

**ZINKIA ENTERTAINMENT, S.A.
AND SUBSIDIARIES**

Audit Report,
Interim Consolidated Financial Statements
and Consolidated Management 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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group. In the event of a discrepancy, the Spanish-language version prevails.

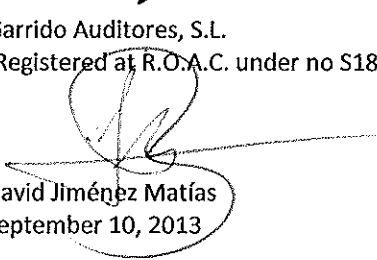
AUDIT REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the interim consolidated financial statements of Zinkia Entertainment, S.A. (the parent company) and subsidiaries (the Group) comprising the consolidated statement of financial position at June 30, 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the interim consolidated financial statements for the semester then ended. As indicated in Note 2 to the accompanying interim consolidated financial statements, the directors are responsible for the preparation of the Group's interim consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and the other provisions of the regulatory financial reporting applicable to the Group. Our responsibility is to express an opinion on the interim consolidated 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 consolidated 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 consolidated statement of financial position 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 consolidated 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 consolidated financial statements at June 30, 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Zinkia Entertainment, S.A. and subsidiaries at June 30, 2013 and the consolidated results of their operations and consolidated cash flows for the semester then ended, in conformity with International Financial Reporting Standards as adopted by European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.
4. Without qualifying our audit report, we draw attention to the matter discussed in Note 2.f) of the accompanying interim consolidated financial statements, in which it is said that the Group presents a negative working capital to the amount of euros 3,059,681, that could make difficult the future payment of its liabilities. The Group 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 Group's ability to continue as a going concern.

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

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



David Jiménez Matías
September 10, 2013



**ZINKIA ENTERTAINMENT, S.A.
AND SUBSIDIARIES**

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30th 2013



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ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION ON JUNE, 30th 2013 (in EUR)

		Euro	
ASSETS	Note	06/30/2013	12/31/2012
Intangible assets	7	9,609,067	9,729,969
Goodwill	7.1	854,284	897,307
Other intangible assets	7.2	8,754,783	8,832,662
Property, plant and equipment	8	89,309	118,425
Non-current financial liabilities	9	28,282	28,183
Deferred tax assets	18	4,712,877	4,425,759
Non-current trade and other receivables	10	2,258,990	3,979,292
NON-CURRENT ASSETS		16,697,625	18,281,628
Trade and other receivables	10	7,117,014	8,013,860
Corporate income tax assets		26,739	2,774
Other tax receivables	18	141,710	110,914
Current financial assets	9, 18	1,362,936	595,703
Cash and cash equivalents	11	749,421	2,913,279
Other current assets	18	62,813	64,028
CURRENT ASSETS	18	9,460,632	11,699,958
CURRENT ASSETS		26,158,258	29,981,586
EQUITY AND LIABILITIES			
Issued capital attributable to equity holders of the parent	12	2,445,677	2,445,677
Share premium	12	9,570,913	9,570,913
Reserves	12	688,270	799,911
Treasury shares	12	(808,029)	(403,841)
Translation differences	12	2,774	57,787
Retained earnings	12	(2,042,822)	(3,131,607)
Profit attributable to the equity holders of the parent		(1,063,835)	1,019,289
TOTAL EQUITY OF THE PARENT		8,792,948	10,358,129
Profit attributable to minority interest		(208,544)	69,495
Minority interest	12	313,446	294,866
EQUITY		8,897,849	10,722,489
Deferred income	13	130,978	130,978
Non-current financial liabilities	14	4,553,531	6,827,306
Deferred tax liabilities	18	55,588	73,588
NON-CURRENT LIABILITIES		4,740,096	7,031,871
Current financial liabilities	14	6,763,023	4,572,298
Current trade and other payable	17	4,389,436	5,739,579
Corporate income tax payable	18	21,553	193,625
Other tax payable	18	451,213	473,469
Current accruals and deferred income		895,089	1,248,256
CURRENT LIABILITIES		12,520,313	12,227,226
TOTAL EQUITY AND LIABILITIES		26,158,258	29,981,586

Notes 1-27 are an integral part of the consolidated statement of financial position at June, 30th 2013



ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT ON JUNE, 30th2013 (in EUR)

