the terms of the Capital Companies Act, are as follows:

a) Business activities related to the creation, production, promotion, development, management, distribution, exhibition and exploitation or commercialisation by any means, including the granting licences of trademark, designs, works (cinematographic or audiovisual, interactive or musical) as well as educational and training projects as well as the publishing of musical works and the purchase of products, be it by means of the traditional channels or by means of digital platforms.

b) Rendering services related to the creation, development, training and exploitation or commercialisation of interactive software, hardware and consulting in the field of telecommunications.

c) Buying and selling shares and debentures which may or may not traded in domestic or foreign stock markets, and other negotiable securities and real estate. By law, the Company's business activities exclude those activities reserved for stockbrokers, collective investment institutions and property leasing.

d) Managing and administering all kinds of companies including industrial, commercial and service companies and holding interests in existing or newly-created companies, either by participating in their governing bodies or by holding shares or financial interests in them. These activities may also be performed on behalf of third parties.

e) Providing the companies in which it holds interests with advisory, technical assistance and similar services in relation to their administration, financial structure or their productive or commercial processes.

f) Any other operation or industrial, commercial and credit activities that might complement or enhance the previous activities or that might be linked to them.

The Company's activities are focused primarily on those described in items a and b.

According to article 6.1 of the Royal Decree 1159/2010 of September 17th, which approves of the Rules for the Preparation of Consolidated Financial Statements, the Company is the parent of a group of companies (Note 8), and as such, and since the Company has issued securities which are traded on a regulated market in a Member State of the European Union, the Company is presenting its interim financial statements under the EU-IFRS financial statements standards.

2. Basis of presentation

a) Regulatory framework of financial information

These Interim Financial Statements have been prepared by the Directors in accordance with regulatory framework of financial information applicable to the Company:

- Spanish Commercial Code and the rest of mercantile laws.
- General Chart of Accounts approved by the Royal Decree 1514/2007 and its Sector adaptations.
- Accounting mandatory rules approved by the ICAC (Spanish Accounting and Audit Institute) developing the General Chart of Accounts and related rules.
- The rest of the applicable Spanish accounting regulations.

b) True and fair view

These interim financial statements have been prepared on the basis of the Company's accounting records and they are presented in accordance with regulatory framework of financial information and related accounting rules so as to present fairly the Company's equity, financial situation and results and accurately cash flow in the cash flow statement, during this year.

c) Accounting principles

These interim financial statements were prepared by applying generally-accepted accounting principles. No accounting principles with significant effects on the financial statements were omitted.

d) Critical measurement issues and estimates of uncertainty

The preparation of the interim financial statements requires the use by the Company management of certain relevant estimates, judgements and hypothesis that might affect the accounting policies adopted as well as the assets, liabilities, revenues, expenditures and their related breakdown.

The estimates and hypothesis are based, among others, in the historic experience and other facts considered reasonable under the circumstances at the interim statements date, and the result of which forms the basis for estimating the carrying amounts of assets and liabilities that cannot be immediately calculated in any other manner.

The real results could appear in a different manner than was estimated. Estimates and judgements are constantly evaluated.

Some accounting estimates are considered meaningful if the nature of the estimate and the judgement is material and if the impact on the financial position or the operating return is material.

Although some estimates were made by the Company's management and the best possible information available at every end-year, by applying their best estimate and knowledge of the market, it might be that potential future events oblige the Company to change them in the coming years. According to the legislation in force the effects of the change of estimate shall be recorded prospectively under the heading of results.

Next we shall explain the estimates and judgements that might cause a material adjustment to the carrying amounts of assets and liabilities within the coming year.

d.1) Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not traded on an active market is calculated using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Company has carried out the analysis using the discounted cash flow method of various held-for-sale financial assets that are not traded on active markets.

d.2) Useful lives property, plant and equipment

The Company management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the estimated life cycles of the products in the high technology segment. This could change considerably as a consequence of technical innovations and the actions of competitors as a reaction to the sector hard cycles. The Management will increase the depreciation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

e) Comparability of information

The Company has included in these Interim Financial Statements the figures from the previous year as there is no reason why the figures from both years would not be compared.

f) Grouping of items

For clarity purposes, the items presented in the balance sheet, income statement, statement of changes in equity and cash flow statement are grouped together in these Interim Financial Statements and, where necessary, a breakdown is included in the relevant notes to the memoir.

g) Changes in accounting policies

This Interim period, the Company has not applied changes in accounting policies following its usual accounting policy.

h) Correction of errors

There were no corrections of prior period errors.

i) <u>The on-going concern principle-Negative Working Capital</u>

The Interim financial balance sheet shows a negative Working Capital of EUR 5,495,936 at June 30th 2015 (EUR 5,699,021 at December 31st, 2014), mainly due to the maturity of the largest financial debts pointed in the balance of the Company.

This Working Capital results from the debt classification in the balance sheet according to the debt original maturity dates, since the debt maturity dates as proposed in the payment schedule and approved by the majority of the creditors cannot be used until the Agreement enters into force.

The following summarises the state of the arrangement with creditors in which the Company entered last April 7th 2014:

i.1) <u>Position of the Company and Insolvency Procedure</u>

As noted in the Annual Financial Statements of the previous year, as the Company voluntarily entered the Arrangement with Creditors procedure on the 7th April 2014, the Board of Directors decided in May 2014 presenting an Advanced Proposal of Arrangement with Creditors (hereinafter, APAC) before the courts.

This Advanced Proposal of Arrangement with Creditors (APAC) does not entail reductions, reason why it was well accepted among creditors, which at the time of its presentation before the mercantile court actually led to count already on the adherence of some of the main creditors, like financial entities and banks and the Spanish Public Administration, among some others. Also, in the 17th June 2014 took place the Bondholders Meeting wherein bondholders adhered the APAC presented by the Company.

At July 11th 2014 and within the term granted by the court, the Insolvency Administration filed its favourable report on the content of the APAC that was presented by the Company regarding the Payments Schedule and the Plan of Viability.

Since that date and up to the preparation of the present Interim Financial Statements, the Company has been awaiting the positive decision of the court on the APAC which has been delayed due to circumstances until on the 29th July 2015 the Company was notified about the Sentence issued by the Madrid Court number 8 of the mercantile on the 24th July 2015 and by virtue of which the court approves the Arrangement with Creditors presented by the Company (see note 28). The approval of the APAC by the court will allow the Company to overcome its situation and satisfy its creditors under the terms established in the APAC, and relaunch the Company's business.

i.2) <u>Overdue balances at the year end and actions taken.</u>

By means of the judicial decision dated 7th April 2014, the Company was officially declared in arrangement with creditors, and as a consequence, from that date on, and according to the insolvency rules, the Company cannot proceed to pay any amount whatsoever regarding the debts generated prior to the date of the judicial decision. Such debt amounts are considered insolvency debts. This situation of insolvency means that a very important part of the liabilities of the Company, amounting to some EUR 13,500,000 approximately are is considered as insolvency debt the maturity of which shall be determined by the arrangement finally approved by the court.

i.3) Actions to generate liquidity.

The Company, in spite of being subject to an insolvency procedure, is still growing and working on the development of its business, increasing the revenue from its business activities and minimising as much as possible the costs derived from such procedure. Some of the actions taken to generate liquidity are as follows:

- Voluntary application by the Company of entering the procedure of arrangement with creditors and the alter approval issued by the court. As it has been mentioned before, all the debts that are previous to the declaration of Insolvency (7th April 2014) are considered insolvency debts and they shall be satisfied according to the proposed payments schedule. This has permitted the Company to continue in business, facing the recurrent costs (the essential costs) allowing thus savings in the cash flow generation which shall afford the payment of the future payments derived from the arrangement with creditors.

- Increased revenue derived from the international expansion of the brand POCOYO and the increase in the sales related to the online presence and the digital rights management, which thus diversify the cash generation coming from different countries and different lines of business areas.

- Launching of a new international project by means of which the income from the licensing line of business is expected to increase notably.

- Zinkia is continuing its policy of cost reduction by binding costs to the generation of income to the possible extent. This point will favour the generation of liquidity very positively.

- The Company is still in the process of seeking funds to develop its business plan, while analysing possible alternatives at its disposal.

These activities are further detailed in the management report of the Company.

The Directors of the Company consider that the approval of the Advanced Proposal of Arrangement, together with the rest of the activities that are being carried out, will lead the Company to obtain the financial resources and the necessary agreements to fulfil all of its obligations.

3. Accounting policies

3.1 Intangible assets

a) Research and development expenses

Research expenditure is recognised as an expense when incurred. Development costs incurred in projects are recognised as intangible assets when it is probable that the project will be carried out considering its technological and commercial feasibility, there are sufficient technical and financial resources to complete it, the costs incurred may be measured reliably and a profit is likely to be generated.

If an asset's carrying value is greater than the estimated recoverable amount, the carrying value is written down immediately to the recoverable amount (Note 3.4).

If the circumstances favouring the project that permitted the capitalisation of the development costs should change, the unamortised portion is expensed in the year of change.

b) Licenses and trademarks

Licences and trademarks have defined useful lives and are carried at cost less accumulated amortisation and recognised value adjustments for impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3-5 years.

c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of five years.

Expenses associated with software maintenance are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include costs relating to employees developing the software and an appropriate percentage of general expenses.

Software development costs recognised as assets are amortised over the software's estimated useful life, which does not exceed 5 years.

3.2 Property, plant and equipment

Property, plant and equipment items are stated at acquisition price or production cost, less accumulated depreciation and accumulated impairment losses recognised.

Own work capitalised is measured by adding the direct or indirect costs of the asset to the price of the consumable materials.

The costs associated with expanding, upgrading or improving property, plant and equipment are carried as an increase in the asset's value only when they entail an increase in its capacity, productivity or the extension of its useful life and provided that in the case of assets written off from inventories owing to replacement, the carrying value can be known or estimated.

The cost of major repairs is capitalised and depreciated over the estimated useful life of the asset, while recurring maintenance costs are charged to the income statement in the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. Estimated useful lives are as follows:

Property, plant and equipment	Years
Machinery and tooling	4 - 8
Other equipment	8
Furnishings	10
Data-processing equipment	4 - 5
Other PPE	10

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying value is greater than the estimated recoverable amount, the carrying value is written down immediately to the recoverable amount (Note 3.4).

Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sales revenue with the carrying amount and are recognised in the income statement.

3.3 Interest costs

Financial expenses directly attributable to the acquisition or construction of fixed assets that require more than one year before they become operational are included in the cost of the assets until they are ready for use.

3.4 Losses due to impairment of non-financial assets

Assets with indefinite useful lives, such as goodwill, are not amortised but rather tested annually for impairment. Depreciable assets are tested for losses due to impairment whenever there is an event or circumstance that indicates that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value less the higher of costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets other than goodwill, which are impaired, are reviewed at the balance sheet date for reversal of the loss.

3.5 Financial assets

a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for those maturities dates longer than 12 months since the balance sheet date, which are classified as non-current assets.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity. However, trade receivables falling due in less than one year are carried at their face value at both initially and subsequently, provided that the effect of not updating the cash flows is not significant.

At least once a year at the end of the year, the necessary value adjustments are made to account for impairment when there is objective evidence that no receivables will be collected.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

b) Held-to-maturity investments: Held-to-maturity financial assets are debt securities with fixed or determinable payments and fixed maturity, that are traded on an active market and that Company management has the positive intention and ability to hold to maturity. If the Company sells a material amount of held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months of the balance sheet date which are classified as current assets.

