

ZINKIA ENTERTAINMENT, S.A.

Audit Report, Interim Financial Statements
and Directors' Report
at June 30, 2013

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations 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.

AUDIT REPORT ON THE INTERIM FINANCIAL STATEMENTS

To the shareholders of Company Zinkia Entertainment, S.A.:

1. We have audited the interim financial statements of Zinkia Entertainment, S.A., comprising the balance sheet at June 30, 2013, the income statement, the statement of changes in equity, the cash flow statement and related notes to the financial statements for the semester then ended. The Directors are responsible for the preparation of Company's interim financial statements in accordance with the regulatory financial reporting framework applicable to the company (which is identified in Note 2 of the accompanying notes to the interim financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the interim financial statements taken as a whole, based on our audit work conducted in accordance with the audit regulations in force in Spain, which requires the examination, by means of selective tests, of the evidence supporting the interim financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.
2. The Non-current trade receivables caption in the Non-current assets of the accompanying comparative balance sheet at June 30, 2012, was valued at its nominal value. Its valuation at amortised cost would have implied a reduction in the profit before tax for the period then ended of euros 146 thousand. Our opinion on the interim financial statements for the semester ended at June 30, 2012 was qualified due to this matter.
3. In our opinion, except for the effects on the comparative figures of the matter discussed in the preceding paragraph, the accompanying interim financial statements at June 30, 2013 present fairly, in all material respects, the equity and financial position of Zinkia Entertainment, S.A. at June 30, 2013 and the results of its operations and cash flows for the semester then ended, in conformity with the applicable regulatory financial reporting framework and, in particular, with the accounting principles and rules contained therein.
4. Without qualifying our audit report, we draw attention to the matter discussed in Note 2.i) of the accompanying interim financial statements, in which it is said that the Company shows a negative working capital to the amount of euros 3,219,179, that could make difficult the future payment of its liabilities. The Company is currently negotiating overdue balances and developing new alternatives to generate liquidity and pay its liabilities. These conditions indicate the existence of a material uncertainty about the Company's ability to continue as a going concern.

5. The accompanying directors' report for the semester contains the explanations that the company's directors consider appropriate regarding Zinkia Entertainment, S.A. situation, the evolution of its business and other matters, but it is not an integral part of the financial statements. We have checked that the accounting information contained in the directors' report is consistent with that contained in the interim financial statements at June 30, 2013. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the company's accounting records.

Garrido Auditores, S.L.
(Registered in R.O.A.C. under no. S1838)



David Jiménez Matías
September 10, 2013



ZINKIA ENTERTAINMENT, S.A.

INTERIM FINANCIAL STATEMENTS AT JUNE, 30th 2013

Translation of Financial Statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 1 and 32) in the event of discrepancy the Spanish language version prevails.



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ZINKIA ENTERTAINMENT, S.A.

INTERIM BALANCE SHEET AT JUNE 30th 2013 AND AT DECEMBER 31st 2012 (In EUR)

ASSETS	Note	06/30/2013	12/31/2012
A) NON-CURRENT ASSETS		16,822,396	18,345,852
I. Intangible fixed assets	5	8,754,783	8,832,662
3. Patents, licenses, trademarks and similar		2,792,903	2,639,443
5. Computer software		42,564	50,837
6. Other intangible assets			
Research		5,881,543	6,104,609
Advance for intangible assets		37,773	37,773
II. Property, plant and equipment	6	64,667	76,258
2. Plant and other PPE		64,667	76,258
IV. Non-current investments in group companies and associates	7, 8	1,003,697	1,003,697
1. Equity instruments		1,003,697	1,003,697
V. Non-current financial investments	7, 11	28,282	28,183
1. Equity instruments		28,183	28,183
		98	-
VI. Tax credits	21	4,712,377	4,425,759
VII. Non-current trade receivables	7, 11	2,258,590	3,979,292
1. From clients		2,258,590	3,979,292
B) CURRENT ASSETS		6,164,688	7,133,764
III. Trade and other accounts receivable	7, 11	4,573,459	3,977,441
1. From clients		3,949,463	3,415,252
2. Clients, group companies and associates		492,206	461,236
3. Sundry receivables		-	-
5. Current tax assets		731	731
6. Other tax credits		131,059	100,223
IV. Current investments in group companies and associates	7, 11, 26	461,019	445,660
2. Loans to companies		460,826	445,244
5. Other financial assets		193	416
V. Current financial investments	7, 11	895,263	150,459
1. Equity instruments		172	181
3. Debt securities		-	-
5. Other financial assets		895,091	150,278
VI. Prepaid expenses		12,642	27,655
VII. Cash and cash equivalents	14	222,306	2,532,549
1. Cash		220,908	2,530,618
2. Cash equivalents		1,398	1,931
TOTAL ASSETS		22,987,084	25,479,616

Notes 1-32 are an integral part of the Interim Balance Sheet at June 30th, 2013.

ZINKIA ENTERTAINMENT, S.A.
INTERIM BALANCE SHEET AT JUNE 30th 2013 AND AT DECEMBER 31st 2012 (In EUR)

EQUITY AND LIABILITIES	Note	06/30/2013	12/31/2012
A) NET EQUITY		8,908,133	10,145,677
A-1) SHAREHOLDER'S EQUITY		8,781,007	10,018,702
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	1,104,216	994,353
1. Legal and statutory		330,475	237,262
2. Other reserves		773,741	757,091
IV. Treasury stock	17	(808,029)	(403,841)
V. Profit/(loss) carryforwards		(2,681,613)	(3,520,531)
2. Tax loss carryforwards		(2,681,613)	(3,520,531)
VII. Profit/(loss) for the year	18	(850,156)	932,131
A-2) ADJUSTMENTS DUE TO VALUE CHANGES	12	(3,852)	(4,003)
II. Hedgings transactions		(3,852)	(4,003)
A-3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	20	130,978	130,978
B) NON-CURRENT LIABILITIES		4,695,084	6,944,295
II. Non-current payables	7, 13	4,553,531	6,827,306
1. Debentures and other marketable securities		-	-
2. Bank borrowings		797,228	759,295
4. Derivatives		-	53
5. Other financial liabilities		3,756,303	6,067,958
III. Non-current payables with subsidiaries and associates companies	21	85,965	61,401
IV. Deferred tax liabilities		55,588	55,588
C) CURRENT LIABILITIES	7, 13	9,383,867	8,389,645
III. Current payables		6,221,009	4,147,761
1. Debentures and other marketable securities		2,267,625	2,027,004
2. Bank borrowings		1,143,502	1,405,032
5. Other financial liabilities		2,809,882	715,725
VI. Current accruals and deferred income	7, 13	198	
V. Trade and other payables		2,267,572	2,993,628
3. Sundry payables		1,900,006	2,204,575
4. Wages and salaries pending of payment		31,918	368,248
6. Other tax payables		335,648	420,805
VI. Current accruals and deferred income		895,089	1,248,256
TOTAL LIABILITIES AND EQUITY		22,987,084	25,479,616

Notes 1-32 are an integral part of the Interim Balance Sheet at June 30th, 2013.



ZINKIA ENTERTAINMENT, S.A.