<i>Euro</i>	Note	06/30/2013	06/30/2012
Revenue from operations	19	4,100,592	8,565,509
Other operating income	19	605,768	639,719
Total Revenue		4,706,359	9,205,228
Cost of goods sold	19	(34,156)	(295,523)
Cost of employees	19	(1,326,542)	(2,267,530)
Other operating expenses	19	(3,754,065)	(2,528,976)
Amortizations and depreciations	19	(715,421)	(804,407)
Total expenses		(5,830,184)	(5,896,436)
Operating income		(1,123,825)	3,308,792
Net financial expense	19	(431,794)	(448,390)
Impairment and gain/losses on sales of assets	7, 8	(2,370)	1,945
Profit before tax		(1,557,988)	2,862,348
Corporate income tax	16	285,610	(821,694)
Profit for the period		(1,272,379)	2,040,654
Profit attributable to minority interest		(208,544)	(86,476)
Profit attributable to the equity holders of the parent		(1,063,835)	2,127,130
Basic and diluted earnings per share	24	(0.04)	0.09

Notes 1-27 are an integral part of the consolidated income statement at June, 30th2013



CONSOLIDATED INTERIM STATEMENT OF INCOME ON JUNE, 30th 2013 (In EUR)

Euro	06/30/2013		12/31/2012	
	Equity holders of the parent	Minority interest	Equity holders of the parent	Minority interest
Profit (loss) for the period	(1,063,835)	(208,544)	2,127,130	(86,476)
Income and expenses recognized directly in equity	(54,861)	-	8,006	-
Reclassification included in the income statement	-	-	-	-
Income tax impact	-	-	-	-
TOTAL COMPREHENSIVE INCOME RECOGNIZED	(1,118,695)	(208,544)	2,135,136	(86,476)

Notes 1-27 are an integral part of the consolidated statement of comprehensive income corresponding to the first six month period in 2013



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ON JUNE, 30th 2013 (In EUR)

€100

NOTES	ISSUED CAPITAL	SHARE PREMIUM	RESERVES-PARENT	RESERVES-SUBSIDIARIES	TRANSLATION DIFFERENCES	TREASURY SHARES	RETAINED EARNINGS	PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	UNREALISED ASSETS AND LIABILITIES REVALUATION RESERVE	TOTAL EQUITY OF THE PARENT	MINORITY INTEREST	TOTAL
FINANCIAL POSITION AT DECEMBER, 31, 2012	2,445,677	9,270,913	894,353	(159,440)	57,785	(403,841)	(3,131,669)	1,019,229	(4,000)	10,383,129	364,381	10,747,488
Adjustments due to initiatives 2012	-	-	16,680	-	-	-	-	-	-	-	-	16,680
ADJUSTED POSITION AT JANUARY 01, 2013	2,445,677	9,270,913	1,011,033	(159,440)	57,785	(403,841)	(3,131,669)	1,019,229	(4,000)	10,399,777	364,381	10,764,158
Total comprehensive income recognized	-	-	-	-	(85,012)	-	(1,583,335)	(1,583,335)	161	(1,116,865)	(263,544)	(1,327,239)
Transactions with shareholders	-	-	93,213	-	-	(804,187)	-	-	-	(710,974)	-	(710,974)
Capital increases	-	-	93,213	-	-	(404,157)	-	-	-	(310,974)	-	(310,974)
Tranche in treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Other movements in equity	-	-	-	(227,835)	-	-	1,088,784	(1,019,229)	-	(43,054)	(90,915)	(233,974)
FINANCIAL POSITION AT JUNE 30, 2013	2,445,677	9,270,913	1,104,216	(412,884)	2,774	(803,029)	(2,042,885)	(1,053,385)	(3,882)	8,792,847	104,302	8,897,149