The measurement criteria applied to these investments are the same as for loans and receivables.

c) Financial assets held for trading: All those assets held for trading, purchased for sale in the short term or that form part of an instrument portfolio, identified and managed jointly to obtain short-term gains. Derivatives are also classified as held for trading provided that they do not relate to a financial guarantee contract and have not been designated as a hedge.

d) Other Financial assets at fair value through profit or loss: are considered financial assets at fair value through profit or loss those financial assets designated by the Company upon initial recognition for inclusion in this category due to this recognition reduces accounting mismatches or these assets are included in a group whose performance is measured at fair value according to an informed strategy.

e) Equity investments in group companies, jointly-controlled entities and associates: They are stated at cost less, where appropriate, accumulated value adjustments for impairment. Nonetheless, when there is an investment prior to its classification as a group company, jointly-controlled entity or associate, its carrying value prior to that classification is regarded as the investment cost. Previous value adjustments accounted for directly in equity are held under this heading until they are written off.

If there is objective evidence that the carrying value cannot be recovered, adjustment are made as necessary to reflect the difference between the carrying value and the recoverable amount, this being understood as the fair value less the cost of the sale and the current value of the cash flows derived from the investments, whichever is greater. Unless there is better evidence of the recoverable value, when estimating the impairment of these investment the net equity of the invested company corrected by the tacit surpluses existing on the valuation date is taken into account. The value adjustment and, if appropriate, its reversal, are reflected in the income statement for the year in which they arise.

f) Available-for-sale financial assets: This category includes debt securities and equity instruments that have not been classified in any of the preceding categories.

They are measured at fair value and any changes are recorded in equity until the asset is disposed of or is impaired, which shall be the time when the accumulated gains and losses are taken to the income statement provided that such fair value can be determined. Otherwise, they are reflected at cost less impairment.

Impairment is considered permanent whenever there is a drop of more than 40% in the market value of the asset, or if it has declined for over one year and a half period with no recovering.

The fair values of quoted investments are based on the prevailing bid prices. If the market is not active for a financial asset (and for unlisted securities), the Company establishes a fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis methods and option pricing models, making a maximum use of observable market data and relying as little as possible on the Company's subjective considerations.

Financial assets are written off when substantially all the risks and rewards attached to ownership of the asset are transferred. For accounts receivable in particular, this situation is generally understood to arise if the insolvency and default risks have been transferred.

Assets designated as hedged items are subject to the measurement requirements of hedge accounting (Note 3.6).

3.6 Financial derivatives and hedge accounting

Financial derivatives are measured at fair value at both initial recognition and subsequent measurement. Resulting gains and losses are recognised depending on whether the derivative is designated as a hedging instrument or not and, if so, the nature of the item being hedged. The Company designates certain derivatives as:

a) Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reflected in the income statement together with any changes in the fair value of the asset or liability hedged that are attributable to the hedged risk.

b) Cash flow hedges: The part of the change in the fair value of the derivatives designated as cash flow hedges is tentatively recognised in equity. It is taken to the income statement in the years in which the forecast hedged transaction affects results unless the hedge relates to a forecast transaction ending in the recognition of a non-financial asset or liability, in which case the amounts reflected in equity are included in the cost of the asset when it is acquired or of the liability when it is assumed.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

c) Hedges of a net investment in foreign operations: For hedges of net investments in joint ventures without a separate legal personality and foreign branches, changes in the value of the derivatives attributable to the hedged risk are recognised temporarily in equity and taken to the income statement in the year when the investment in the foreign operation is disposed of.

Hedges of net investments in foreign operations in subsidiaries, jointly-controlled entities and associates are treated as fair value hedges with respect to the exchange component.

Hedging instruments are measured and accounted for by nature insofar as they are not or are no longer effective hedges.

For derivatives not qualifying for hedge accounting, any gains or losses in fair value are recognised immediately in the income statement.

3.7 Equity

Share capital consists of ordinary shares.

The cost of issuing new shares or options is charged directly against equity, as a reduction in reserves.

In the event that the Company's acquires treasury shares, the price paid, including any directly attributable incremental cost, is deducted from equity until the treasury shares are redeemed, reissued or sold. When treasury shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

3.8 Financial liabilities

a) Creditors and payables

This includes trade and non-trade payables. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

In the event of the renegotiation of existing debts, the financial liability is not deemed to change significantly when the lender of the new loan is the same as the initial lender and the present value of cash flows, including net fees, is not more than 10% higher or lower than the present value of cash flows payable on the original liability, calculated using the same method.

For convertible bonds, the Company determines the fair value of the liability component by applying the interest rate for similar non-convertible bonds. This amount is recorded as a liability on an amortised cost basis until it is settled on conversion or maturity of the bonds. Other income obtained is assigned to the conversion option that is recognised in equity.

b) Financial liabilities held for trading

All those held-for-trading liabilities issued to be repurchased in the short term or that are part of a financial instrument portfolio, identified and managed jointly to obtain short-term gains. Derivatives are also classified as held for trading provided that they do not relate to a financial guarantee contract (i.e. securities) and have not been designated as a hedge.

c) Other Financial liabilities at fair value through profit or loss

Are considered financial liabilities at fair value through profit or loss those financial liabilities designated by the Company management upon initial recognition for inclusion in this category due to this recognition reduces accounting mismatches or these liabilities are included in a group whose performance is measured at fair value according to an informed strategy.

3.9 Grants received

Repayable grants are recognised as liabilities until the conditions for the grants to be treated as non-repayable are fulfilled. Non-repayable grants are recognised directly in equity and are taken to income on a systematic and rational basis in line with grant costs. Non-repayable grants received from shareholders are recognised directly in equity.

A grant is deemed to be non-repayable when it is awarded under a specific agreement, all stipulated conditions for obtaining the grant have been met and there are no reasonable doubts that the funds will be received.

Monetary grants are carried at the fair value of the amount granted and non-monetary grants are carried at the fair value of the asset received, at the recognition date in both cases.

Non-repayable grants used to acquire intangible assets; property, plant and equipment, and investment property are recognised as income for the period in proportion to the amortisation or depreciation charged on the relevant assets or, if applicable, upon their sale, value adjustment or write-off. Non-repayable grants related to specific costs are recognised in the income statement in the period in which the relevant costs accrue, and non-repayable grants awarded to offset an operating deficit are recognised in the year they are awarded, unless they are used to offset an operating deficit in future years, in which case they are recognised in those years.

3.10 Current and deferred taxes

Income tax expense (income) is the amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Both current and deferred tax expense (income) is recognised in the income statement. However, the tax effect of items recorded directly in equity is recognised in equity.

Current tax assets and liabilities are carried at the amounts that are expected to be payable to or recoverable from the tax authorities, in accordance with prevailing legislation or regulations that have been approved and are pending publication at the year end.

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, if the deferred tax arises from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on reported or taxable results, they are not recognised. The deferred tax is determined applying tax regulations and rates approved or about to be approved at the balance sheet date and which are expected to be applied when the corresponding deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised insofar as future tax profits will probably arise against which to offset the temporary differences.

Deferred taxes on temporary differences arising on investments in subsidiaries, associates and joint ventures are recognised, except where the Company is able to control the reversal date of the temporary differences and such differences are unlikely to reverse in the foreseeable future.

3.11 Severance pay

Under current legislation, the Company is obliged to pay severance to employees who terminated their employment relationship under certain conditions.

Therefore, severance pay can be reasonably quantified are recognised in the year in adopting the decision to terminate the employment relationship that creates the right to receive such compensation. Benefits which are not going to be paid within twelve months of the balance sheet date are discounted at present value.

3.12 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, an outflow of funds will probably be necessary to settle the obligation, and the amount may be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are carried at the present value of forecast payments that are expected to be required to settle the obligation, using a rate before taxes that reflects the current market assessment of the time value of money and the specific risks of the obligation. Adjustments to the provision deriving from restatements are recognised as financial expenses as they accrue.

Provisions maturing in one year or less with no significant financial effect are not discounted.

When it is expected that a portion of the payment necessary to settle the provision will be reimbursed by a third party, the reimbursement is recognised as an independent asset, provided that receiving the reimbursement is practically certain.

Contingent liabilities are considered to be potential liabilities deriving from past events, the existence of which is subject to the occurrence of one or more future events that lie outside the control of the Company. These contingent liabilities are not recorded in the accounts but are described in the notes presenting the financial statements.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration receivable and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Company's activities, net of returns, rebates, discounts and value added tax.

In the licensing and merchandising there are two kinds of incomes which are accounted as follows:

<u>Guaranteed minimum incomes</u>: The minimum guaranteed are fixed amounts agreed with the client who will be paying them on the dates specified in the agreement. The amounts agreed are not refundable by the Company, but the client is allowed to deduct these amounts from future sales.

With these guaranteed minimum amounts the company ensures the business and the license as signing the agreement with client the company will receive the agreed amounts without fulfilling any obligation.

In accordance with BOICAC 80/2009, which details how to account incomes by audiovisual and cinematographic companies, the accrual of the amounts agreed with the client by guaranteed minimum arrives when agreement is signed so these incomes are recorded at the agreement date. The balancing entry of this income will be an asset in which it reflects the guaranteed minimum which the accrue has occurred. This account will diminish according to the billing of quantities by the agreed dates.

Royalties: The Company grants a license to the client by a fixed amount as explained above and a percentage of product sales. Monthly or quarterly client will report the amount of the sales and the company will invoice based on this information.

The Company recognises royalty's revenues when they arise if it is possible.

In both cases, the company recognises incomes according to the accrual principle either by agreement date or by income generation period.

The Company recognises revenues when the amount can be reliably measured, future economic benefits are likely to flow to the entity and the specific conditions for each of the Company's activities are met. A reliable calculation of the amount of revenue is not deemed possible until all sale-related contingencies have been resolved. The Company's estimates are based on historical results, taking into account customer type, transaction type and specific terms.

3.14 Leases

a) When the Company is lessee – Finance leases

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company holds substantially all the risks and rewards of ownership are classed as finance leases. Finance leases are capitalised at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Present value is calculated using the interest rate implicit in the lease agreement and, if this rate cannot be determined, the interest rate applied by the Company on similar transactions.

Each lease payment is distributed between the liability and financial charges. The total financial charge is apportioned over the lease term and taken to the income statement in the period of accrual using the effective interest rate method. Contingent instalments are expensed in the year they are incurred. Lease obligations, net of financial charges, are recognised in "Finance lease liabilities". Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

b) When the Company is the lessee – Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement in the period of accrual on a straight-line basis over the term of the lease.

3.15 Foreign currency transactions

a) Functional and presentation currency

The Interim Financial Statements are presented in euro, which is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in fair value of monetary instruments denominated in foreign currency classified as available for sale are analysed for translation differences resulting from changes in the amortised cost of the instrument and other changes in its carrying value. Translation differences are recognised in results for the year while other changes in fair value are recognised in equity.

Translation differences on non-monetary items such as equity instruments held at fair value through profit or loss are presented as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in equity.

3.16 Transactions between related parties

In general, transactions between group companies are initially recognised at fair value. If applicable, where the agreed price differs from the fair value, the difference is recognised based on the economic reality of the transaction. Transactions are subsequently measured in accordance with applicable standards.

In spite of the above, in company mergers transactions, spin-off procedure or non-monetary investment, the company applies the following criteria:

a) For transactions between related parties involved in the parent company or its subsidiary directly or indirectly, business items are valued by the amount after transaction and so are reflected in consolidated financial statements.

b) For transactions between other related parties, business assets are valued at book value before transaction and so are reflected in individual financial statements.

If there is a difference it will be included in reserves.

3.17 Share-based payment transaction

The Company has committed to certain senior management employees, a plan for long-term variable remuneration consisting of the delivery of shares. At the time that will occur the necessary conditions to execute that plan, the Company will recognise this fact in equity.

The Company has established, by loan agreement with a private institution, a share-based payment of a portion of the amount financed. Upon maturity of the loan, the company will deliver shares in the amount agreed cancelling them from equity, particularly under the heading “Treasury Stock”.