INCOME STATEMENT FOR THE INTERIM PERIODS ENDED AT JUNE 30th 2013 AND AT JUNE 30th 2012 (In EUR)

	Note	06/30/2013	06/30/2012
1. Revenue	22.b	1,752,240	6,806,701
3. Own work capitalised	5	605,768	638,283
4. Raw materials and consumables	22.c	(16,289)	(46,864)
5. Other operating revenues	22.f		1,436
6. Staff expenses	22.e	(992,484)	(1,912,074)
7. Other operating expenses	22.d	(1,226,678)	(1,301,802)
8. Fixed assets amortisation	5, 6	(705,255)	(792,290)
9. Allocation of grants and other non-financial assets	20	-	-
11. Impairment and profit/(loss) on fixes assets disposals			
a) Impairment and losses	5	-	-
b) Profit/(loss) on disposals and other			2,145
12. Other results		(2,370)	(200)
A) OPERATING PROFIT/(LOSS)		(585,068)	3,395,336
13. Financial income		15,871	5,531
14. Financial expense		(495,338)	(436,393)
15. Change in fair value of financial instruments		-	-
16. Exchange differences		(15,340)	43,851
17. Impairment losses on disposal of financial instruments			731
B) FINANCIAL PROFIT/(LOSS)		(494,807)	(386,280)
C) PROFIT/(LOSS) BEFORE INCOME TAX		(1,079,875)	3,009,055
18. Corporate income tax	23	229,719	(821,694)
D) PROFIT/(LOSS) FOR THE YEAR		(850,156)	2,187,362

Notes 1-32 are an integral part of the Interim Income Statement at June 30th, 2013.



ZINKIA ENTERTAINMENT, S.A.

STATEMENT OF CHANGE IN EQUITY FOR THE INTERIM PERIOD ENDED AT JUNE 30th 2013 AND AT JUNE 30th 2012 (In EUR)

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

	06/30/2013	06/30/2012
A) Profit/(loss) for the year	(850,156)	2,187,362

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	151	(91)
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	151	(91)
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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	-	6,090
VIII. Grants, donations and bequests received	-	-
IX. Tax effect	-	-

C) Total transfers to income statements	-	6,090
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TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)	(850,005)	2,193,361
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Notes 1-32 are an integral part of the Interim Statement of Recognised Income and Expenses at June 30th, 2013.



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

	REGISTERED CAPITAL	SHARE PREMIUM	RESERVES	TREASURY STOCK	PRIOR-YEAR RESULTS	PROFIT/(LOSS) FOR THE YEAR	VALUE ADJUSTMENTS	GRANTS AND DONATIONS	TOTAL
A. 2013, ENDING BALANCE	2,445,677	9,570,913	1,151,523	(950,560)	(3,389,611)	(130,920)	(6,000)	105,542	8,796,564
I. Adjustments due to criteria changes	-	-	-	-	-	-	-	-	-
II. Adjustments due to errors	-	-	-	-	-	-	-	-	-
B. 2012, ADJUSTED STARTING BALANCE	2,445,677	9,570,913	1,151,523	(950,560)	(3,389,611)	(130,920)	(6,000)	105,542	8,796,564
I. Total recognised income and expense	-	-	-	-	-	932,131	1,996	25,436	959,563
II. Transactions with shareholders	-	-	(157,170)	546,719	(130,919)	-	-	-	389,549
S. Trading treasury stock	-	-	-	-	-	-	-	-	0
III. Other movements in equity	-	-	-	-	-	-	-	-	-
C. 2012, ENDING BALANCE	2,445,677	9,570,913	994,353	(403,841)	(3,520,530)	932,131	(4,003)	130,978	10,145,677
I. Adjustments due to criteria changes	-	-	-	-	-	-	-	-	-
II. Adjustments due to errors	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	(850,156)	151	-	(850,005)
II. Transactions with shareholders	-	-	16,650	(404,187)	-	-	-	-	(387,538)
S. Trading treasury stock	-	-	93,213	-	838,918	(932,131)	-	-	-
III. Other movements in equity	-	-	-	-	-	-	-	-	-
E. 2013, ENDING BALANCE	2,445,677	9,570,913	1,104,216	(803,029)	(2,681,612)	(850,156)	(3,852)	130,978	8,908,133
I. Adjustments due to criteria changes	-	-	-	-	-	-	-	-	-
II. Adjustments due to errors	-	-	-	-	-	-	-	-	-
A. 2011, ENDING BALANCE	2,445,677	9,570,913	1,175,649	(347,303)	(1,091,225)	(2,298,387)	(33,784)	79,748	9,501,287
I. Adjustments due to criteria changes	-	-	-	-	-	-	-	-	-
II. Adjustments due to errors	-	-	-	-	-	-	-	-	-
B. 2012, ADJUSTED STARTING BALANCE	2,445,677	9,570,913	1,175,649	(347,303)	(1,091,225)	(2,298,387)	(33,784)	79,748	9,501,287
I. Total recognised income and expense	-	-	-	-	-	(130,919)	27,785	25,793	(77,941)
II. Transactions with shareholders	-	-	(24,126)	(603,257)	-	-	-	-	(627,383)
S. Trading treasury stock	-	-	-	-	-	-	-	-	-
III. Other movements in equity	-	-	-	-	(2,298,387)	2,298,387	-	-	-
C. 2012, ENDING BALANCE	2,445,677	9,570,913	1,151,523	(950,559)	(3,389,612)	(130,919)	(5,998)	105,541	8,796,564
I. Adjustments due to criteria changes	-	-	-	-	-	-	-	-	-
II. Adjustments due to errors	-	-	-	-	-	-	-	-	-
2013, ADJUSTED STARTING BALANCE	2,445,677	9,570,913	1,151,523	(950,559)	(3,389,612)	(130,919)	(5,998)	105,541	8,796,564
I. Total recognised income and expense	-	-	-	-	-	2,187,362	5,959	-	2,193,361
II. Transactions with shareholders	-	-	(157,170)	546,719	-	-	-	-	389,549
S. Trading treasury stock	-	-	-	-	-	-	-	-	-
III. Other movements in equity	-	-	-	-	(130,919)	130,919	-	-	-
E. 2013, ENDING BALANCE	2,445,677	9,570,913	994,353	(403,841)	(3,520,531)	2,187,361	-	105,542	11,379,473

Notes 1-32 are an integral part of the Interim Statement of Total Changes in Equity at June 30th, 2013.

ZINKIA ENTERTAINMENT, S.A.

CASH FLOW STATEMENT FOR THE INTERIM PERIOD ENDED AT JUNE 30th 2013 AND AT JUNE 30th 2012 (In EUR)

A) CASH FLOWS FROM OPERATIONS	NOTES	6/30/2013	6/30/2012
1. Profit before taxes		(1,079,875)	3,009,055
2. Adjustments to profit (loss)		1,202,433	1,176,625
a) Fixed asset depreciation	5, 6	705,255	792,290
b) Value corrections	5, 8	-	(731)
c) Allocation of grants	20	-	-
d) Profit (loss) from fixed asset disposals		2,370	(2,145)
e) Financial income		(15,871)	(5,531)
f) Financial expenses		495,338	436,393
g) Exchange differences		15,340	(43,851)
h) Change in fair value of financial instruments		-	-
i) Other income and expenses		-	200
3. Change in working capital		326,818	(3,963,015)
b) Other current assets and liabilities	7, 11	(596,018)	(980,951)
c) Creditors and other payables		15,013	17,871
c) Creditors and other payables	7, 13	(726,056)	1,112,893
d) Other non-current assets and liabilities	7, 11, 21	1,633,879	(4,112,829)
4. Other cash flows from operations		(272,236)	(202,966)
a) Interest paid		(232,275)	(157,336)
b) Dividends received		-	-
c) Collections (payments) for corporate income tax		(40,250)	(45,430)
d) Other payments (collections)		-	(200)
e) Collections for interests		288	(200)
5. Cash flows from operations (1+2+3+4)		177,140	19,700
B) CASH FLOWS FROM INVESTMENTS			
6. Paid on investments (-)		(1,449,768)	822,903
a) Group companies and associates	7, 8		-
b) Intangible assets	5	(688,774)	(659,974)
c) Property, plant and equipment	6	(1,121)	(6,110)
e) Other financial assets		(759,873)	(156,819)
g) Other assets			-
7. Amounts collected from divestments (+)		15,069	234,919
a) Group companies and associates			27,107
e) Other financial assets		15,069	207,812
8. Cash flows from investments (7-6)		(1,434,699)	(587,985)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Collections and payments on equity instruments		(404,187)	389,549
c) Acquisition of equity instruments		(404,187)	(196,539)
d) Disposal of equity instruments			586,088
10. Collections and payments on financial liability instruments		(653,892)	218,788
a) Issues		308,129	1,375,013
1. Debentures and other marketable securities			-
2. Bank borrowings		18,528	970,000
3. Other payables		289,601	405,013
b) Return and amortisation of		(962,021)	(1,156,225)
2. Bank borrowings		(511,129)	(994,916)
4. Other payables		(450,892)	(161,309)
11. Dividend payments and returns on other equity instruments			-
12. Cash flows from financing (9+10+11)		(1,058,079)	608,337
D) Effect of exchange rate fluctuations		5,394	(11,511)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A/-5+/-8+/-12+/-D)		(2,310,243)	28,541
Cash and cash equivalents at January, 1st		2,532,549	25,819
Cash and cash equivalents at June, 30th		222,306	54,360