€100

NOTES	ISSUED CAPITAL	SHARE PREMIUM	RESERVES-PARENT	RESERVES-SUBSIDIARIES	TRANSLATION DIFFERENCES	TREASURY SHARES	RETAINED EARNINGS	PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	UNREALISED ASSETS AND LIABILITIES REVALUATION RESERVE	TOTAL EQUITY OF THE PARENT	MINORITY INTEREST	TOTAL
FINANCIAL POSITION AT DECEMBER, 31, 2011	2,445,677	9,270,913	1,161,323	(191,444)	(1,255)	(650,558)	(3,357,594)	(84,275)	(5,699)	6,749,072	229,855	6,978,927
Adjustments due to initiatives 2011	-	-	-	-	-	-	-	13,923	-	13,923	63,916	202,741
ADJUSTED POSITION AT JANUARY 01, 2012	2,445,677	9,270,913	1,161,323	(191,444)	(1,255)	(650,558)	(3,357,594)	54,447	(5,699)	6,807,297	293,771	7,101,068
Total comprehensive income recognized	-	-	-	-	2,007	-	2,127,120	2,127,120	5,599	2,132,719	(85,478)	2,047,241
Transactions with shareholders	-	-	(157,170)	-	-	546,719	-	-	-	389,549	-	389,549
Capital increases	-	-	-	-	-	-	-	-	-	-	-	-
Tranche in treasury shares	-	-	(157,170)	-	-	546,719	-	-	-	389,549	-	389,549
Other movements in equity	-	-	-	54,447	-	-	-	(84,447)	-	1,489	705	2,195
FINANCIAL POSITION AT JUNE 30, 2012	2,445,677	9,270,913	994,153	35,303	762	(403,841)	(3,357,594)	2,127,130	-	11,444,171	207,544	11,651,715

Notes 1-27 are an integral part of the consolidated statement of changes in equity corresponding to the first semester of 2013.



ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM CASH FLOW STATEMENT ON JUNE, 30th 2013 (in EUR)

	06/30/2013	06/30/2012
A) CASH FLOWS FROM FROM OPERATING ACTIVITIES		
1. Profit before tax	(1,557,988)	2,862,348
2. Non cash adjustments for	1,149,585	1,250,851
a) Depreciation and amortisation charge	715,421	804,407
b) Non-current assets provisions	-	-
c) Results in non-current assets operations	2,370	(2,145)
d) Financial income	(15,877)	(10,022)
e) Financial costs	521,702	441,294
f) Exchange differences	(74,031)	17,117
g) Recognition of grants	-	-
h) Other income and costs	-	200
3. Changes in working capital	774,977	(3,761,085)
a) Trade and other receivables	865,450	(28,457)
b) Other current assets	1,215	(32,119)
c) Trade and other payables	(1,372,399)	412,320
d) Other current liabilities	(353,167)	-
e) Other non-current assets and liabilities	1,633,878	(4,112,829)
4.- Other cash flows from operating activities	(375,991)	(262,732)
a) Interest paid	(258,836)	(162,236)
b) Dividends received	-	-
c) Collections (payments) for corporate income tax	(117,451)	(105,697)
d) Other payments (collections)	-	(200)
e) Interest collect	295	5,400
5.- Net cash flows from operating activities (1+2+3+4)	(9,417)	89,382
B) CASH FLOW FROM INVESTING ACTIVITIES		
6- Investments payments (-)	(1,456,265)	(826,441)
a) Investments in associates	-	-
b) Investments in companies, net of cash and equivalents acquired	-	-
c) Investments in intangible assets	(688,774)	(659,974)
d) Investments in property, plant and equipment	(7,618)	(9,648)
e) Investments in other financial assets	(759,873)	(156,819)
7. Investments proceeds (+)	15,069	234,919
a) Proceeds on financial investments in associates	-	27,107
b) Proceeds on other financial investments	15,069	207,812
8. Net cash flows from investing activities (7-6)	(1,441,196)	(591,522)
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Equity	(404,187)	389,549
a) Treasury shares acquisition	(404,187)	(39,369)
b) Proceeds from disposals of treasury shares	-	428,918
10. Finance liabilities	(653,891)	222,004
a) Issue	308,129	1,378,229
1. Proceeds from issue of debentures and bonds	-	-
2. Proceeds from loans and borrowings	18,528	973,216
3. Proceeds from other liabilities	289,601	405,013
b) Repayments	(962,021)	(1,156,225)
1. Repayments of loans and borrowings	(511,129)	(994,916)
2. Repayments of other liabilities	(450,892)	(161,309)
11. Dividends payments		
a) Dividends	-	-
12. Net cash flows from financing activities (9+10+11)	(1,058,078)	611,553
D) EFFECT ON EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENT	(8,700)	(11,511)
E) NET INCREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)	(2,517,391)	97,902
Cash and cash equivalents at January, 1st	2,913,279	489,590
Cash and cash equivalents at June, 30th	395,888	587,492

Notes 1-27 are an integral part of the consolidated cash flow statement at June 30th, 2013



ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS ON JUNE, 30th 2013 (In EUR)

1. General information and business activity

The parent Company was founded as a limited liability company under the name of Junk & Beliavsky, S.L. on 27 April 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 parent 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 parent 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 trade on domestic or foreign stock markets and other negotiable securities and real estate. By law, the Company's business activities exclude those 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 parent Company's activities are focused primarily on those described in points a) and b).