For transaction with employees to be settled with equity instruments, both goods or services as the increase in equity to recognise, will be valued according to the fair value of the equity instruments granted, referring to the date of the concession agreement. Those transactions settled with equity instruments that do result in goods or services other than those rendered by employees are valued, if it can be estimated reliably, the fair value of the goods or services on the date they are received. If the fair value of the goods or services received cannot be estimated reliably, goods and services received and the increase in equity will be valued at fair value of the equity instruments granted, referring to the date on which the company obtains the goods or the counterpart renders service.

4. Financial risk management

4.1 Factors of financial risk

The Company’s activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Company’s overall risk management programme focuses on unpredictability of financial markets and seeks to minimise the potential adverse effects on the Company’s financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company’s Treasury Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the Board of Directors. The Board provides guidelines for overall risk management and written policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives and investing excess liquidity.

a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk from currency exposures, particularly, in relation to the US dollar and the pound sterling. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

At June 30th 2015, approximately 81% of the Company's turnover is generated in countries whose local currency is not euro, 88.44% represents U.S. dollar and the remaining 0,37% represents other currencies. At June 30th 2014 the percentage of revenue from countries whose local currency is not euro raised to 58%, out of which 57% represented U.S. dollar. Zinkia has a bank account in U.S. Dollars used to receive receipts and order payments in that currency. The Company currently has no hedge mechanism against fluctuations in currency exchange rates. Therefore, Zinkia is exposed to fluctuations in exchange rates derived from the development of its activities in various countries outside the euro environment in which it operates, as well as from the potential changes that may occur in the various currencies in which the Company maintains its commercial debt. If the Company's turnover in other currencies grows, the Company's exposure to exchange rate fluctuations shall increase.

Since the Company's operating currency is euro, the operating income and the Company's own comparison of its financial results between periods could be adversely affected as the result of the conversion of those currencies into Euros at the exchange rate existing at the closing balance of items, income and expenses. By contrast, where the Company provides services outside Spain (offshore) to customers and, therefore, the revenue is received in Euros, an appreciation of the currency of that country could lead to an increase in the costs due to fluctuations in the exchange rates.

The exchange rate between the currency of the various countries where the Company operates and the euro has been subject to substantial fluctuations in recent years and, in the future, they could continue oscillating. At June 30th 2015, the impact of the exchange rates on the net financial income was a loss of 8,376 euros representing a totally irrelevant percentage of the net financial income of the Company at the end of the present period. At June 30th 2014, the impact of the exchange rate on the net financial income was a gain of 38,147 euros, which was hardly significant in the total financial income.

Assets and liabilities in foreign currency, as well as transactions in foreign currency are specified respectively in Notes 11, 13 and 22.

(ii) *Price risk*

The Company is not exposed to equity instrument price risk because of the investments held and classified on the balance sheet either as available for sale carried at fair value through profit or loss. The Company is not exposed to commodity price risk.

(iii) *Interest rate, cash flow and fair value risk*

Since the Company does not hold significant interest-bearing assets, the income and cash flows generated by operating activities are relatively protected from fluctuations in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to the cash flow interest rate risk. Fixed interest rate borrowings expose the Company to fair value interest rate risks.

At June 30th 2015, as we have mentioned above, almost the whole of the Company's debt is awaiting the positive outcome of an arrangement with its creditors, and therefore it is still not possible to classify the debt according to their rate interests. At the end of the previous year, 82% of the total debt of the Company was referred to fixed interest rates. At the end of the previous year, the situation was the same.

The last average credit rate calculated according to the original conditions of the debt that is now considered as insolvent debt was 6.51%

The Company analyses its interest rate exposure in a dynamic manner. A simulation is performed of various scenarios, taking into account the refinancing, renewal of current positions, alternative financing and hedging. On the basis of these scenes, the Company calculates the effect on results of a certain variation in the interest rate. For each simulation, the same variation in interest rates is used for all currencies. Scenes are only simulated for liabilities representing the most significant interest-bearing positions.

b) Credit risk

Credit risk is managed by groups. The credit risk results from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions also wholesalers and retailers, including accounts receivable outstanding and committed transactions. The Company only does business with reputable banks and financial institutions.

The Company considers there is no significant credit risk over its financial assets.

To carry out its business activities, the Company requires the raising the necessary financial resources to ensure the development of its projects and the growth of its business. The Company has financed its investments primarily through credits and loans from financial institutions, capital and debt securities issues. At June 30th 2015, net financial debt (total financial debt minus "Cash and equivalents") of the Company amounted to 9,320,544 euros. At December 31st 2014, this amount raised to 10,080,448 euros.

However, the global economic crisis and the current adverse market situation have resulted, in recent years, in a very restricted and more burdensome access to credit for any operator (higher financing costs and higher interest expenses).

To the Company in particular, this situation has worsened further due to the difficulties in generating the cash flows required for the payment of its debts in the short term. The current situation of insolvency of the Company interferes to a large extent with obtaining funds for its business development.

If the restriction on credit markets continues or worsens, the financing costs of the Company could be so high that access to this type of financing could be restricted, almost entirely. This could cause a material adverse impact on the activities, in the result of the operations or in the financial position of the Company.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, keeping funds available through sufficient committed credit facilities and having the ability to close out market positions. Given the present situation of credit restriction in the markets as above-mentioned, lack of liquidity is an obstacle for expanding companies such as Zinkia.

At 30th June 2015 the Company is still in Arrangement with Creditors, and therefore until the entrance into force of the Arrangement liabilities are shown in the balance such as it would correspond to their contractual maturity but these maturities are not detailed because such contracts are left void and depend on the approval of the Advances Proposal of Arrangement with Creditors, and therefore detailing their maturity lacks any sense. The classification of assets by contractual maturity dates is shown in Note 7.2.

4.2 Fair value estimation

The fair value of financial instruments traded on active markets (such as publicly traded instruments and available for sale securities) is based on market prices at the balance sheet date. The listed price used for financial assets is the ordinary buyer's price.

The fair value of financial instruments not listed on active markets is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. For long-term debt market prices or agent quotation prices are used. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future flows. The fair value of exchange rate forward contracts is determined using future rates listed on the market at the balance sheet date.

It is assumed that the carrying value of trade receivables and payables approximate their fair value. The fair value of financial liabilities for the reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that the Company has for similar financial instruments.

5. Intangible assets

The details and movements of the items included in intangible fixed assets are as follows:

Euro	Balance at 12/31/2014	Additions	Disposals or reductions	Transfers	Balance at 06/30/2015
Cost					
Research and development	5,209,145	428,147	-	(580,114)	5,057,179
Intellectual property	15,252,692		-	580,114	15,832,806
Computer software	565,319	1,950	-		567,269
Total	**21,027,157**	**430,097**	**-**	**-**	**21,457,254**
Accumulated amortisation					
Research and development	(246,985)	-	-	-	(246,985)
Intellectual property	(11,411,517)	(677,520)	-	-	(12,089,037)
Computer software	(528,240)	(9,723)	-	-	(537,963)
Total	**(12,186,743)**	**(687,243)**	**-**	**-**	**(12,873,986)**
Impairment					
Research and development	(435,843)	-	-	-	(435,843)
Total	**(435,843)**	**-**	**-**	**-**	**(435,843)**
Total	**8,404,571**	**(257,146)**	**-**	**-**	**8,147,424**

Euro	Balance at 12/31/2013	Additions	Disposals or reductions	Transfers	Balance at 06/30/2014
Cost					
Research and development	5,775,021	493,527		(485,815)	5,782,733
Intellectual property	13,662,680		-	485,815	14,148,495
Computer software	564,539	780	-	-	565,319
Intangible assets advances	-		-	-	-
Total	**20,002,240**	**494,307**	**-**	**-**	**20,496,547**
Accumulated amortisation					
Research and development	(246,985)		-	-	(246,985)
Intellectual property	(10,306,691)	(481,482)	-	-	(10,788,173)
Computer software	(501,449)	(13,626)	-	-	(515,075)
Total	**(11,055,125)**	**(495,108)**	**-**	**-**	**(11,550,233)**
Impairment					
Research and development	(435,843)	-	-	-	(435,843)
Total	(435,843)	**-**	-	-	**(435,843)**
Total	**8,511,271**	**(800)**	**-**	**-**	**8,510,471**

The rises registered during the first semester in 2015 and 2014, are mainly based the works for the developments of the Playset and Croupier projects.

Development expenses

Development costs capitalised relate to the following projects:

6/30/2015

Euro Project	Cost	Acumulated amortisation	Impairment Losses	Net value
Developed by the company:				
Work in progress	4,962,160	-	(435,843)	4,526,317
Completed projects	246,985	(246,985)	-	-
	5,209,145	**(246,985)**	**(435,843)**	**4,526,317**

6/30/2014

Euro Project	Cost	Accumulated Amortisation	Impairment Losses	Net value
Developed by the company:				
Work in progress	5,535,748		(435,843)	5,099,905
Completed projects	246,985	(246,985)		-
	5,782,733	**(246,985)**	**(435,843)**	**5,099,905**

The total amount of the development costs that are recorded as income in the profit and loss account during this period amounts to EUR 428,147 (EUR 493,527 in 2014).

Industrial property rights

Recorded under this caption are the operating licences for the following projects: Pocoyo and the Shuriken School project.

During the first semester of 2015, transfers to Industrial Property amounted to EUR 580,114 which corresponds to the completion of applications (apps).

Capitalised financial expenses

No financial expenses were capitalised during the first semester of 2015. The same situation as in 2014.

Intangible assets located abroad

At June 30th 2015, the Company had no intangible asset investments located outside of Spain. The same situation as in 2014.

Fully-amortised intangible assets

At June 30th 2015, there are intangible fixed assets, with an accounting cost of EUR 10,824,325 still in use and fully amortised. These intangible assets correspond to software and audiovisual projects.

At June 30th 2014, there were intangible fixed assets with an accounting cost of EUR 10,581,111still in use and fully amortised. These intangible assets correspond to software and audiovisual projects.

Assets subject to guarantees and ownership restrictions

At June 30th 2015 no intangible assets are subject to ownership restrictions or have been pledged to secure liabilities. At June 30th 2014 the situation was the same.

Insurance

The Company has taken out a number of insurance policies to cover risks relating to intangible assets. The coverage provided by these policies is considered to be sufficient.

Grants received in relation to intangible assets

The Company has not received during the first semester of 2015 any amount as exploitation grant related to the development of its intangible assets.

The same situation for the same period in the previous year.

6. Property, plant and equipment

Set out below is an analysis of property, plant and equipment showing movements:

Euro	Balance at 12/31/2014	Additions	Disposals or reductions	Transfers	Balance at 06/30/2015
Cost					
Machinery	31,689	-	-	-	31,689
Other equipment	38,198	-	-	-	38,198
Furnishings	76,297	-	-	-	76,297
Data-processing equipment	163,801	8,288	-	-	172,089
Other PPE	28,444	-	-	-	28,444
Total	**338,428**	**8,288**	**-**	**-**	**346,717**
Accumulated amortisation					
Machinery	(31,640)	(49)	-	-	(31,689)
Other equipment	(33,662)	(687)	-	-	(34,349)
Furnishings	(61,267)	(1,749)	-	-	(63,016)
Data-processing equipment	(155,762)	(2,946)	-	-	(158,709)
Other PPE	(18,962)	(1,380)	-	-	(20,342)
Total	**(301,293)**	**(6,812)**	**-**	**-**	**(308,105)**
Impairment	-	-	-	-	-
Total	**37,135**	**1,477**	**-**	**-**	**38,612**

Euro	Balance at 12/31/2013	Additions	Disposals or reductions	Transfers	Balance at 06/30/2014
Cost					
Machinery	31,689	-	-	-	31,689
Other equipment	38,198		-	-	38,198
Furnishings	76,062		-	-	76,062
Data-processing equipment	158,690	5,110	-	-	163,800
Other PPE	28,444	-	-	-	28,444
Total	**333,080**	**5,110**	**-**	**-**	**338,193**
Accumulated amortisation					
Machinery	(31,530)	(54)	-	-	(31,584)
Other equipment	(32,137)	(714)	-	-	(32,851)
Furnishings	(56,419)	(2,460)	-	-	(58,880)
Data-processing equipment	(142,356)	(6,689)	-	-	(149,046)
Other PPE	(15,922)	(1,417)	-	-	(17,339)
Total	**(278,364)**	**(11,334)**	**-**	**-**	**(289,700)**
Impairment	-	-	-	-	-
Total	**54,716**	**(6,224)**	**-**	**-**	**48,493**

Impairment losses

At June 30th 2015 no losses due to the impairment of property, plant and equipment were recorded. At June 30th 2014 the situation was the same.