Notes 1-32 are an integral part of the Cash Flow Statement at the first semester of the fiscal year 2013.

ZINKIA ENTERTAINMENT, S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS AT JUNE 30th 2013 (In EUR)

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 production, promotion, development, management, exhibition and commercialisation of cinematographic, audiovisual and musical works as well as the activities related to publishing of musical works.
- b) Rendering services related to the development of interactive software, hardware and consulting in the field of telecommunications.
- c) Buying and selling shares and debentures which may or may not be 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.

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

2. Basis of presentation

a) Regulatory framework of financial information

These 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 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 period.

c) Accounting principles

The interim financial statements were prepared by applying generally-accepted accounting principles. No accounting principles with significant effects on the financial statements were omitted. Although these significant estimates have been made taking the most appropriate information available, they may probably require to be reviewed in coming years as a result of future events. These changes would be done prospectively.

d) Critical measurement issues and estimates of uncertainty

The preparation of the financial statements requires the use by the Company of certain estimates and judgements in relation to the future that are assessed constantly and are based on historical experience and other factors, including expectations of future events considered reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom match the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

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 the figures from the previous year Interim Financial Statements for comparison purposes 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 and, where necessary, a breakdown is included in the relevant notes to the financial statements.

g) Changes in accounting policies

During this interim period, the Company has not applied changes in accounting policies following its usual accounting policy.

h) Correction of errors

In the first semester of 2013 a wrong adjustment was detected in the calculation of the anticipation of the income corporate tax rate relating to the fiscal year 2012, so it has been corrected in this period meaning an increase of EUR 16,650 in the capital reserves.

i) The going concern principle-Negative Working Capital

The interim balance sheet shows a negative Working Capital of EUR 3,219,179 at June, 30th 2013, mainly due to the attention and maturity of the financial debt of the Company and the investments carried out. Additional detailed information as follows below.

i.1) Overdue balances at this interim period and measures taken by Banks

The overdue balances with financial entities at June, 30th 2013, amount approximately to EUR 5,716 with one and EUR 644,760 with another one. Regarding the first amount, it is worth noting that all due amounts shall be paid.

Regarding to the second amount, at the time of preparing this Interim Financial Statements, the Company is actually negotiating with the financial entity an increase in the maturity period, and about to come to an agreement. In both cases these amounts are expected to be regularized by the end of the fiscal year 2013.

i.2) New actions in order to generate cash

In order to solve financial resources deficit, revealed during the first half of the year 2013, the Company is carrying out a process of issuance of bonds, as it was mentioned in the last relevant fact on July, 9th 2013. The Company expects this process to be ended by mid October. Besides Zinkia is negotiating some relevant and large size agreements expected to be signed during the coming months.

On the other hand, the Company is still working on:

- Increasing the incomes due to the international expansion of the brand, and therefore diversifying the cash flow coming from different countries.
- Improving the operating profits coming from digital licenses, online content and related advertising. The collection period of this kind of licenses is much shorter than in traditional licenses.
- The Company is currently seeking funds in financial entities and investment funds.

The Company's directors believe that all these activities that are being implemented will lead to the necessary financial resources to meet all the commitments of the Company.

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) Licences 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. Loans and receivables are included in "Loans to companies" and "Trade and other receivables" in the balance sheet.

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 investee 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.

There is permanent impairment whenever a decrease in the market value of the asset is greater than 40% or whenever the decrease should continue for a year and a half without recovering the value.

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 include non-current assets unless management intends to sell the investment within 12 months of the balance sheet date.

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.

For available-for-sale financial assets, value adjustments are made if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of debt instruments acquired or owing to the non-recoverability of the asset's carrying value in the case of investments in equity instruments. The value adjustment is the difference between cost and amortised cost less any value adjustment previously recognised in the income statement and fair value at the time of measurement. For equity instruments measured at cost because fair value cannot be determined, the value adjustment is determined in the same way as investments in the equity of group companies, jointly-controlled entities and associates.

If there is objective evidence of impairment, the Company removes the cumulative loss from equity and recognises it in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

Guaranteed minimum incomes: 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 gives 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 is 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 recognize 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 recognize, 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.

In order to manage the exchange risk that arises on future commercial transactions and recognised assets and liabilities, the Company uses forwards that are negotiated by the Treasury Department. Foreign exchange risk arises when the future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Company's functional currency.

(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 or 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.

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 scenarios, 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. Scenarios are only simulated for liabilities representing the most significant interest-bearing positions.

On the basis of the different scenarios, the Company manages the cash flow interest rate risk through variable to fix - interest rate swaps. These interest rate swaps have the economic effect of converting floating interest borrowings to fixed interest borrowings. Generally the Company obtains long-term borrowings at variable interest rates and swaps them for fixed rates borrowings that are lower than those which would be available if the Company obtained borrowings directly at fixed interest rates. Under interest rate swaps, the Company undertakes with other parties to exchange on a regular basis (generally quarterly) the difference between fixed and variable interest, calculated on the basis of the principal notional contracted.

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.

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. Due to the dynamic nature of the underlying businesses, the Company's Treasury Department aims to maintain flexibility in funding by keeping credit lines available.

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:

<i>Euro</i>	Balance at 12/31/2012	Additions	Disposals or reductions	Transfers	Balance at 06/30/2013
Cost					
Research and development	6,351,594	679,878	(74,110)	(828,833)	6,128,528
Intellectual property	11,877,019	-	-	828,833	12,705,852
Computer software	516,370	8,896	-	-	525,266
Intangible assets advances	37,773.00	-	-	-	37,773
Total	18,782,756	688,774	(74,110)	-	19,397,419
Accumulated amortisation					
Research and development	(246,985)	-	-	-	(246,985)
Intellectual property	(9,237,576)	(675,373)	-	-	(9,912,950)
Computer software	(465,533)	(17,169)	-	-	(482,702)
Total	(9,950,094)	(692,542)	-	-	(10,642,637)
Impairment					
Total	8,832,662	-3,769	(74,110.00)	-	8,754,783

<i>Euro</i>	Balance at 12/31/2011	Additions	Disposals or reductions	Transfers	Balance at 06/30/2012
Cost					
Research and development	5,015,960	638,283	-	-	5,654,243
Intellectual property	11,825,852	-	-	-	11,825,852
Computer software	514,274	-	-	-	514,274
Intangible assets advances	16,082	21,692	-	-	37,773
Total	17,372,167	659,974	-	-	18,032,141
Accumulated amortisation					
Research and development	(246,985)	-	-	-	(246,985)
Intellectual property	(7,708,323)	(760,056)	-	-	(8,468,379)
Computer software	(433,899)	(15,781)	-	-	(449,680)
Total	(8,389,207)	(775,837)	-	-	(9,165,044)
Impairment	-	-	-	-	-
Total	8,982,959	(115,863)	-	-	8,867,097

The rises and falls registered during the first semester of the fiscal year 2013, are mainly based on fixed assets operations.