Zinkia is the parent company of the Group of companies listed in these Consolidated Financial Statements. The subsidiaries' business activities include distributing, producing and marketing audiovisual and interactive products and musical recordings, all at the international level.

Jomaca 98, S.L. holds a 64.71% Stake in Zinkia Entertainment, S.A.

The information on the companies in the consolidated Group as of the date of these Consolidate Financial Statements is as follows:

Name and address	Legal status	Activity	Audited	06/30/2013				06/30/2012			
				% Interest held		Voting rights		% Interest held		Voting rights	
				Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %
Sococrew, S.L. Infantas 27, Madrid	Limited liability company	Music publisher	No	100%	-	100%	-	100%	-	100%	-
Productores y Licencias Fianza de España, S.A. de C.V. Av Presidente Masaryk 61, piso 2, México D.F.	Variable capital firm	Exploitation and management of audiovisual rights	No	100%	-	100%	-	100%	-	100%	-
Cake Entertainment, Ltd 75 Charlotte St, 5th Fl, London	Private limited company	Exploitation and management of audiovisual rights	No	51%	-	51%	-	51%	-	51%	-
Cake Distribution, Ltd 75 Charlotte St, 5th Fl, London	Private limited company	Exploitation and management of audiovisual rights	No	-	51%	-	51%	-	51%	-	51%
Cake Productions, Ltd 75 Charlotte St, 5th Fl, London	Private limited company	Exploitation and management of audiovisual rights	No	-	51%	-	51%	-	-	-	-
HLT Productions Bv Van der Helstaan 43, 1213 CE Hiversum, The Netherlands	Private limited company	Exploitation and management of audiovisual rights	No	-	51%	-	51%	-	51%	-	51%

All subsidiaries have been consolidated using the full consolidation method.

- In 2012 a third subsidiary has been started up named Cake Productions Ltd. This company is 100% Cake Entertainment Ltd. subsidiary

2.2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

These Consolidated Interim Financial Statements of the Zinkia Entertainment Group for the first semester of the year 2012 were formulated:

- By the directors of the parent company, Zinkia Entertainment, S.A., at Board of Directors' meeting held on August, 29th 2013.
- Pursuant to the terms of International Accounting Standard nº 34 and the International Financial Reporting Standards (IFRS), as approved by the European Union, in accordance with (EC) Law 1606/2002 of the European Council and Parliament.
- Pursuant to the terms of all the other International Accounting Standards and International Financial Reporting Standards (IFRS), as approved by the European Union, in accordance with (EC) Law 1606/2002 of the European Council and Parliament.
- So as to show a true image of the equity and financial position of the consolidated Group at June, 30th 2013 and the results of its operations and the changes in the Group's consolidated equity and the consolidated cash-flow produced in the Group, during the six-month period ended on the said date.



- Based on the accounting records of the parent company and the Group's subsidiaries.
- The Consolidated Financial Statements were prepared on a historical cost basis, with the exception of the derivative financial instruments and available-for-sale financial assets, which are shown at fair value.

b) Accounting rules and policies applied

The Group's Consolidated Financial Statements at June, 30th 2013 were prepared in accordance with the International Financial Reporting Standards.

The following International Standards have not been applied by the Group since they were not binding at the date of the financial position statement. The Group decided not to apply them beforehand:

IFRS 9: Financial Instruments. It will be effective 1.1.2015

IFRS 10: Consolidated Financial Statements. It will be effective 1.1.2014

IFRS 12: Information about interests in other entities. It will be effective 1.1.2014

IAS 27 (2011): Separated Financial Statements. It will be effective 1.1.2014

The Group will apply these International Standards when they will be effective. The Group considers that there will be not a significant effect on the financial statements.

In order to reconcile the value of net equity and consolidated income statement with national and international regulations as of the date of the first application of IFRS, it should be noted that, pursuant to IAS 20, deferred income from government capital grants is not carried directly to equity but rather to non-current liabilities. These grants are carried to the income statement as the assets subsidised by the grants are amortised.

c) Responsibility for information and estimates made

The information contained in these Consolidated Financial Statements is the responsibility of the directors of the parent company.