Restatements under RD-Law 7/1996 of 7th June.

At June 30th 2015 no revaluations of fixed assets were recorded. At June 30th 2014 the situation was the same.

Property, plant and equipment located abroad

At June 30th 2015 and 2014, the Company recorded the following investments in property, plant and equipment located at its Beijing offices:

				6/30/2015
Fixed assets	**Cost**	**Accumulated amortisation**	**Impairment**	**Carrying value**
Furnishings	7,001	(6,429)	-	573
Data-processing equipment	10,571	(10,571)	-	-
	17,572	(17,000)	-	573

				6/30/2014
Fixed assets	**Cost**	**Accumulated amortisation**	**Impairment**	**Carrying value**
Furnishings	7,001	(5,896)	-	1,105
Data-processing equipment	10,571	(10,571)	-	-
	17,572	(16,467)	-	1,105

Capitalised financial expenses

During the first semester of 2015 no financial expenses associated to property, plant and equipment were capitalised. The situation was the same at the previous period.

Fully-depreciated assets

At June 30th 2015 the Company has fully depreciated assets still in use amounting to EUR 251,353.

	6/30/2015	6/30/2014
Machinery	31,689	30,811
Data-processing equipment	149,000	110,539
Furnishings	44,298	36,811
Other PPE	26,367	26,367
	251,353	**204,528**

Property, plant and equipment subject to guarantees

At June 30th 2015 no property, plant and equipment were subject to ownership restrictions or had been pledged to secure liabilities. At June 30th 2014 the situation was the same.

Assets under operating leases

The income statement includes operating leases on the rental offices in Madrid and Beijing and computer rentals, all of which total EUR 286,184 (EUR 89,331 in 2014 for the same period). At June 30th 2015, the Company has not non-cancellable operating leases. At June 30th 2014 the situation was the same.

Insurance

The Company has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

Grants received in relation to property, plant and equipment

In the first semesters of 2014 and 2015 the Company has not received capital grants in relation to property, plant and equipment.

7. Analysis of financial instruments

7.1 Analysis by category

The carrying value of each category of financial instruments set out in the standard on accounting and measurement of "financial instruments", except for investments in the equity of group companies, jointly-controlled entities and associates (Note 8), is as follows:

	Euro					
	Non-current financial assets					
	Equity instruments		Debt securities		Credit facilities, derivatives, other	
	6/30/2015	12/31/2014	6/30/2015	12/31/2014	6/30/2015	12/31/2014
Available-for-sale financial assets	300	300	-	-	-	-
Loans and receivables (Note 11)	-	-	-	-	283,866	1,565,282
	-	-	-	-	-	
Total non-current financial assets	**300**	**300**	**-**	**-**	**283,866**	**1,565,282**
	Current financial assets					
	Equity instruments		Debt securities		Credit facilities, derivatives, other	
	6/30/2015	12/31/2014	6/30/2015	12/31/2014	6/30/2015	12/31/2014
Assets held for trading	141	149	-	-	-	-
Loans and receivable (Note 11)	-	-	-	-	4,708,294	4,473,684
Total current financial assets	**141**	**149**	**-**	**-**	**4,708,294**	**4,473,684**
Total	**441**	**449**	**-**	**-**	**4,992,160**	**6,038,966**

	Euro					
	Non-current financial liabilities					
	Bank borrowings		Debentures an other marketable securities		Derivatives, other	
	6/30/2015	12/31/2014	6/30/2015	12/31/2014	6/30/2015	12/31/2014
Borrowings and payables (Note 13)	268,831	317,511	-		3,569,907	3,710,356
Hedging derivatives (Note 12)					-	-
Total non-current financial liabilities	**268,831**	**317,511**	**-**	**-**	**3,569,907**	**3,710,356**
	Current financial liabilities					
	Bank borrowings		Debentures		Derivatives, other	
	6/30/2015	12/31/2014	6/30/2015	12/31/2014	6/30/2015	12/31/2014
Borrowings and payables (Note 13)	1,694,366	1,629,293	2,640,319	2,517,229	6,403,369	6,152,943
Total current financial liabilities	**1,694,366**	**1,629,293**	**2,640,319**	**2,517,229**	**6,403,369**	**6,152,943**
Total	**1,963,197**	**1,946,804**	**2,640,319**	**2,517,229**	**9,973,276**	**9,863,299**

At 30th June 2015 the Company has a deposit of restricted availability related to the issuance of bonds amounts to EUR 209,937.

Loans and long-term receivables relate mainly to license agreements with minimum royalties guarantees to be paid in the long term.

This amount includes the valorisation at amortised cost which entails a gain of the receivable account of EUR 4,034

At 30th June 2015 the Company finds itself in an arrangement with creditors procedure, and therefore, as discussed in note i2) herein, great part of Company's liabilities is insolvency debt.

7.2 Analysis by maturity

The procedure of the arrangement with creditors makes it impossible to analyse liabilities by their maturity since, as it has been mentioned above, great part of the liabilities of the Company, approximately EUR 13,500,000 represents the Company's debt subject to the arrangement with the creditors, the maturity of which shall be determined by the arrangement finally approved.

As to the financial assets they are analysed by maturity as follows:

	Euro					
	Financial Assets					
	6/30/2015	12/31/2015	6/30/2016	12/31/2016	Thereafter	Total
Other financial investments						
-Loans and receivables	160,257	3,109,124	1,438,913	171,109	112,757	4,992,160
Total	**160,257**	**3,109,124**	**1,438,913**	**171,109**	**112,757**	**4,992,160**
Total	**160,257**	**3,109,124**	**1,438,913**	**171,109**	**112,757**	**4,992,160**

8. Shares in group companies, jointly-controlled entities and associates

a) Shareholdings in Group companies

The information on group, jointly-controlled and associate companies at 30th June 2015 is detailed below:

		% Interest held		Voting rights	
Name and address	**Legal status**	**Direct %**	**Indirect %**	**Direct %**	**Indirect %**
Sonocrew, S.L. Infantas 27, Madrid	Limited liability company	100.00%	-	100.00%	-
Zinkia Educational Inc. Ciudad de Panamá	Public limited company	100.00%	-	100.00%	-

At 7th April 2015, the Company incorporated a 100% owned subsidiary company. The Company has subscribed the total of the shares of Zinkia Educational, Inc. for a value of US$10,000. This subsidiary has its address outside the Spanish national territory, in Panama, which currency is the Balboa. However, Zinkia Educational, Inc. Is likely to make all the transactions in U.S. Dollars since the subsidiary will operate internationally.

At 30th June 2015 the disbursement by the Company of the shares of Zinkia Educational, Inc. is still pending.

None of the companies in the Group participated by the Company is listed.

At June 30th 2015 the amounts of the capital, reserves, profit or loss and other relevant information of the group's company are as follows:

Euro							
Equity							
Company	Capital	Reserves	Other	Operating results	FY profit (loss)	Carrying value of the investment	Dividends received
Sonocrew, S.L.	3,006	50,149	-	4,613	3,397	3,006	-

USD							
Equity							
Company	Capital	Reserves	Other	Operating results	FY profit (loss)	Carrying value of the investment	Dividends received
Zinkia Educational Inc.	10,000	-	-	-	-	-	-

At December 31st 2014 the amounts of the capital, reserves, profit or loss and other relevant information of the Group's companies where the Company had a stake were as follows:

Euro							
Equity							
Company	Capital	Reserves	Other	Operating results	FY profit (loss)	Carrying value of the investment	Dividends received
Sonocrew, S.L.	3,006	50,149	-	5,366	(6,143)	3,006	-

9. Held-to-maturity investments

At 30th June 2015 the Company has no held-to-maturity investments. The situation was the same for the similar period in 2014.

10. Financial Assets at a reasonable value with changes in Income Statement

This heading includes the following items and amounts:

	Euro	
	6/30/2015	**12/31/2014**
Held for trading-listed securities SCH bank shares (Note 7)	141	149

The fair value of all equity securities is based on current asking prices on an active market.

The changes to the fair value of assets at fair value with changes in profit and loss during the year are recorded under financial profit/loss on the income statement.

Maximum exposure to the credit risk at the reporting date is the fair value of the assets.

11. Loans and receivables

	6/30/2015	12/31/2014
		euro
Non-current loans and receivables		
-Clients, non-current	283,866	1,565,282
Total non-current loans and receivables	**283,866**	**1,565,282**
Current loans and receivables		
-Current account with subsidiaries (Note 26)	178	178
-Current account with related parties	13,102	23,897
-Trade receivables	3,556,075	3,291,810
-Trade receivables subsidiaries	1,617	25,348
-Employees	232	361
-Debtors	16,243	16,243
-Current deposits	372,647	367,647
-Fixed-term deposit	748,200	748,200
Total current loans and receivables	**4,708,294**	**4,473,684**
Total	**4,992,160**	**6,038,966**

The carrying amounts of loans and receivables are denominated in the following currencies:

	6/30/2015	12/31/2014
Euro	1,816,876	2,794,295
US dolar	3,175,285	3,218,654
Pound sterling	-	-
Australian dolar	-	26,017
Total	**4,992,160**	**6,038,966**

Overdue trade receivables which are less than three months old are not considered to be impaired.

Also, non-current trade receivables item in the interim balance sheet shown client balances with maturity exceeding 12 months from the end of the first semester in 2015.

This item of non-current trade receivables, includes the valuation at amortised cost balances with a maturity of over one year. This valuation involves a net increase of this item that amounts to EUR 4,034 of the profit before taxation.

At the previous year-end this valuation meant a net gain in this item of 2,355€ that amounted to 117.953 € in the profit before taxation. This difference in the amounts was due to one of the trade receivables' being valued at amortised cost of EUR 4,604,833, which has been totally impaired, after the recording of its amortised cost.

The amount of these impaired balances from trade debtors at June 30th 2015 has increased to EUR 5,518,700 (EUR 4,992,661 in 2014). The net variation corresponds, on the one hand, to an additional increase of EUR 36,784 that the Company has recorded as doubtful during the first semester of 2015, and, on the other hand, which corresponds mainly to the valuation of the CareersDiapers Llc. agreement at year-end interest rate which means an increase of EUR 420,477 in this item as well as at amortised cost, which increased in EUR 68.778. Ay the previous year-end the agreement was impaired as a precaution because although the commercialisation and management of the agreement is actually being executed, the actual delays in the business development make it likely that the payments deriving from such agreement might be delayed yet again. At present, Zinkia does not have the capacity to estimate when the payments deriving from such agreement shall be received. This is reason why the Directors have decided to record the impairment due to the uncertainty in the terms of such payments.

The impaired amounts under this item correspond mainly to the pending payments of clients whose debt collection date is six-month overdue.

The maximum exposure to credit risk at the reporting date is the fair value information for each of the categories of receivables mentioned above. The Company does not hold any guarantee as insurance.

The fair value of financial assets does not differ substantially from the book value.

On the other hand, the Company had been granted a stay by the General Treasury of the Social Security amounting to EUR 433,465, which has been secured with the economic rights of three customers. At the year-end, there is an amount of EUR 3,400 within the receivable accounts balance sheet related to these customers.