Research and development expenses

Development costs capitalised relate to the following projects:

<i>Euro</i>	6/30/2013			
Project	Cost	Accumulated amortisation	Impairment	Carrying value
Developed by the company				
Work in progress	5,881,543	-	-	5,881,543
Completed projects	246,985	(246,985)	-	-
	6,128,528	(246,985)	-	5,881,543

Research and development costs recognised in the income statement during the first semester of 2013 totals EUR 605,768euros.

Industrial property rights

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

Capitalised financial expenses

No financial expenses were capitalised at June 30th 2013.

Intangible assets located abroad

At June 30th 2013, the Company had no intangible asset investments located outside of Spain.

Fully-amortised intangible assets

At June 30th 2013, there were intangible fixed assets with an accounting cost of EUR 10,124,855 still in use and fully amortised. These intangible assets correspond to software and audiovisual projects.

At June 30th 2013, there were intangible fixed assets with an accounting cost of EUR 2,674,704 still in use and fully amortised.

Assets subject to guarantees and ownership restrictions

At June 30th 2013, no intangible assets are subject to ownership restrictions or have been pledged to secure liabilities. At At June 30th 2013 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 2013 any amount as exploitation grant related to the development of its intangible assets.

The Company received in 2012 capital grants for the development of digital TV amounting to EUR 60,000, and for the development of the interactive project Playset, amounting to EUR 283,196

6. Property, plant and equipment

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

<i>Euro</i>	Balance at 12/31/2012	Additions	Disposals or reductions	Transfers	Balance at 06/30/2013
Cost					
Machinery	31,689	-	-	-	31,689
Other equipment	38,198	-	-	-	38,198
Furnishings	76,062	-	-	-	76,062
Data-processing equipment	156,080	1,121	-	-	157,201
Other PPE	28,444	-	-	-	28,444
Total	330,470	1,121	-	-	331,594
Accumulated amortisation					
Machinery	(31,405)	(60)	-	-	(31,465)
Other equipment	(29,923)	(1,386)	-	-	(31,309)
Furnishings	(51,606)	(2,439)	-	-	(54,045)
Data-processing equipment	(128,193)	(7,411)	-	-	(135,604)
Other PPE	(13,084)	(1,419)	-	-	(14,503)
Total	(254,212)	(12,715)	-	-	(266,926)
Impairment	-	-	-	-	-
Total	76,258	(11,594)	-	-	64,667

<i>Euro</i>	Balance at 12/31/2011	Additions	Disposals or reductions	Transfers	Balance at 06/30/2012
Cost					
Machinery	31,689	-	-	-	31,689
Other equipment	38,198	-	-	-	38,198
Furnishings	73,346	2,715	-	-	76,062
Data-processing equipment	151,164	3,395	-	-	154,559
Other PPE	28,444	-	-	-	28,444
Total	322,841	6,110	-	-	328,951
Accumulated amortisation					
Machinery	(31,285)	(60)	-	-	(31,345)
Other equipment	(25,921)	(2,107)	-	-	(28,028)
Furnishings	(45,930)	(2,944)	-	-	(48,874)
Data-processing equipment	(109,283)	(9,924)	-	-	(119,207)
Other PPE	(10,246)	(1,419)	-	-	(11,665)
Total	(222,665)	(16,453)	-	-	(239,118)
Impairment	-	-	-	-	-
Total	100,176	(10,344)	-	-	89,832

Impairment losses

The company did not recognise any losses due to the impairment of its property, plant and equipment in the first semester of 2013. The same is true for the same period of the previous year.

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

No revaluations of fixed assets have been applied in the first semester of 2013.

Property, plant and equipment located abroad

As at June, 30th 2013, the Company recorded the following investments in property, plant and equipment located at its Beijing offices:

	6/30/2013			
Fixed assets	Cost	Accumulated amortisation	Impairment	Carrying value
Furnishings	7,001	(5,112)	-	1,889
Data-processing equipment	10,571	(10,486)	-	85
	17,572	(15,599)	-	1,974

Capitalised financial expenses

No financial expenses were capitalised in the first semester of 2013. They were not capitalised either last year.

Fully-depreciated assets

At June 30th 2013, the Company had fully depreciated assets valued at EUR 211,997 still in use. At June 30th 2012, the Company had fully depreciated assets valued at EUR 144,600 still in use at that time.

	6/30/2013	6/30/2012
Machinery	30,559	30,559
Data-processing equipment	102,852	75,267
Furnishings	31,258	27,132
Other PPE	23,664	11,643
	188,333	144,600

Property, plant and equipment subject to guarantees

At June 30th 2013 no property, plant and equipment were subject to ownership restrictions or had been pledged to secure liabilities. They were not either at June 30th 2012.

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 112,719. The amount of these expenses belonging to the first semester of 2012, was EUR 170,677. At June 30th 2013 the Company has not non-cancellable operating leases.

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

During the first semester of 2013, 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	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Available-for-sale financial assets	28,183	28,183	-	-	-	-
Loans and receivables (Note 11)	-	-	-	-	2,258,590	3,979,292
Total non-current financial assets	28,183	28,183	-	-	2,258,689	3,979,292
Current financial assets						
	Equity instruments		Debt securities		Credit facilities, derivatives, other	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Assets held for trading	172	181	-	-	-	-
Held to maturity (Note 9)	-	-	-	-	-	-
Loans and receivable (Note 11)	-	-	-	-	5,797,778	4,472,426
Total current financial assets	172	181	-	-	5,797,778	4,472,426
Total	28,356	28,364	-	-	8,056,467	8,451,718

Euro						
Non-current financial liabilities						
	Bank borrowings		Debentures or other marketable securities		Derivatives, other	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Borrowings and payables (Note 13)	797,228	759,295	-	-	3,561,626	5,761,894
Hedging derivatives (Note 12)	-	-	-	-	-	53
Total non-current financial liabilities	797,228	759,295	-	-	3,561,626	5,761,947
Current financial liabilities						
	Bank borrowings		Debentures		Derivados, otros	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Borrowings and payables (Note 13)	1,143,503	1,405,032	2,267,625	2,027,004	4,742,004	3,288,548
Total current financial liabilities	1,143,503	1,405,032	2,267,625	2,027,004	4,742,004	3,288,548
Total	1,940,731	2,164,328	2,267,625	2,027,004	8,303,631	9,050,495

At June 30th, 2013 the Company has a deposit of restricted availability related to the issuance of bonds amounts to EUR 109,938.

At June 30th, 2013 the Company has due loans fees. At the time of this Interim Financial Statements formulation, the Company is negotiating and signing better loan conditions.

The difference resulting from the bond issue rate by the effective interest method compared to the nominal interest rate amounts to EUR 132,415.