The senior managements of the Group and consolidated companies have used certain estimates and hypotheses to prepare these Consolidated Financial Statements based on the best information available at the time on the events analysed. Events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements. These estimates and hypotheses basically refer to:

- Impairment of assets:

At the closing date of each period, the Group evaluates whether there are indications of asset impairment, reviewing the carrying values of non-current assets. If there is objective evidence of impairment loss, the value of the loss is the difference between the carrying value of the asset and the recoverable value, calculated as the current value of the future estimated cash flows discounted at an appropriate discount rate to obtain the current value of those cash flows.

- Useful lives of PPE and intangible assets:

The Directors of the Group determine the estimated useful lives of PPE and intangible assets. These estimates are based on expected life cycles and may be modified due to technological innovation or strategic changes within the Group. If the estimated useful life would change, the funding of the depreciation allowance is adjusted accordingly.

- Tax credits:

The Group has certain tax credits and reviews the estimates of taxable bases for the coming years at the closing date of each period in order to evaluate the probability of recovering the capitalised tax credits. If there are reasonable doubts regarding the ability to recover the tax credits, the pertinent corrections are made.

- Corporate tax expense:

According to IAS 12, corporate tax expense is recognised in each accounting period based on the best estimate of the average weighted tax rate for the accounting year in question. It may be necessary to make adjustments to the amounts calculated in the future.

d) Consolidation principles

The subsidiaries controlled by the Zinkia Entertainment Group are fully consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiaries are companies where the Group controls the financial and operational policies, generally accompanied by a shareholding involving more than half of the voting rights.

Associates are entities over which the Group exercises significant influence but not control, which is generally accompanied by a shareholding of 20 to 50% of voting rights.

The operations of Zinkia Entertainment and consolidated subsidiaries were consolidated in accordance with the following basic principles:

- On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition of the subsidiary, including acquisition costs, over the fair value of the aforementioned assets and liabilities relating to the Parent's ownership interest in the subsidiary is recognised as goodwill.

Any negative difference is credited to the consolidated income statement.

The results of the subsidiaries acquired or disposed of during the fiscal year are included in the Consolidated Income Statement from the effective date of the acquisition or until the effective date of the sale.

- The enclosed Consolidated Interim Financial Statements include certain adjustments to standardise the accounting principles and procedures applied by the subsidiaries and the parent company.
- The value of the interest of minority shareholders in the equity and results of the fully consolidated subsidiaries is presented under "Equity - Minority Interests" in the accompanying consolidated statement of financial position and "Minority Interests" in the consolidated income statement.
- All balances and transactions between fully or proportionately consolidated companies were eliminated on consolidation.

e) Functional currency

The items included in the individual accounts of each of the Group companies are measured using the currency of the principal economic environment in which the company operates («functional currency»). All Group companies use the functional currencies of the countries where they are located.

The interim consolidated financial statements are presented in euro, which is the parent Company's functional and presentation currency.

The interim financial statements of foreign companies were converted to euros using the year-end exchange rate method. This method consists of converting all assets, rights and obligations to euro at the exchange rate in effect on the closing date of the Interim Consolidated Accounts, while the items of the Interim Consolidated Income Statement are converted at the monthly average



exchange rate. All resulting exchange differences are recognised as a separate component of equity.

f) Reasons for uncertainty - Negative Working Capital

The consolidated statement of financial position shows a negative Working Capital of EUR 3,059,681 at June, 30th 2013, caused mainly by the attention and maturity of the debt of the Group and losses from previous periods.

f.1) Overdue balances at June, 30th 2013 and measures taken by Banks

The overdue balances with financial entities at June, 30th 2013 amount to EUR 5,716 with an entity and EUR 644,760 with another one. As to the first amount, it should be noted that the due amounts will be paid.

Regarding to the second overdue balance, at the time of preparing this document, the Parent Company is negotiating with the financial entity the extension of the maturity period. In both cases, these amounts are expected to be regularized before the end of 2013.

f.2) New actions in order to generate cash

In order to solve the deficit in financial resources made relevant in the first half of 2013, the Group is carrying out a process of issuance of bonds, as it was mentioned in the past relevant fact at 07.09.13. The Group expects this process to be ended by mid October. Also, the Group is negotiating contracts of big relevance expected to be signed in the coming months.