The voluntary entry of the Parent Company in the Arrangement with Creditors procedure has led the Social Security Treasury to end such delay which is not in force anymore at June 30th 2015. However, the guarantee bound to such delay is still in force.

12. Derivative financial instruments

The total fair value of a hedging derivative is classified as a non-current asset or liability if the time remaining to maturity of the hedged item is more than 12 months and as a current asset or liability if the time remaining to maturity of the hedged item is inferior to 12 months.

At June 30th 2015 the outstanding notional principal from the contracts of rates swap amounted to 200,000 euros.

At June 30th 2015 the Company entered into a C.A.P. agreement with a EUR 3,950 premium. This CAP showed a valuation of EUR 0 at that date.

At June 30th 2015, the fixed interest rate was 1.95% and the floating rate was 12M Euribor. No adjustment for changes in value was recorded under the head Gains or loss since there was no variation regarding the previous year-end in 2014.

13. Creditors and payables

	6/30/2015	12/31/2014
		Euro
Non-current creditors and payables		
-Bank loans	268,831	317,511
-Participating loans	416,857	500,190
-Other loans	2,821,077	2,878,192
-Debentures and bonds	-	-
-Payables transformable into grants	331,974	331,974
Total non-current creditors and payables	**3,838,738**	**4,027,867**
Current creditors and payables		
-Bank loans	1,585,084	1,536,404
-Interest debt with banks	109,282	92,889
-Debentures and bonds	2,640,319	2,517,229
-Trade creditors	2,329,601	2,386,818
-Trade creditors subsidiaries	2,020	-
-Current account with related parties	25,377	25,377
-Interest debt with related parties	4,003	4,003
-Other debts	3,576,606	3,436,022
-Interest debt	428,764	263,725
-Wages and salaries pending of payment	1,409	1,409
	35,588	35,588
Total current creditors and payables	**10,738,054**	**10,299,464**
Total	**14,576,792**	**14,327,332**

It should be noted that the classification regarding the long and the short-term debt balance corresponds to the different contracts according to their respective maturity dates, such as they should be recorded in the balance of the Company given the case the Company had not entered the voluntary declaration of arrangement with creditors. By the judicial decision dated 7thApril 2014 this classification is without effect until the arrangement enters definitively in force establishing the new maturity dates to the debt. Once the arrangement enters into force, the Company will satisfy its creditors under the terms established in the Advanced Proposal for the Arrangement with the Creditors (APAC).

It should be noted that under the short-term creditors and payables is recorded the financing interest payable of the insolvency debt calculated since the Company's entrance in voluntary arrangement with creditors was declared, because, although the insolvency rules the accrual of interests is mandatorily stalled, according to the accounting rules the Company is obliged to record such expense even though this amount might not be paid in the future. The amount of the payable for the first semester in 2015 is EUR 304,522.

The carrying value of non-current loans is close to fair value, given that the future cash flows derived from the repayment of the loans includes market rate interest.

The carrying amounts of current payables approximate their fair values, since the effect of discounting is immaterial.

Maturity of bank borrowings, as mentioned above-mentioned are subject to the entrance into force of the terms established in the APAC and submitted to the court.

Under the caption “Other loans” are mainly found the funds from the Ministry of Industry, Energy and Tourism regarding the grants corresponding to the call for the “Strategical Action on Telecommunication and Information Society”, annuity 2012, within the sub-Programme “Competitivity, R+D”, and to the call “Strategical Action on Telecommunication and Information Society, annuity 2013, under the sub-programme “Strategical Action on Economy and Digital Society”.

The carrying amounts of the Company’s payables are denominated in the following currencies:

		Euro
	6/30/2015	**12/31/2014**
Euro	13,759,009	13,541,768
US dolar	796,611	750,581
Pound sterling	19,763	33,574
Yuan	1,409	1,409
Total	**14,576,792**	**14,327,332**

a) <u>Bank borrowings</u>

The amount of the Company’s balances with credit institutions at June 30th 2015 and at year-end 2014 is as follows:

		Euro
	6/30/2015	**12/31/2014**
Loans	1,853,915	1,853,915
Total loans	**1,853,915**	**1,853,915**
Interest on current bank borrowings	109,282	92,889
Total interest on current bank borrowings	**109,282**	**92,889**
TOTAL	**1,963,197**	**1,946,804**

Among the bank borrowings there is a mortgage loan that the Company holds with a bank, which amounts to EUR 310,000 guaranteed by a land plot owned by Finantip, S.L. The sole shareholder of Finantip, S.L. is Jomaca 98, S.L.

b) <u>Participating loans</u>

The Company has a participative loan agreement amounting to 500,000 euros that generated an annual interest rate which was calculated on an annual nominal rate basis resulting from the percentage of before-tax results on the average shareholders’ equity for the year, both referred to the year in which interest rate is to be settled; once such percentage has been determined, the percentage points expressing the first tranche will be subtracted; the difference will result in the annual nominal rate to be applied in the settlement of the interest payable on the second tranche. In the event of a negative percentage, the variable rate is 0%. As in the rest of the loans, the Company's declaration of voluntary arrangement with creditors stalled the accrual of interests and so this calculation is not applicable anymore.

Amortisation shell be recorded in the arrangement with creditors that will finally enter into force (note 28).

c) Fixed income securities issue

On November, 11th 2010, the Company issued debt securities pursuant to the terms of Stock market Act 24/1988 of July, 28th and the regulations that developed the law.

Due to cash needs, on December 9, 2013, the General Assembly of Bondholders "Debentures Simple Zinkia 1st issue" approved the modification of the Final Payment Conditions for the "Debenture Simple Zinkia 1st Issue" according to the following terms:

Number of securities	2,238
Unit par value	1,000
Issue price	100%
Annual interest rate payable annually	9.75%
Amortisation of securities	11/12/2015
Amortisation system	Par

Finally, with the application for voluntary arrangement with creditors, these conditions are left null and void and the payments to the bondholders will be as scheduled in the Advanced Proposal of Arrangement with Creditors submitted by the Company once such arrangement enters into force.

d) Current accruals derived from deferred incomes.

This amount arises in 2012 as a result of the agreement signed for development of content in educational *apps* concept. In accordance with the agreement, every annuity is invoiced including the amount corresponding to the agreed blocks of apps developed. In accordance with the accounting standards applied by the Company, incomes from this project will accrue at the delivery of materials. This item will decrease according to allocation of incomes. In the first semester of 2015 revenues were registered in the profit and loss account amounting to EUR 855,098 which correspond to the delivery of several applications (EUR 338,702 at the same period in 2014) (see note 24).

14. Cash and cash equivalents

At June 30th 2015, the Company's cash situation was as follows:

		euro
	6/30/2015	**12/31/2014**
Cash at bank and in hand	2,858,239	1,793,515
Other cash equivalents	10	173
Total	**2,858,249**	**1,793,688**

Total cash-flow and other cash equivalents are included under the effective cash-flow account.

This item includes Company's cash ledger amounts. The amounts of the cash and cash equivalent ledger denominated in the following currencies:

		Euro
	6/30/2015	**12/31/2014**
Euro	1,572,020	1,018,227
US dolar	1,285,930	775,144
Pound sterling	39	50
Yuan	78	75
Other currencies	182	193
Total	**2,858,249**	**1,793,688**

15. Capital and share premium

a) Capital

		Euro
	6/30/2015	**12/31/2014**
Registered capital	2,445,677	2,445,677
(Uncalled capital)		
Total	**2,445,677**	**2,445,677**

At June 30th 2015 the registered capital consisted of 24,456,768 ordinary bearer shares represented by book entries with a par value of EUR 0.10 each, fully subscribed and paid in.

At June 30th 2015, the share capital was broken down as follows:

Shareholder	**% Interest**
Jomaca 98, S.L.	64.71%
Miguel Fernando Valladar	11.20%
Stock market and other	22.94%
Treasury shares	1.15%
Total	**100.00%**

The Company's shares are listed on the Alternative Investment Market (Mercado Alternativo Bursátil- MAB).

b) Share premium account

This reserve is freely available for distribution.

		Euro
	6/30/2015	**12/31/2014**
Share premium	9,570,913	9,570,913
Total	**9,570,913**	**9,570,913**

This caption also reflects, both in the first semester of 2015 as at year-end 2014, the merger premium generated in 2004 as a result of the merger by absorption of the companies Gamecrew, S.L. and Motioncrew, S.L. in the amount of EUR 118,100.

16. Reserves and prior-year results

a) Reserves

	6/30/2015	12/31/2014
		Euro
Legal and statutory		
-Legal reserve	330,475	330,475
Total legal reserve	**330,475**	**330,475**
Other reserves		
-Voluntary reserve	1,689,018	1,689,018
-Reserves for other adjustments	(1,101,070)	(1,101,070)
Total other reserves	**587,948**	**587,948**
Total	**918,423**	**918,423**

b) Legal reserve

The legal reserves are funded when the result makes it possible in compliance with Article 274 of the Spanish Companies Act, which stipulates that 10% of the profits for each year must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

17. Treasury shares

At June 30th 2015, the Company has not carried out any transactions with its own shares.

At the end of the previous year the situation was the same.

The treasury stock held by the Company at June 30th 2015 represented approximately 1.15% (same value as at year-end 2014) of the share capital with a nominal value of EUR 28,150 (EUR 28,150 at December, 31st 2014) and an average acquisition price of EUR 1.09 (EUR 1.09 at December, 31st 2014) per share. Also, the average selling price of the treasury stock held by the Company at June 30th 2015 is 1.75 euros per share (1.75 euros at 31 December 2014).

18. Profit/(loss) for the year

a) Profit /(loss) for the period

The profit/loss resulting from the interim period corresponding to the first semester of 2015 and compared to the same period in the previous year is as follows:

	6/30/2015	6/30/2014
		Euro
Available for distribution		
Profit/(loss) for the year	81,306	(363,330)
Total	**81,306**	**(363,330)**

19. Based payment transactions in equity instruments

a) Transactions with senior management and members of the Board of Directors

On October 10th, 2011, the Company issued a Relevant Fact under Article 82 of Securities Market Law 24/1988 and Memorandum 9/2010 of the Spain´s Alternative Investment Market (Mercado Alternativo Bursatil–MAB) which reported on the Long-term Variable Compensation Plan according to resolution of the Board of Directors.

On June 29th 2015 the Shareholders Meeting approved a new long-term variable compensation plan as proposed by the Board of Directors of the Company. This new plan will replace the former and provides also the delivery of shares to senior management and members of the Board of Directors. The characteristics and conditions are as follow:

- The aggregate number of shares that all beneficiaries of the plan shall be entitled to will be of 1,200,000 shares.

- The plan will be 5 year-long or will have Annual Periods, and its beneficiaries will be entitled to receive annually 20% of total shares to which they were entitled.

- The referred shares shall be delivered to the beneficiaries under the condition that at the time, or different times, of the execution of the Plan, the value of the stock has been appreciated by at least 30% of the value of share price as of June, 29th, 2015. In case the referred appreciation is equal o higher than 20% per year but does not reach 30% per year, the beneficiaries shall have the right to receive 50% of the shares to which they would have been entitled had the appreciation reached 30% per year as described above.

- The delivery of shares corresponding to each beneficiary in terms of compliance with the established indicators can be made, in the opinion of the Board, by delivery of shares and delivery of the monetary equivalent of the combined value of trading for same at the time of execution.

b) Other share based payment

On March 11th 2011, the Company issued a Relevant Fact under Article 82 of Securities Market Law 24/1988 and Memorandum 9/2010 of the Spain´s Alternative Investment Market (Mercado Alternativo Bursatil –MAB) which reported signing a loan with a private institution for amount of euro 2,500,000. In the loan agreement signed by both parties set out the compulsory purchase of own shares by the Company amounting to EUR 300,000, must provide, upon maturity of the loan- February 14th 2014- the amount of EUR 2,200,000 plus shares acquired with the above EUR 300,000.