7.2 Analysis by maturity

Financial instruments having fixed or determinable maturities are shown below by year of maturity:

Euro							
Financial Assets							
	6/30/2013	2014	2015	2016	There after	Total	
Investments in group companies and associates							
-Loans and receivables	461,019	-	-	-	-	-	461,019
Total	461,019	-	-	-	-	-	461,019
Other financial investments							
-Loans and receivables	2,153,916	3,319,296	2,122,137	-	-	-	7,595,349
-Derivatives	-	98	-	-	-	-	98
Total	2,153,916	3,319,394	2,122,137	-	-	-	7,595,349
Total	2,614,935	3,319,394	2,122,137	-	-	-	8,056,467
Financial Liabilities							
	6/30/2013	12/31/2013	6/30/2014	2015	2016	There after	Total
Other financial liabilities							
Bank borrowings	666,591	239,472	237,440	241,162	248,554	48,697	1,940,730
Derivatives	-	-	-	-	-	-	-
Other financial liabilities	1,816,560	2,637,542	2,555,528	145,965	18,501	199,791	10,571,256
Total	2,483,150	2,877,014	2,792,968	387,128	267,056	8,807,315	12,511,985
Total	2,483,150	2,877,014	2,792,968	387,128	267,056	8,807,315	12,511,985

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

a) Shareholdings in Group companies

The information on group, jointly-controlled and associate companies is detailed below:

Name and address	Legal status	% Interest held		Voting rights	
		Direct %	Indirect %	Direct %	Indirect %
Sonocrew, S.L. Infantas 27, Madrid	Limited liability company	100.00%	-	100.00%	-
Producciones y Licencias Plaza de España, S.A. de C.V. Av Presidente Massaryk 61, piso 2, México D.F.	Public limited company	100.00%	-	100.00%	-
Cake Entertainment, Ltd 76 Charlotte St, 5th Fl, London	Private limited company	51.00%	-	51.00%	-
Cake Distribution, Ltd 76 Charlotte St, 5th Fl, London	Private limited company	-	51.00%	-	51.00%
Cake Productions, Ltd 76 Charlotte St, 5th Fl, London	Private limited company	-	51.00%	-	51.00%
HLT Productions Van der Helstlaan 48. 1213 CE Hilversum. The Netherlands	Private limited company	-	51.00%	-	51.00%

On August, 9th 2010, the Company made an investment in a group company with the creation of the subsidiary Producciones y Licencias Plaza de España, S.A. de C.V. This subsidiary is located abroad, in Mexico, and its operating currency is the Mexican peso.

A 51% stake in the company Cake Entertainment, Ltd. was acquired on June, 2nd 2011. The company is headquartered in England and its functional currency is the pound sterling.

None of the Group companies in which the Company has an interest is listed on the stock exchange.

Set out below are the figures for capital, reserves, results and other information at June, 30th 2013:

Company	Equity						
	Capital	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Dividends received
Sonocrew, S.L.	3,006	49,879	-	4,334	3,399	3,006	-

Company	Equity							
	Mexican peso					Euro		Dividends received
Capital	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Value adjustments for impairment		
Producciones y Licencias Plaza de España, S.A. de C.V.	1,209,000	-	{1,013,917}	{172}	{359}	72,931	{61,400}	-

Company	Equity								
	Euro								
Capital	Share premium	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Value adjustments for impairment	Dividends received	
Cake Entertainment, Ltd	1,230	148,476	-	{185,688}	12,204	9,202	989,158	-	-

Company	Equity								
	Euro								
Capital	Share premium	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Value adjustments for impairment	Dividends received	
Cake Distribution, Ltd	222	-	882,692	{130,375}	{633,497}	{439,668}	-	-	-

Company	Equity								
	Euro								
Capital	Share premium	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Value adjustments for impairment	Dividends received	
Cake Productions, Ltd	1	-	-	{56,567}	{5,171}	{5,171}	-	-	-

Equity									
Euro									
Company	Capital	Share premium	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the Investment	Value adjustments for impairment	Dividends received
HLT Productions Bv	18,000	-	97,101	(119,131)	5,115	4,866	-	-	-

Until 2012 Cake Entertainment Ltd. is the parent company of a group of companies with two subsidiaries: Cake Distribution Ltd and HLT Productions Bv. In 2012 a third subsidiary has been started up named Cake Productions Ltd. This company is 100% Cake Entertainment Ltd. subsidiary.

9. Held-to-maturity investments

At June 30th 2013 the Company has not held-to-maturity investments.

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

This heading includes the following items and amounts:

	<i>Euro</i>	
	6/30/2013	12/31/2012
Held for trading-listed securities		
SCH bank shares (Note 7)	172	181

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

	<i>euro</i>	
	6/30/2013	12/31/2012
Non-current loans and receivables		
-Clients, non-current	2,258,590	3,979,292
	-	-
Total non-current loans and receivables	2,258,590	3,979,292
Current loans and receivables		
-Loans to associates (Note 26)	413,218	413,218
-Current account with subsidiaries (Note 26)	193	416
-Current account with related parties	13,272	4,755
-Trade receivables	3,949,463	3,415,252
-Trade receivables subsidiaries	492,206	461,236
-Debtors	-	-
-Interest in current investments (Note 26)	47,608	32,026
-Current deposits	133,618	145,523
-Financial products	748,200	-
Total current loans and receivables	5,797,778	4,472,426
Total	8,056,369	8,451,718

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

	6/30/2013	12/31/2012
Euro	2,464,944	1,547,696
US dolar	5,561,237	6,510,056
Pound sterling	348	109,537
Australian dolar	18,603	69,302
Yuan	8,996	212,192
Other	2,241	2,935
Total	8,056,369	8,451,718

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 of the year 2013. At June, 30th 2013, non-current trade receivables were recognised amounting to EUR 2,258,590 and this item at the year end 2012 amounted to EUR 3,979,292.

In short term items, the Company has created a deposit amounting to EUR 748,200, required for its pledge by the Ministry Industry, Energy and Tourism as guarantee of the funding granted from the "Plan Avanza" 2012.

At June, 30th 2013 it has not been necessary providing any provisions for insolvency. If necessary, all due or not receivables due or not with doubtful recoverability would be provisioned. Impairment adjustments to trade receivables would be recognised by estimated loss from impairment for each client. The impairment for trade receivables would correspond to balances with collections problems. At June, 30th 2013, there are no impaired balances. They amounted to EUR 79,031 at the end of the fiscal year 2012.

The maximum exposure to the credit risk at the reporting date is the fair value of each of the categories of the aforementioned receivables. The Company does not maintain any guarantee as insurance.

The fair value of financial assets is not substantially different from book value.

12. Derivative financial instruments

	<i>euro</i>	
	6/30/2013	12/31/2012
Interest rate swaps-clash flow hedges	-	
CAP	98	53
Total	98	53
Less non-current portion	98	53
Non-current	98	53
Current	-	-

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 less than 12 months.

At June 30th 2013, the company has subscribed an agreement C.A.P. with EUR 3,950 premium. At the semester end C.A.P. showed a positive valuation of EUR 98.