The Company bought own shares amounting to EUR 300,000 in accordance with the agreement. These own shares are registered in a separate account decreasing company net equity. In the balance sheet are valued at weighted average price. In the event that the value of the shares, at that date, is less than that amount, the Company undertakes to cover the difference in share or cash.

Concerning this operation, the number of shares purchased amounts to 206,881, and their market value at the end of the first semester 2015 was EUR 99,303, same value as at the previous year-end-

However, as stated in the contract, the Company will cover the difference in shares or cash at the time of payment according to the schedule established in the Advanced Proposal of Arrangement, when it finally enters into force.

20. Capital grants received

Below is a breakdown of the non-repayable capital grants included in the balance sheet item "Grants, donations and bequests received":

Granting entity	Euro	Purpose	Grant date
Education, Audiovisual and Culture Agency	150,000	Pre-production of 3 audiovisual works	11/6/2007
Ministry of Culture	25,000	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	8/3/2010
Ministry of Culture	25,000	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	8/3/2010
Ministry of Culture	46,469	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	8/3/2010
Ministry of Culture	60,000	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2012	11/7/2012
Ministry of Culture	35,750	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2012	9/11/2014

During the first semester there have been no changes in this item, see below as compared to the previous year-end:

		Euro
	6/30/2015	**12/31/2014**
Opening balance	**138,573**	**154,515**
Increases		35,750
Release to income		(57,005)
Other decreases		5,313
Closing balance	**138,573**	**138,573**

The Company has not received any capital grants during the first semester in 2015.

During the previous year, the Company was officially informed by the Ministry of Education, Culture and Sports that the grant the Company had received in 2013 and which amounted to EUR 35,750 had been recognised as definitive. And so it is finally considered as non returnable and is included as the Company's equity herein.

The Company meets the requirements to be considered as non-repayable grants. Grants are transferred to the profit and loss account according to the amortisation of the projects funded.

21. Balance with the Public Administration and Deferred taxes

Set out below is an analysis of balance with the Public Administration:

Euro	6/30/2015		12/31/2014	
	Debtors	**Creditors**	**Debtors**	**Creditors**
Tax Authorities Balance				
VAT	986	2,196	4,005	12,150
Withholding		122,668		127,936
Grants			-	136
Social Security Balance				
Operating expenses		50,920	-	46,394
Short term deferment	-		-	
Total	**986**	**175,785**	**4,005**	**186,616**

The credit balance with the tax office (Agencia Tributaria) regarding VAT results from the recurring VAT self-assessments. This amount was paid in July 2015.

The VAT debt corresponds mainly to credits of the Company derived from those creditors who are under the cash terms according to which the Company will deduce the VAT once the payment of the invoices is done.

As to withholding taxes, the credit balance in favour of Agencia Tributaria it includes the amounts of the withholding taxes generated in the second semester of 2015 which were paid in July 2015.

As to the current social security costs, the credit with the Social Security derives from the social insurances from June 2015. This amount was paid in July 2015.

The balance resulting from the deferral granted by the tax authority is included at year-end within the item “other debts” together with the rest of the amounts recorded to its favour as insolvency debt (see item “b” in this same note).

a) Deferred taxes

Deferred taxes are detailed as follows:

Euro	Additions and disposals 06/30/2015	Additions and disposals 2014	Prior years	Total
Tax credits for tax-loss carryforwards	(36,498)	(492,819)	2,094,924	1,565,607
Other tax credits		1,337,033	3,224,279	4,561,311
Deferred tax assets	**(36,498)**	**844,214**	**5,319,202**	**6,126,918**
Temporary differences related to income recognized directly in equity		5,314	(54,575)	(49,261)
Temporary differences-amortisation		1,570	(21,013)	(19,443)
Reversal of temporary differences-amortisation		3,450	11,592	15,042
Deferred tax liabilities	**-**	**10,333**	**(63,995)**	**(53,660)**
Deferred tax	**(36,498)**	**854,547**	**5,255,207**	**6,073,260**

Deferred tax assets and liabilities are offset if at the time the Company has an enforceable right to offset the amounts recognised and intends to settle the net amount, or to realise the asset and settle the liability simultaneously.

Movement of deferred taxes has been as follows:

	6/30/2015	12/31/2014
		Euro
Opening balance	**6,109,756**	**5,255,208**
Tax effect on income recognizes directly in equity	-	5,314
Charged to the income statement (Note 23)	36,497	-
Credit to the income statement (Note 23)		849,234
Closing balance	**6,073,260**	**6,109,756**

Deferred tax assets arising from tax loss to carry-forwards are recorded to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company's business expectations for the coming years make it discard any doubts as to the company's capacity to create the future profits necessary to afford the recovery of the said tax credits.

Ay June 30th 2015 a projection of corporation tax was recorded amounting to EUR 36,498 based on the balance of the Company. This projection starts the recovery of the Company's tax credits.

b) Other tax receivables and payables

On the other hand, such as it was said at the previous year-end, at June 30th 2015 the current liabilities of the Company include a trade debt in favour of the tax authorities amounting to EUR 206,250 derived mainly from the withholding taxes from the first quarter in 2014, and from the rectified invoices issued by the creditors of the Company in order to obtain the return of the VAT corresponding to the credits that had been left unpaid by the Company at the date of declaration of the voluntary arrangement with creditors.

At the end of the first semester of 2015 the Company has been granted an insolvent debt in favour of the Social Security amounting to EUR 363,689. Such figure corresponds mainly to the deferral granted to the Parent Company and to the social contributions corresponding to March 2014.

As stated in note 11 herein, the Company has pledged as security for such postponement, the economic rights of three clients. At the end of this semester, there is an amount of EUR 3.400 in the account of receivables related to these customers.

The Company has not paid the amounts due to the Public Administration in accordance to the insolvency legislation in force, since such amounts are considered as insolvent debt and they will be paid according to the payment schedule that is to enter into force in the coming months.

22. Income and expense

a) Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

Euro	6/30/2015	6/30/2014
Sales	2,470,795	1,689,858
Services rendered	107,475	176,756
Total	**2,578,270**	**1,866,614**

The break-down of the exchange rate differences is as follows:

Euro	6/30/2015	6/30/2014
Arising during the year	(68,076)	(18,026)
Arising for closing balance	59,699	56,173
Total	**(8,376)**	**38,147**

b) Turnover

Revenues from the Company's ordinary activities may be analysed geographically as follows:

Market	6/30/2015	6/30/2014
Domestic	17%	24%
International	83%	76%
Total	**100%**	**100%**

Similarly, net turnover can be analysed by product line as follows:

Euro	6/30/2015	6/30/2014
Content	43%	27%
Licensing	9%	42%
Advertising	48%	30%
Total	**100%**	**100%**

c) Raw materials and consumables

All of the work done by other companies, particularly with regard to scriptwriting, recording, etc., is recognised under the heading of "raw materials and consumables:

Euro	6/30/2015	6/30/2014
Raw materials and consumables	158,049	68,606
Total	**158,049**	**68,606**

d) Other operating expenses

The caption titled “other operating expenses” comprises the following items:

Euro	6/30/2015	6/30/2014
Leases	86,184	89,331
Repairs	11,849	4,946
Independent professional services	628,184	694,455
Insurance	1,702	18,395
Bank fees	6,466	24,374
Advertising and public relations	27,897	69,472
Utilities	27,888	21,717
Other general expenses	203,106	78,189
Other taxes	1,513	3,141
Impairment losses on commercial transactions	36,784	60,467
Losses on commercial transactions		8,122
Reversal of impairment losses on commercial transactions		(7,919)
Total	**1,031,572**	**1,064,689**

e) Staff expenses

Euro	6/30/2015	6/30/2014
Wages, salaries and similar rem	933,820	961,438
Social Security	246,138	250,323
Other expenses	3,188	1,157
Total	**1,183,146**	**1,212,918**

The average number of employees by category during the period was as follows:

CATEGORY	Plantilla media	
	6/30/2015	6/30/2014
5-YR DEGREE HOLDER	23	22
3-YR DEGREE HOLDER	5	4
SR.MANAGER	1	2
MANAGER 1	-	-
MANAGER 2	3	3
OFFICIAL 1	9	8
OFFICIAL 2	1	1
ASSISTANT	2	2
PROGRAMMER	2	-
PRODUCTION ASSISTANT	-	-
OPERATOR	7	8
GRANT HOLDER	-	1
CHARWOMAN	1	1
Total	**55**	**52**

The distribution of the Company’s personnel at year-end 2014 by gender and category, is as follows:

CATEGORY	6/30/2014		6/30/2013	
	Men	Women	Men	Women
5-YR DEGREE HOLDER	7	16	6	17
3-YR DEGREE HOLDER	4	1	3	1
SR.MANAGER	2	-	2	-
MANAGER 1	-	-		1
MANAGER 2	2	1	2	1
OFFICIAL 1	7	2	7	1
OFFICIAL 2	1	-	1	-
ASSISTANT	-	2	-	3
PROGRAMMER	-	2		
PRODUCTION ASSISTANT	-	1		
OPERATOR	4	2	6	2
GRANT HOLDER	-	1	1	-
CHARWOMAN	-	1	-	1
Total	**27**	**29**	**28**	**27**

23. Corporate income tax and tax situation

The reconciliation between net income and expense for the year and the taxable base is set out below:

Euro

	Income statement			Income and expense recognised directly in equity		
Income/expense for the year			81,306			-
	Aumentos	Disminuciones		Aumentos	Disminuciones	
Corporate Income Tax	36,498		36,498			
Permanent differences	25,286	-	25,286			
Temporary differences:						
arising during the year		-	-			-
arising from previous years		-	-			-
Offsetting tax-loss carryforwards						
Taxable base (tax result)			**143,090**			

The permanent differences mainly correspond to the taxes that the Company pays in those operations with non-resident customers.

In the same period last year, the reconciliation was as follows:

Euro

	Income statement			Income and expense recognised directly in equity		
Income/expense for the year			(363,330)			(3)
	Aumentos	Disminuciones		Aumentos	Disminuciones	
Corporate Income Tax	351,182		351,182			
Permanent differences	28,964	-	28,964			
Temporary differences:						
arising during the year	-	-	-		(3)	-
arising from previous years	-	-	-			-
Offsetting tax-loss carryforwards						
Taxable base (tax result)			**16,815**			

Income tax expense at June 30th 2015 is analysed below:

	Current year tax	Income tax paid abroad	Change in deferred tax				TOTAL
			Net charge deferred tax assets			Change in deferred tax liabilities	
			Temporary differences	Tax credits for tax-loss carryforwards	Other credits	Temporary differences	
Charged to the Income Statement To continuing operations	-	(25,286)		(36,498)			(61,784)
Total	**-**	**(25,286)**	**-**	**(36,498)**	**-**	**-**	**(61,784)**

At the same period last year Income tax was:

	Current year tax	Income tax paid abroad	Change in deferred tax				TOTAL
			Net charge deferred tax assets			Change in deferred tax liabilities	
			Temporary differences	Tax credits for tax-	Other credits	Temporary differences	
Charged to the Income Statement To continuing operations	-	(28,964)	-	(349,154)	(2,028)	-	(380,145)
Total	**-**	**(28,964)**	**-**	**(349,154)**	**(2,028)**	**-**	**(380,145)**

At June 30th 2015, the Company tax loss carry-forwards in the amount of EUR 6,408,418. The tax projection recognised at the end of this semester said amount would rise provisionally to 6.262.428 (note 21a).

At June 30th 2015, the Company's corporate tax returns for the years 2010 to 2013 were still open to inspection, as were its tax returns for VAT, withholding taxes, business tax, capital gains tax and non-resident tax returns for the years 2011 to 2014.

The Company estimates that tax credits will be recovered within a period not exceeding 10 years.