At June 30th 2013 fixed interest rate is 1.95%. The floating interest rate was 12M Euribor. Gains/ losses recognised in equity under "Reserves" on interest rate swaps at June 30th 2013 will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

13. Creditors and payables

	<i>Euro</i>	
	06/30/2013	12/31/2012
Non-current creditors and payables		
-Bank loans	797,228	759,295
-Participating loans	500,000	500,000
-Other loans	2,718,430	4,918,698
-Debentures and bonds	-	-
-Payables transformable into grants	343,196	343,196
Total non-current creditors and payables	4,358,854	6,521,189
Current creditors and payables		
-Bank loans	1,121,031	1,390,123
-Other payables to banks	6,357	1,660
-Interest debt with banks	16,115	13,249
-Debentures and bonds	2,267,625	2,027,004
-Trade creditors	1,900,006	2,204,575
-Fixed assets creditors	57,520	44,625
-Participating loans	-	-
-Current account with related parties	62,639	86,801
-Interest debt with related parties	423	1,310
-Other debts	2,500,000	382,000
-Interest debt	189,497	200,989
-Wages and salaries pending of payment	29,216	368,248
-Advances from clients	-	-
Total current creditors and payables	8,150,429	6,720,583
Total	12,509,284	13,241,772

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 is detailed in note 7.2. Interest rates are between 2% and 6%. The carrying amounts of the Company's payables are denominated in the following currencies:

	<i>Euro</i>	
	06/30/2013	12/31/2012
Euro	12,057,193	12,758,503
US dolar	424,081	459,015
Pound sterling	13,893	14,274
Yuan	14,116	9,981
Total	12,509,284	13,241,772

a) Bank borrowings

The details of the Company's balances with credit institutions at June, 30th 2013 are as follows:

	<i>Euro</i>		
	Non-current balance	Current balance	Total
Loans	797,228	1,121,031	1,918,258
Total loans	797,228	1,121,031	1,918,258

	<i>Euro</i>		
	Non-current balance	Current balance	Total
Credit facilities	-	6,357	6,357
Total credit facilities	-	6,357	6,357
Interest on current bank borrowings	-	16,115	16,115
Total interest on current bank borrowings	-	16,115	16,115
TOTAL	797,228	1,143,502	1,940,730

b) Participating loans

The Company has a participating loan with fixed annual interest rates of Euribor plus 2 percent to December 31st, 2012. Thereafter a floating annual interest defined in the contract as a percentage of before-tax results on the average shareholders' equity for the year, less the fixed interest paid, provided that the results are positive. If the Company generates before-tax losses, the variable rate is 0%.

Repayment of the loan will be made in six equal semi annual payments from June 30th, 2016.

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.

The conditions of the issue are as follows:

Number of securities	2.238
Unit par value	1,000
Issue price	100%
Annual interest rate payable annually	9.75%
Amortisation of securities	11/12/2013
Amortisation system	A la par

Current accruals and deferred income

This amount arises in 2012 following the contract signed for development of content in educational *apps* concept. In October was invoiced the amount for seven *apps* developed. 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.

14. Cash and cash equivalents

At June 30th 2013, the Company's cash situation was as follows:

	<i>euro</i>	
	6/30/2013	12/31/2012
Cash at bank and in hand	220,908	2,530,618
Other cash equivalents	1,398	1,931
Total	222,306	2,532,549

15. Capital and share premium

a) Capital

	<i>Euro</i>	
	6/30/2013	12/31/2012
Registered capital (Uncalled capital)	2,445,677	2,445,677
Total	2,445,677	2,445,677

At June 30th 2013, 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 2013, the share capital was broken down as follows:

Shareholder	% Interest
Jomaca 98, S.L.	64.71%
Miguel Fernando Vallada	11.20%
Stock market and other	21.52%
Treasury shares	2.57%
Total	100.00%

a) Share premium account

This reserve is freely available for distribution.

	<i>Euro</i>	
	6/30/2013	12/31/2012
Share premium	9,570,913	9,570,913
Total	9,570,913	9,570,913

This caption also reflects, the merger premium generated in fiscal year 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

Reserves

	<i>Euro</i>	
Legal and statutory		
-Legal reserve	330,475	237,262
Total legal reserve	330,475	237,262
Other reserves		
-Voluntary reserve	1,689,018	1,672,369
-Reserves for other adjustments	(915,278)	(915,278)
Total other reserves	773,741	757,091
Total	1,104,216	994,353

Legal reserve

The legal reserves are funded 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 the end of the first semester of 2013, the Company carried out certain transactions with its own shares, recording the transactions as changes in the Company's equity.

The movements under the heading of "Treasury Stock" on the balance sheet during the year were as follows:

	<i>Euro</i>	
	6/30/2013	
	Number of shares	Euro
Starting balance	281,503	403,841
Additions	347,554	404,187
Disposals		-
Ending balance	629,057	808,028

At the end of the year 2012 the movements were as follows:

	<i>Euro</i>	
	12/31/2012	
	Number of shares	Euro
Starting balance	579,367	950,560
Additions	36,122	39,369
Disposals	(333,986)	(586,088)
Ending balance	281,503	403,841

The treasury stock held by the Company at June 30th 2013 represented approximately 2.57% (1.15% at December, 31st 2012) of the share capital with a nominal value of EUR 62,906 (EUR 28,150 at December, 31st 2012) and an average acquisition price of EUR 1.16 (EUR 1.09 at December, 31st 2012) per share.

18. Profit/(loss) for the semester

a) Profit/(loss) for the period

The result of this interim period, first semester of 2013, and its comparison to the same period of the former year, is as follows:

	<i>Euro</i>	
	06/30/2013	06/30/2012
Available for distribution		
Profit/(loss) for the year	(850,156)	2,187,362
Total	(850,156)	2,187,362

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.

This plan provides 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, and its beneficiaries will be entitled to receive annually 20% of total shares to which they were entitled.
- Shares shall be delivered under the condition that at the time of 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, 30th, 2011. In addition, the Company shall have obtained during the previous year distributable profits that will afford by exclusively charging 30% thereof and subject to the availability of sufficient liquidity at that time, responding to the acquisition of shares.

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.

On June 30th 2013, there were no conditions mentioned above to implement the plan, so no need to recognize both the good or services received as an increase in equity.

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 euro

300,000, must provide, upon maturity of the loan- February 14th 2014- the amount of euro 2,200,000 plus shares acquired with the above euro 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.

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

There were no movements during the first semester in this headline:

	<i>Euro</i>	
	6/30/2013	12/31/2012
Opening balance	130,978	105,542
Increases	-	46,469
Release to income	-	(12,554)
Other decreases	-	(8,479)
Closing balance	130,978	130,978

In 2012, it was recognized as non refundable grant, the rest of the amount to be notified as "non-refundable" coming from the capital investment aid granted by the Ministry of Culture in 2010.

The company satisfies the requirements to be considered as non-repayable grants.

21. Deferred taxes

a) Deferred taxes

Set out below is an analysis of deferred tax:

<i>Euro</i>	Additions 06/30/2013	Additions 2012	Prior years	Total
Tax credits for tax-loss carryforwards	286,617	(338,743)	1,732,103	1,679,977
Other tax credits	-	174,845	2,857,555	3,032,399
Deferred tax assets	286,617	(163,898)	4,589,657	4,712,377
Temporary differences related to income recognized directly in equity	-	(8,479)	(35,181)	(43,660)
Temporary differences-amortisation	-	-	(18,627)	(18,627)
Reversal of temporary differences-amortisation	-	4,091	2,607	6,699
Deferred tax liabilities	-	(4,388)	(51,200)	(55,588)
Deferred tax	286,617	(168,286)	4,538,457	4,656,789

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.

The changes in deferred taxes are as follows:

	<i>Euro</i>	
	6/30/2013	12/31/2012
Opening balance	4,370,171	4,538,458
Tax effect on income recognizes directly in equity	-	(8,479)
Charged to the income statement (Note 23)	286,617	(159,808)
Closing balance	4,656,789	4,370,171

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The taxable bases pending compensation at June, 30th 2013, totalled EUR 6,719,914.

In 2012 the Company has capitalised the deductions to be applied in the amount of EUR 174,845. Out of this amount, EUR 101,695 were deductions related to IT projects, EUR 66,521 were double taxation credits and EUR 6,630 were deductions for investments.

b) Other tax receivables and payables

The Company has been granted two deferments, one of them by the Tax Authorities for the withholdings and the other by the Social Security related to social security contributions. The amounts due over one year showed in non-current liabilities amounts to EUR 280,642.