24. Accruals and contingencies

At June 30th 2015 the Company has not recorded any amount under this caption. The reasons for this lack of record of such provisions is the advice of our legal department as well as that of the external law firm offices in charge of the demands, since they estimate the risk taken by the Company is low. At the time of preparation of these annual financial statements, it is not possible to know the final economic consequences, if any, of these events.

Likewise, it should be stressed that during the first semester in 2015 a process of dispute resolution was initiated regarding a conflict over an agreement signed with a United States client aimed to develop educational apps (note 13d). The balance to be collected at June 30th 2015 amounts to EUR 2.672.267. The cost under the Liabilities item in the Interim Financial Statements under the heading “accruals to PA” is related to this particular client. The progress of both items could be affected by the above-mentioned process. However, such process is at a very early stage and therefore at the end of the semester no other information can be possibly provided.

At year-end in 2013, the Company had registered a provision amounting to EUR 100,000 corresponding to the administrative decision issued by the CNMV by virtue of a penalty process. At June 30th 2015 this provision is kept since it has been published.

25. Director and senior management compensation

a) Remuneration of the members of the Board of Directors

In the first semester of 2015 the remuneration of the members of the Board of Directors for sitting on the Board amounted to 126.000€

In the same period last year, the members of the Board of Directors received no remuneration for sitting on the Board.

In the first semester of 2015, as for the same period in the previous year, no contributions have been made to pension plans or funds for former or current members of the parent Company's Board of Directors. No such obligations were incurred during the period.

The members of the Company's Board of Directors have received no remuneration in respect of profit sharing or premiums. They received no shares or stock options during the period and nor have they exercised any options and nor do they have any options to be exercised. The parent Company is committed to the members of the Board a plan for long-term variable remuneration consisting of the delivery of shares.(Note 19).

b) Compensation and loans to senior management personnel

In the first semester of 2015 in the remuneration received by Senior Management Personnel of the Company amounted to EUR 101.326. The remuneration received last year in the period totalled EUR 100.994.

The Company has engaged with the staff considered as senior management personnel a long-term variable compensation plan consisting in the delivery of shares (note 19).

We must underline the existence of special exit clauses set out in a private agreement supplementary to the labour contract. In this regard, the compensation of such employees could amount to 24 months' salary, additional and regardless of the legal compensation due per year worked, if any of the conditions contained in these documents should occur.

c) Shareholdings and directorships held by board members in companies with identical or similar business activities

Article 229 of the Spanish Capital Companies Act in force (the consolidated text of which was ratified by Royal DecreeLaw 1/2010 of 2 July.) as worded in Law 31/2014 (December 3rd), whereby the Stock Market Act and the Spanish Capital Companies Act were amended to increase transparency in listed companies and improve corporate government, obliges Board directors to inform the company of any shareholdings in companies engaged in activities that are the same as or similar or complementary to the company's corporate purpose, any offices or duties performed in such companies, and any activities that are the same as or similar or complementary to the company's objects, carried out for their own account or for the account of third parties.

To this end it is noted that the positions held by the members of the Board of Directors on the governing bodies of other group companies are as follows: Mr. José María Castillejo Oriol is the sole Manager of the company Sonocrew, S.L. and President of Zinkia Educational, Inc. These positions in the Company were unremunerated.

Additionally, the Director of the Parent Company, Mr. José Carlos Solá Ballester is manager and main shareholder of an audiovisual producer called Cien por Cien Cine, S.L. as well as manager and shareholder in Traveltrain TV Spain, S.L. and member of the Board of Directors of Zinkia Educational, Inc. This last position was unremunerated.

The members of the Board of Directors have not communicated any direct or indirect conflict situation they might hold against the Company, such as established in article 229.3 in the Spanish Capital Companies Act.

26. Other related-party transactions

The transactions set out below were carried out with related parties:

Euro	6/30/2015		6/30/2014	
	Expense	Income	Expense	Income
José María Castillejo Oriol	102,000	-	115,000	-
José Carlos Solá Ballester	12,000	-	-	-
Jomaca 98, S.L.	12,000	-	-	-
Sonocrew, S.L.	-	18,925	511	11,062
Roatán Comunicaciones	-	-	59,183	-
Armialda, S.A.	-	-	25,000	-
Other related parties	-	-	123	-
Cake Distribution, Ltd	-	-	4,997	15,376
Total	**126,000**	**18,925**	**204,813**	**26,438**

The expenses related to Mr. José María Castillejo are derived from his remuneration as Director and the payment of allowances for his assisting to the meetings of the Board of Directors held in the first semester of 2015 (note 25).

The expenses derived from Jomaca 98, S.L., and José Carlos Solá correspond to the payment of allowances for assisting to the meetings of the Board of Directors held in the first semester of 2015.

Income invoiced by Sonocrew, S.L. (Company in charge of managing the musical contents of Zinkia's productions) are generated by their business activities.

Transactions with related parties are made on normal commercial terms and market conditions.

<u>Closing balances with related-parties</u>

Euro	6/30/2015		12/31/2014	
	Debit	Credit	Debit	Credit
Current account with subsidiaries				
Sonocrew, S.L.	178	-	178	-
Producciones y Licencias Plaza de España, S.A. de C.V.	-	-	-	-
Current account with related parties	13,102	-	23,897	
Long-term trade receivable	-	-	-	-
Cake distribution, Ltd	-	-	-	-
Trade receivable				
Sonocrew, S.L.	1,617	-	25,348	-
Cake distribution, Ltd	-	-	-	-
Trade payable				
Roatán Comunicaciones	-	28,058	-	28,058
Roatán Comunicaciones	-	76,907	-	76,907
Armialda	-	250,444	-	250,444
Jomaca 98, S.L.	-	2,020	-	-
Cake Entertainment, Ltd	-	-	-	-
Cake Distribution,	-	-	-	-
Short-term credits				
Jomaca 98, S.L.	-	-	-	-
Short-term loans				
Other related parties	-	-	-	-
Long-term loans				
Other related parties	-	29,381	-	29,381

Jomaca 98, S.L, as main shareholder, had granted guarantees to the Company against financial creditors. Such guarantees are null and void because Jomaca 98, S.L. Is currently under voluntary procedure of arrangement with creditors.

At June 30th 2014 the Company decided to recognise a 100% impairment on the guarantee granted by Jomaca, since the loan matured at December 31st 2013, because of Jomaca's insolvency, and because the Company, in its turn, turned also insolvent under the procedure of arrangement with creditors. Such guarantee accrued a rate of 7,5% payable at maturity. The amount of the accrued interest was also 100% impaired.

Also, in 2014 the Company has transmitted the whole of its shares in Cake Entertainment, Ltd. and as a consequence there is no need to detail the balances deriving from Cake at at June 30th 2015 under this heading.

27. Environmental information

All operations designed mainly to minimise environmental impacts and protect and improve the environment are deemed to be environmental activities.

During the first semester in 2015 the Company bore no major environmental expenditures.

28. Events after the balance sheet date

Regarding the insolvency process of the Company, on July 29th 2015 the Company was served the sentence issued by the Mercantile Court nº 8 in Madrid by virtue of which the Arrangement with the Creditors presented by the Company was approved.

The Company is awaiting the Court to rule on the time of entry into force of this Agreement so as to start implementing the payments schedule established therein.

29. Auditors' fees

The professional fees charged by Garrido Abogados y Asesores Fiscales, S.L. for their revising services limited to the Interim individual and consolidated financial statements at June 30th 2015 totalled EUR 4,054.

The professional auditing fees for the Interim individual and consolidated financial statements charged by Garrido Abogados y Asesores Fiscales, S.L. In 2014 for the same period amounted to EUR 8,072.

The professional fees charged by Garrido Abogados y Asesores Fiscales, S.L. amounted to EUR 17,008 in the same period. These fees amounted to EUR 17,008 in the previous year.

30. Other disclosures

The Group is controlled by Jomaca 98, S.L., which owns 64.71% of the Company's shares, the largest amount possessed by any shareholder.

The parent company, which files its accounts with the Madrid Business Register, has claimed the exemption detailed in article 43 of the Commerce Code and does not file consolidated annual accounts in such sense.

JOMACA 98, S.L has filed for voluntary insolvency.

Impact of International Financial Reporting Standards in the Annual Financial Statements

Article 537 of the of the Corporate Enterprises Act provides that, the companies which have issued securities admitted to trading on a regulated market of any Member State of the European Union and, according to current regulations, only publish Interim Financial Statements, must inform in the Notes of the main variations that would arise in equity and the profit and loss account if they had applied the International Financial Reporting Standards adopted by the European Union Regulations (IFRS-EU) indicating the evaluation criteria applied.

The Company, in the current period, is submitting interim consolidated financial statements, so all the above does not apply.

Information on the deferred payments to suppliers. Third additional provision of Law 15/2010 of July 5th on the "Duty to Inform":

Pursuant to the terms of this law, we should stress that approximately 99% of the trade credits recorded in the balance of the Company at June 30th 2015 correspond to the insolvency debt, the payment of which must await the entry into force of the arrangement with the creditors which is to fix the different maturities. For this reason we cannot apply the analysis of period payment required under this caption. As to the remaining 1% of the trade creditors that are part of the balance, we have to stress that they correspond to recurring services for the current period and aimed at the business of the Company and the payment of which does not exceed the legal term.

In the first semester of 2015 the Parent Company has paid trade creditors up to EUR 1,189,321, out of which 1% exceeded the legal term established. The weighted average term of exceeded payment is 92 days.

The Company at the same period of the year made payments to suppliers amounting to EUR 976.056 out of which 28% exceeded the legal limit. The weighted average term of payment amounts to 183 days.

Issuance of American Depositary Receipts (ADRs) on shares of the Company

On November 10th 2011, the Company issued a Relevant Fact under Article 82 of Securities Market Law 24/1988 and Memorandum 9/2010 of the Spain´s Alternative Investment Market (Mercado Alternativo Bursatil–MAB) which reported on the approval by Securities Exchange Commission (SEC) of USA for the issuance of American Depositary Receipts (ADRs) on shares of the Company bound for placement among U.S. investors. Each ADR representing 5 shares of the Company. This transaction did not increase in capital or increase funding for the Company to be made with shares already issued.

31. Guarantees

At the end of the semester the Company has a guarantee with a financial entity amounting to EUR 748,198, whose funds to pledge have been deposited by the Company. This guarantee was required by the Ministry of Industry, Energy and Tourism in order to obtain funds from the Avanza programme (Note 13), regarding the call for “Strategic Action Plan for Telecommunications and Information Society”, 2012 annuity, within the sub-program “Competitivity R+D”. At June, 30th 2013, the guarantee has already been pledged on Company funds.

Also, the Company has deposited 101,619 euros in cash, at the General Deposit Bank as a guarantee for the Ministry of Industry, Energy and Tourism who required it in order for the Company to obtain the grant for the call "Strategic Action Plan for Telecommunications and Information Society "2013 annuity, within the sub-program" Strategic Action Plan for Digital Economy and society (Note 13).

32. Signed Annual Financial Statements

These Interim Financial Statements are signed by the members of the Board of Directors at the meeting of the Board of Directors held in Madrid at June 26th August 2015.

ZINKIA ENTERTAINMENT, S.A.
DIRECTORS' REPORT CORRESPONDING TO THE FIRST SEMESTER OF 2015

Business Performance and Company Situation

The current tension in the financial markets resulting from the current economic downturn has adversely affected the economic activity around the world and particularly in Spain. The Company is conditioned by some of the trends that have taken place in the Spanish and international economy in recent years and the revenue from most of its products depend essentially on the state of markets and economies. These trends, among which we must include the slowdown in consumption and the limited bank funding, have affected sales of the products on offer. The global economic crisis and the current adverse market situation in recent years has made it very difficult and burdensome for any operator to access credit. For the Company, this situation has worsened even further due to the existing difficulties in order to generate the cash flows needed to meet the payment of its debts in the short term which has been the scene during the previous years.

Zinkia has been working for more than three years in finding appropriate funding sources, analysing all possible alternatives to generate additional liquidity, so that the financial resources will be generated in order for the Company to be capable of meeting all of its commitments and of undertaking the investment projects in the Business Plan. Zinkia conducted the launch of two debt issues authorised by the National Securities Market Commission in 2013, in July and October. In absence of alternative sources of funding and given the outcome of the above referred debt issues, the Company was not capable of facing the milestones of the debt repayment at the end of 2013 and early 2014.

With the aim of protecting the assets of the company and in order to allow the Company to continue with business as usual under the legal umbrella of protection, Zinkia filed on October 31, 2013, the legal procedure under art. 5bis of the Insolvency Act in order to renegotiate and continue negotiations with all the different creditors of the parent company.

During the process of debt negotiation with creditors, a refinancing agreement was reached with Bondholders, and main Financial Institutions and Trade creditors, yet ultimately no satisfactory agreement was reached with a private entity, holder of a loan to the Company amounting to 2.5 million euros.

Given the situation and as an act of responsibility, the Board of Directors decided to submit an application for Voluntary Arrangement with Creditors at February 26th, 2014.

On the 07th April 2014, the court finally issued the decision to appoint the company ATTETS INTEGRA, S.L.P. as Insolvency Administration at the proposal of the Comisión Nacional del Mercado de Valores.

The Company prepared a Viability Plan and a Payments Plan for each group of creditors. Based on both documents and considering the information achieved in the interviews the Company had held with its creditors according to the 5BIS procedure, the Board of Directors of the Company decided in May to present an Advanced Proposal of Arrangement with Creditors (APAC) before the court of the Mercantile nº 8.

This Advanced Proposal of Arrangement with Creditors (APAC) does not entail reductions, reason why it was well accepted among creditors, which at the time of its presentation before the mercantile court actually led to count already on the adherence of some of the main creditors, like financial entities and banks and the Spanish Public Administration, among some others. At 17thJune 2014 took place the Bondholders Meeting wherein bondholders adhered the APAC presented by the Company.

At July 11th 2014 and within the term granted by the court, the Insolvency Administration filed its positive report on the content of the APAC presented by the Parent Company regarding the Payments Schedule and the Viability Plan.

From that date on and until the preparation of the Interim Financial Statements the Company has awaited a positive resolution from the court regarding the APAC, which due to circumstances was delayed until July 29th 2015, when the Company was served the sentence issued on the 24th July 2015 by the mercantile court nº 8 of Madrid which approved the Arrangement with the Creditors (see note 28). The approval of the APAC by the court will allow the Company to overcome the circumstances it is currently going through, and satisfy its creditors in the terms of said APAC as soon as the court rules on the entry into force of such Arrangement. All this will afford relaunching the Company's business.

In spite of being subject to an insolvency procedure since last April 07th 2014, the Company's business keeps growing as the figures of this period show when compared to those of the previous period.

During the first semester of 2015 the great increase in the Group's sales raised 5% compared to the same period last year. This increase in the sales is the consequence of the business evolution and growth.

As to the degree of compliance with the projections published, it should be recalled that the Group prepares its estimations on a yearly-basis. Likewise it should be stressed that, historically, sales are not influenced significantly by seasonability, and yet 60% of the Company turnover is often generated in the second semester of every year. However, the results from the licensing area have not met the expectations.

As to the distribution by business lines, there is a notable growth in two of the three large business areas: Contents and Publicity, and a decrease in the area of Licensing.

Regarding the area of contents, this business line has increased 61% compared to the same period last year. This increase results from the commercial management in this income generation that includes digital and interactive content sales in different platforms and the delivery of content relating the project of developing educational apps.

Sales corresponding to publicity are exponentially increased up to 68% higher to the same period last year thanks to the good results from the exploitation of publicity in online platforms.

And last, sales corresponding to Licensing & Merchandising have decreased 77% compared to the same period last year. In 2014 a certain number of agreements with important minimum guarantees were signed, and according to the accounting rules those sales were totally recorded at the time of signing (2014). Today those agreements are being executed and will generate new sales of royalties once the minimum guarantees in the agreements are exceeded. Likewise, it should be mentioned that a business plan was established with the aim of exiting the insolvency process.

Since this did not happen at the estimated time, the Group sales were affected to the extent that many a negotiation was delayed until the positive resolution on the insolvency process. As to the exploitation of trademarks through merchandising licensing, the end consumer is not the direct client, contrary to what happens in other business such as with content download or the visualisation of associated publicity. This is the reason why this business line is the most affected by the financial situation of ZINKIA, since the different agents in the commercial negotiation (partners, great distribution chains, toy industry, etc.) are part of the chain of sales before the product reaches the end consumer and that chain requires an investment in publicity, marketing and so on that it is not possible to obtain now given the insolvency situation of ZINKIA, and as a consequence sales of this type of products are delayed. The estimates of this area counted on the recruitment of different international commercial profiles to their team in early 2015. Due to the insolvency process it was not possible to recruit any of those positions that are necessary to launch the business plan, and therefore this has greatly affected meeting the sales expectations for the year.

Zinkia is still controlling costs. Regarding the estimates for 2015, the evolution in this period compared to the same period the previous year is as expected.

The staff expenses have kept unchanged regarding the same period in the previous year. Recruitments as established in the business plans have been deferred due to the insolvency situation.

Likewise, the item "Other exploitation expenses" has kept stable compared to the same period the previous year. This item represents the costs of assessors, consultants and, mainly, the trade commissions.

The Working Capital in the Balance presents a negative figure amounting to EUR 5.495.936 at June 30th 2015. The long and short-term debts are part of Zinkia's insolvent debt. Since the APAC has not been solved in 2015 the debt is recorded with the original maturity of each loan, be it at long or short term. The Company, as it has been stated, is subject to an insolvency procedure since last 7th April 2014. An Advanced Proposal of Arrangement with Creditors has been presented with the corresponding viability plan and payments plan. On July 29th 2015 the Company was served the sentence issued on July 24th 2015 by the Mercantile court nº 8 of Madrid by virtue of which the Arrangement with the Creditors was approved. The Company awaits the court to rule on the time the arrangement approved will entry into force so as to comply with the payments schedule established therein. The evolution of the working capital will depend on the resolution of the APAC. The Company expects the court will rule on the entry into force of the arrangement in the coming months. This would allow the Company to overcome the circumstances it is currently going through, and pay its creditors in the terms of said APAC, while relaunching the Parent Company's business and improving the financial position in the short-term and carrying most of the debt to the long-term.

Events after the date of end of these year-end Financial Statements

As to the insolvency procedure on July 29th 2015 the Company was served the sentence issued on July 24th 2015 by the Mercantile court nº 8 of Madrid by virtue of which the Arrangement with the Creditors was approved.

The Company awaits the court to rule on the time the arrangement approved will entry into force so as to comply with the payments schedule established therein.

Outlook for the Company

The Company, taking into account the delays suffered during the insolvency procedure and after having analysed the economic and financial impact of such delays, has revised its projections for 2015 published last April 2015 (see document “Update of estimates and Report on the degree of compliance” annexed to these Interim Financial Statements).

The Company estimates that the court's approval of the Advanced Proposal of Arrangement with Creditors, once the courts serves the date of entry into force of such Arrangement, will help relaunch the Company's business in order to obtain the expected results for the coming years. However, the continuous delays in the resolution of the insolvency procedure have affected the evolution of business and the estimations for the coming months, since many a negotiation has been affected. A business plan was established with the aim of exiting the insolvency procedure. But since such situation remains unchanged, Zinkia's sales in the area of licensing, as mentioned above, have been affected.

Zinkia has revised the previous licensing 2015 sales and expenses forecasts downwards.

The impact projected in the commercial exploitation of ZINKIA's sales for 2015 is focused on the exploitation of trademarks through merchandising licensing, reducing the estimated figure for 2015 43%. ZINKIA established a business plan was established with the aim of exiting the insolvency process. Since this did not happen at the estimated time, the sales were affected to the extent that many a negotiation was delayed until the positive resolution on the insolvency process. Consequently ZINKIA's managers have analysed the impact of such situation in the present business plan, and have modified it taking into account that it is still possible that some negotiations are delayed and finally end once 2015 is over. As to the exploitation of trademarks through merchandising licensing, the end consumer is not the direct client, contrary to what happens in other business such as with content download or the visualisation of associated publicity. This is the reason why this business line is the most affected by the financial situation of ZINKIA, since the different agents in the commercial negotiation (partners, great distribution chains, toy industry, etc.) are part of the chain of sales before the product reaches the end consumer and that chain requires an investment in publicity, marketing and so on that it is not possible to obtain now given the insolvency situation of ZINKIA, and as a consequence sales of this type of products are delayed. The estimations of this area relied on the recruitment of different international commercial profiles to their team in early 2015. Due to the insolvency process it was not possible recruiting any of those positions that are necessary to launch the business plan, and therefore this has greatly affected meeting the sales expectations for the year.

The staff expenses have been controlled considering that, at the time of preparation of these statements, most of the recruitments estimated for 2015 have not taken place, and if they are to take place, this will happen at year-end.

Likewise, the item on supplies and other exploitation expenses have decreased taking into account the expenses control and the reduction of sales variable costs, since the sales have been inferior to what was expected previously, the associated costs will also be inferior.

For the year 2016 and the following, an increase is expected in the turnover of the Company based on the introduction of POCOYO™ into new markets, the increase of business lines regarding content and advertisements, as well as the developing of new audiovisual content and brands.

With regard to new projects, the Company is still working on their development and on the achievement of commercial and financial agreements that will afford the stage of production.

Projects in progress shall not be abandoned, but their production is postponed to coming years when the economic and financial situation shall be adequate.

Research & Development

Zinkia engages in ongoing research, development and technological innovation, always striving to optimise our production processes and acquire technical skills that allow us to maintain ourselves as a leading company in the sector.

Financial Risk Hedging

At June 30th 2015, and as it has been mentioned above, all of the Company's debt is awaiting the ruling of the court on the entry into force of the arrangement with the creditors, which shall establish the new conditions to which the debt shall be subject. And therefore the Company cannot classify the debt by interest rates. At the previous year-end, at the date of declaration of the arrangement with the creditors procedure, 82% of the total amount of the debt of the Company was fixed-rated and the previous year-end the average interest rate was 6.51%

Acquisition of treasury shares

At June 30th 2015, the Company has not made any transaction with its treasury shares.

The treasury shares at June 30th 2015 represent approximately 1.15% represent approximately (1.15 at year-end 2014) of the share capital with a total face value of EUR 28,150 (EUR 28,150 at December 31st 2014), and an average acquisition price of EUR1.09 per share (EUR1.09 at December 31st 2014). Also, the average sale price of the treasury shares at June 30th 2015 is EUR 1.75 per share (EUR 1.75 at December 31st 2014).

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DECLARATION OR RESPONSIBILITY FOR INTERIM FINANCIAL STATEMENTS
(JUNE 30TH, 2015)

The members of the Board of Directors of ZINKIA ENTERTAINMENT, S.A. listed below declare that, to the best of their knowledge, the interim financial information for the Company, which includes the Individual and Consolidated Interim Financial Statements of ZINKIA ENTERTAINMENT, S.A. and subsidiaries as at the end of June 2015, formulated by the Board of Directors at the meeting held on August 26th, 2015 and prepared according to the applicable accounting principles, offer a true image of the equity, financial situation and results of ZINKIA ENTERTAINMENT, S.A. and subsidiaries and that the Directors' Report includes an accurate analysis of the Company's business results and position, along with a description of the principal risks and uncertainties faced by the Company and subsidiaries.

Madrid, August 26th, 2015

Mr. José María Castillejo Oriol

Mr. José Carlos Solá Ballester

JOMACA 98, S.L. represented by
Ms. Maria J. Alonso Fernández

Mr. Jose Luis Urquijo Narvaez