22. Income and expense

a) Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

<i>Euro</i>	6/30/2013	6/30/2012
Sales	1,330,380	6,174,580
Services rendered	202,113	451,203
Total	1,532,493	6,625,783

b) Turnover

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

<i>Market</i>	6/30/2013	6/30/2012
Domestic	26.19%	4.05%
International	73.81%	95.95%
Total	100.00%	100.00%

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

<i>Line</i>	6/30/2013	6/30/2012
Content	15.87%	6.54%
Licensing	42.11%	88.16%
Advertising	42.01%	5.31%
Total	100.00%	100.00%

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:

<i>Euro</i>	6/30/2013	6/30/2012
Raw materials and consumables	16,289	46,864
Total	16,289	46,864

d) Other operating expenses

The caption titled "other operating expenses" comprises the following items:

<i>Euro</i>	6/30/2013	6/30/2012
Leases	112,719	170,677
Repairs	7,518	21,147
Independent professional services	827,704	682,440
Insurance	21,029	17,017
Bank fees	19,797	11,951
Advertising and public relations	77,456	219,349
Utilities	24,667	50,298
Other general expenses	135,405	126,967
Other taxes	360	1,956
Impairment losses on commercial transactions	23	-
Losses on commercial transactions		-
Reversal of impairment losses on commercial transactions		-
Total	1,226,678	1,301,802

e) Staff expenses

<i>Euro</i>	6/30/2013	6/30/2012
Wages, salaries and similar remuneration	777,071	1,480,152
Social Security	214,457	362,546
Other expenses	956	69,376
Total	992,484	1,912,074

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

CATEGORY	Average number of employees	
	06/30/2013	06/30/2012
5-YR DEGREE HOLDER	18.94	22.00
3-YR DEGREE HOLDER	4.38	4.00
SR.MANAGER	5.42	6.00
MANAGER 1		-
MANAGER 2	2.00	1.00
OFFICIAL 1	7.50	10.00
OFFICIAL 2	1.00	1.00
ASSISTANT	2.04	2.00
PROGRAMMER		1.00
OPERATOR	2.24	4.00
	0.36	-
Total	43.88	51.00

The distribution of the Company's personnel at June 30th 2013, by gender and category, is as follows:

CATEGORY	06/30/2013		06/30/2012	
	Men	Women	Men	Women
5-YR DEGREE HOLDER	7	15	9.00	13.00
3-YR DEGREE HOLDER	4	1	3.00	1.00
SR.MANAGER	4	1	4.00	2.00
MANAGER 1			-	-
MANAGER 2	2		1.00	0.00
OFFICIAL 1	7		9.00	1.00
OFFICIAL 2	1		1.00	-
ASSISTANT		2	-	2.00
PROGRAMMER			1.00	-
OPERATOR	3	1	3.00	1.00
OFFICIAL 1		2	-	-
Total	28.00	22.00	31.00	20.00

f) Other operating revenue

The caption titled "other operating revenue" comprises the following items:

<i>Euro</i>	6/30/2013	6/30/2012
Services rendered to staff	-	1,436
Other services	-	-
Total	-	1,436

On June, 30th 2013, there are no changes in these items.

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:

	Income statement		Income and expense recognised directly in equity		<i>Euro</i>
	Aumentos	Disminuciones	Aumentos	Disminuciones	
Income/expense for the year		(850,156)			151
Corporate Income Tax	40,250	(269,969)	(229,719)		
Permanent differences		-			
Temporary differences:					
arising during the year	-	-	-	151	151
arising from previous years		-			
Offsetting tax-loss carryforwards					
Taxable base (tax result)		(1,079,875.01)			

Income tax expense is analysed below:

	Current year tax	Income tax paid abroad	Change in equity				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	-	(40,250)	-	269,969			229,719
Total	-	(40,250)	-	269,969			229,719

The Company capitalised deductions in the amount of EUR 6,719,914 at June 30th 2013. At the end of the fiscal year 2012, the Company had tax loss carry forwards to offset in the amount of EUR 5,573,438.

At June, 30th 2013, the Company's corporate tax returns for the years 2008 to 2011 were 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 2010 to 2013.

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

24. Risks

On June, 30th 2013, the Company had no contingent assets or liabilities. This is due to the advice from our legal department as well as our lawyers because all of them estimate that risk taken by the group is low. At the end of this semester one of the claims has been won by the company. Yet it is possible to estimate the economic impact of this event.

25. Director and senior management compensation

a) Remuneration of the members of the Board of Directors

In the first semester of 2013, the members of the Board of Directors received no remuneration for sitting on the Board.

In the first semester of 2013 as in 2012, no contributions were made to pension plans or funds for former or current members of the Company's Board of Directors. No such obligations were incurred during the year.

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 year and nor have they exercised any options and nor do they have any options to be exercised.

The 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 2013, the remuneration received by members of the Board of Directors to carry out tasks of senior management in the Company amounted to EUR 100,000. During this period, the compensation received by other senior management personnel different than the members of the Board of Directors of the Company has earned gross wages totalling EUR 177,403. In 2012 member of the Board of Directors received a total of EUR 72,000 and the senior management staff received a total of EUR 253,533.

The number of senior management staff has changed compared to the previous year.

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

Article 229, paragraph 2 of the Spanish Capital Companies Act, as worded in Law 26/2003 (July 18th), whereby the Stock Market Act and the Spanish Capital Companies Act were amended to increase transparency in listed companies, 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: José María Castile Oriol is the Director of the company Sonocrew, S.L. and is also a member of the Board of Directors of Cake Entertainment Ltd, a Group company. These positions in Group companies are unremunerated. The other members of the Board of Directors do not participate in other companies with similar or complementary type of activity that constitutes the object of the Company.

26. Other related-party transactions

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

<i>Euro</i>	6/30/2013		6/30/2012	
	Expense	Income	Expense	Income
Jomaca 98, S.L.		15,582	72,000	4,612
Sonocrew, S.L.		21,618	7,000	20,763
Armialda, S.A.	100,000			
Otras partes vinculadas	2,348		2,096	-
Cake Entertainment, Ltd				
Cake Distribution, Ltd	40,848	99,460	64,385	214,617
Total	143,196	136,660	145,481	239,992

The expenses invoiced by Armialda, S.A. (formerly known as Yeguada Floridablanca, S.A.) refer to management services rendered by the company.

The breakdown of the expenses invoiced by related parties is financial expenses of short term loans EUR 2,348 (Note 13) and the rest of the amount from Company's business.

The breakdown of the incomes invoiced by related parties is financial incomes of short term loan to Jomaca 98, S.L. EUR 15,582; the total loan amount is EUR 413,218 (Note 11). The other incomes come from Company's business.

Transactions with associates are carried out under normal market terms and conditions.

Closing balances with related-parties

	Euro	06/30/2013		12/31/2012	
		Debit	Credit	Debit	Credit
<i>Cuenta corriente con empresas del grupo</i>	<i>Current account with subsidiaries</i>				
<i>Sonocrew, S.L.</i>	<i>Sonocrew, S.L.</i>			223	-
<i>Producciones y Licencias Plaza de España, S.A. de C.V.</i>	<i>Producciones y Licencias Plaza de España, S.A. de C.V.</i>	193	-	193	-
<i>Otros deudas LP, empresas grupo</i>	<i>Long-term debts with subsidiaries</i>				
<i>Sonocrew, S.L.</i>	<i>Sonocrew, S.L.</i>	-	85,965	-	61,401
<i>Anticipos de clientes</i>	<i>Advance from trade receivable</i>				
<i>Sonocrew, S.L.</i>	<i>Sonocrew, S.L.</i>	-		-	
<i>Clientes</i>	<i>Trade receivable</i>				
<i>Sonocrew, S.L.</i>	<i>Sonocrew, S.L.</i>	33,718		10,000	
<i>Cake distribution, Ltd</i>	<i>Cake distribution, Ltd</i>	407,163		292,429	
<i>Cake Entertainment, Ltd</i>	<i>Cake Entertainment, Ltd</i>			158,807	-
<i>Acreedores</i>	<i>Trade payable</i>				
<i>Jomaca 98, S.L.</i>	<i>Jomaca 98, S.L.</i>				20,184
<i>Cake Entertainment, Ltd</i>	<i>Cake Entertainment, Ltd</i>	-	11,315	-	11,885
<i>Cake Distribution,</i>	<i>Cake Distribution,</i>		191,278		171,558
<i>Armalda, S.A. (Yeguada Floridablanca, S.A.)</i>	<i>Armalda, S.A.</i>		149,200		50,000
<i>Créditos a C/P</i>	<i>Short-term credits</i>				
<i>Jomaca 98, S.L.</i>	<i>Jomaca 98, S.L.</i>	460,826	-	445,244	-
<i>Préstamos a C/P</i>	<i>Short-term loans</i>				
<i>Sonocrew, S.L.</i>	<i>Sonocrew, S.L.</i>		198		
<i>Otras partes vinculadas</i>	<i>Other related parties</i>		62,865		88,111
<i>Préstamos a L/P</i>	<i>Long-term loans</i>				
<i>Otras partes vinculadas</i>	<i>Other related parties</i>				20,839

Jomaca 98, S.L, as majority shareholder, has granted guarantees to the Company against financial creditors.

27. Environmental information

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

In the first semester of 2013, there were no major environmental expenditures.

28. Events after the balance sheet date

Between July, 1st 2013 and the date of elaboration of this Interim Financial Statements, there are no significant events.

29. Auditors' fees

The professional fees of Garrido Auditores, S.A., for auditing individual and consolidated financial statements for the Company totalled EUR 9,347 in the first semester of 2013. The professional fees charged by Garrido Abogados y Asesores Fiscales, S.L. amount to EUR 19,044.

The Company also paid fees amounting to EUR 8,000 to Garrido Auditores, S.A. in the first semester of 2012. The professional fees charged by Garrido Abogados y Asesores Fiscales, S.L. amounted to EUR 11,148 in the same period.

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.

Impact of International Financial Reporting Standards in the Interim 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 published Individuals Annual Accounts, 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 year, 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, at June, 30th of 2013, the Company had a balance payable to suppliers in the amount of EUR 1,692,054 which had exceeded the legally-established payment deadline. During this period, the Company made payments to suppliers amounting to EUR 620,345, which 5% exceeded legal limit. The weighted average term of payment amounts to 91 days.

In 2012 the Company had a balance payable to suppliers in the amount of EUR 1,223,414 which had exceeded the legally-established payment deadline. During this year, the Company made payments to suppliers amounting to EUR 1,970,000, which 42% exceeded legal limit. The weighted average term of payment amounts to 170 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 June, 30th 2013, the Company has three guarantees two from Avalmadrid SGR amounting each to EUR 200,000 and EUR 2,000,000, both are guaranteeing the loans taken with a financial entity for the same amounts (Note 13). The third guarantee taken with another financial entity amounts to EUR 748,198, whose funds to pledge have been deposited at the end of 2012 by a private entity in favour of the Company. This guarantee was required by the Ministry of Industry in order to obtain funds from the Avanza programme (Note 13). At June, 30th 2013, the guarantee has already been pledged on Company funds.

32. Signed Interim Financial Statements

These Interim Annual Accounts are signed by the members of the Board of Directors on August, 29th 2013.

ZINKIA ENTERTAINMENT, S.A.
DIRECTORS' REPORT FIRST SEMESTER OF 2013

Business Performance and Company Situation

During the first semester of 2013 the Group sales sum up to EUR 1,752,240. In this first semester of the year, the turnover figure has dropped regarding the same period of the previous year. The Group activities and the stage of international expansion result in some contracts representing a high % of the turnover. Last year important contracts were signed during the first half of the year. Today the Group counts on several contracts that are currently under negotiation and are expected to be signed in the coming months this year.

Regarding publicity, and in line with the business plan of the Group for the coming years, there is a great improvement compared to the figure in 2012 which has increased in more than a 100%. This important increase reflects the big progress of the Group in the publicity exploitation of its contents.

Zinkia continues expanding her business internationally, commercially exploiting our properties and projects once the commercial management of Pocoyo has been recovered in those territories where it had not been possible to do so until April 2011. In this connection it should be noticed that only 26% of the turnover comes from the Spanish market, while 74% of our turnover is created out of Spain. The great international projection of the Pocoyo trademark affords having a greater chance of increasing our turnover since, on the one hand, we can enter markets that help us consolidate our expectations and, on the other, we are less dependent on other markets that have been seriously stricken by the present difficult economic situation.

The area of online contents and digital rights is also gaining share in the turnover figure, and the Group is still working to increase such share and make it reach the numbers programmed for the coming years.

Zinkia is still controlling the expenses items. As a result, this first semester the "*staff expenses*" has been 48% lower than in the former period. And in the same way, "*other operating expenses*" has decreased by a 6%.

During the first semester of the year the situation in the financial markets continued to be just as restrictive, in terms of access to credit for companies, as has become the trend during the recent year, and therefore the Group continues seeking appropriate funding ways that can be used to implement its investment projects.

The Company's working capital presents a negative figure, mainly due to the difficult access to funds and the general need of working capital nowadays, which is impairing the payment terms, causing treasury tensions, etc.

With the aim of solving the deficit in the financial resources that might occur during the second half of the year 2013, different alternatives to generate additional liquidity are being analysed while negotiations are also held with potential funders, including the present ones:

- Income increase due to the international expansion of the trademark, thus diversifying the generation of cash flow from different countries.
- Improvement in the exploitation of the digital licenses, online contents and associated publicity, in order to increase the payments resulted in this activity. This type of licences has a period of payment much more reduced than payments under traditional licences.
- Today the Company is searching for funds to develop its business plan, considering many alternatives (financing entities, investment funds, issuance of bonds, etc.)

Events after the date of these Interim Financial Statements

Between the date at these interim financial statements were made, and the date of preparation thereof, no events have occurred that are worthy of mention or have a significant influence.

Outlook for the Company

For the years 2013 and the following ones, a substantial increase is expected in the turnover of the Company based on the introduction of Pocoyo into new markets and the developing of new audiovisual content and brands.

With regard to new projects, the Company is still working on its development and the achievement of commercial and financial agreements that will allow the entry into production.

Research & Development

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

Financial Risk Hedging

The Company undertakes hedging interest rate to reduce the impact on the income statement fluctuations in interest rates.

Acquisition of treasury shares

Under the article 262 of the Corporate Enterprises Act and considering the content of Title IV, Chapter VI of that text, the Company has not acquired any shares during the first semester of the year, according with the liquidity agreement we signed with Banesto Bolsa, SVB, S.A. which holds the set of agent liquidity Zinkia after our joining the Alternative Investment Market (MAB). Also during this first semester of the year, there were acquired 347,554 of its treasury values on the Company's will.

On June, 30th 2013, are held by the Company 629,057 shares with a nominal value of EUR 808,028, representing 2.57% of share capital.