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

- Increasing incomes due to the international expansion of the brand and the consequent diversification in the cash flow thus generated in different countries
- Operating profits coming from digital licenses, online content and related advertising. The collecting period in this kind of licenses is much shorter than in other traditional licenses.
- The Group is still seeking funds in financial entities and investment funds.

g) Correction of errors

In the first semester of 2013, a wrong adjustment was detected in the prevision of the corporation tax of the Parent Company in the year 2012, so this period has been fixed taking in account a treasure incrementation of EUR 16,650.

Accounting principles, policies and measurement criteria applied

The following accounting principles, policies and measurement criteria were used to formulate these Interim Consolidated Financial Statements of the Zinkia Entertainment Group for the first semester of 2013 ended at June, 30th 2013, pursuant to the terms of the International Financial Reporting Standards adopted by the European Union and in force in June 30th 2013:

3.1 Intangible assets

These are identifiable non-monetary assets arising as a consequence of the company's legal business or developed by consolidated companies. Only the assets whose cost can be reliably estimated and for which the Group deems it is likely to obtain future profits or economic returns are recognised on the books.

Intangible assets are initially stated at their cost and/or cost of production and are later stated at cost less, accordingly, accumulated depreciation and/or any losses due to the impairment they have experienced.

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 a success 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.

Other development expenses are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent years. Development costs with a finite useful life that have been capitalised are amortised on a straight-line basis over the period of the project's expected benefit, not exceeding five years.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount.

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

b) Licenses, trademarks and intellectual property

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 Group 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 Goodwill

The difference between the cost of the stakes in consolidated companies and the carrying value of those companies at the time of acquisition or on the date of the first consolidation, provided that the acquisition does not occur later than the assumption of control over the company, is recorded as follows:

- If attributable to specific equity items of the acquired companies, by increasing the value of the assets whose fair market values are higher than the net carrying values shown on the statement of financial position, which are treated similarly to the rest of the Group's assets from an accounting perspective.
- If attributable to non-contingent liabilities, by recognising those on the consolidated statement of financial position if it is likely that the outflow of resources to settle the obligation will incorporate economic benefits and the fair value can be reliably measured.
- If attributable to specific intangible assets, by explicitly recognising them on the consolidated statement of financial position as long as the fair value on the acquisition date can be reliably determined.
- Any remaining differences are recognised as goodwill.

Goodwill arising from the acquisition of companies with functional currencies other than the euro is converted to euro at the exchange rate in effect on the date of the Consolidated Statement of financial position.

Goodwill is not depreciated. However, at the end of each year the Group assessed whether there has been any impairment that reduces the recoverable value and, if so, makes the pertinent adjustments.

3.3 Property, plant and equipment

These are the tangible assets used by the Group for production or to provide goods and services or for administrative purposes and which are expected to be used longer than one fiscal year.

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

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

The cost of enlarging, modernising or enhancing property, plant and equipment is carried as an increase in the asset's value only when it entails an increase in its capacity, productivity or the extension of its useful life. Maintenance and repair costs that do not lengthen the useful life of the assets are charged to the consolidated income statement for the year in which they are incurred.

Property, plant and equipment acquired under financial leases are carried in the corresponding asset category and are depreciated over their useful lives using the same method as for other assets owned by the Group.



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	Term
Machinery and tooling	4 to 8
Other equipment	8
Furnishings	10
Data-processing equipment	4 to 5
Other PPE	10

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each consolidated statement of financial position date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.5).

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 consolidated income statement.

3.4 Interest costs

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

3.5 Losses due to impairment of non-financial assets

Each year on the closing date or as necessary, Zinkia Entertainment Group reviews the carrying value of non-current assets to determine whether there are indications of a loss of value due to impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, at each statement of financial position date, the Group analyses possible impairment of intangible assets which have not yet come into operation or which have an indefinite useful life is analysed, such as goodwill.

The recoverable amount is the higher of fair value less cost to sell and value in use, which is taken to be the present value of the estimated future cash flows. In assessing value in use, the assumptions used in making the estimates include discount rates, growth rates and expected changes in selling prices and costs. The directors estimate discount rates which reflect the time value of money and the risks specific to the cash-generating unit. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts and experience and future expectations, respectively.



If it is estimated that the recoverable amount of an asset or a cash-generating unit is less than the carrying value, the value of the asset or the cash-generating unit is reduced to the recoverable amount, recognising the differences as an impairment loss in the consolidated income statement.

Impairment losses recognised for an asset in prior years are reversed when there is a change in the estimates concerning the recoverable amount of the asset. The reversal may not exceed what would have been the carrying value of the asset had the impairment and reversal not been necessary. The reversal of the impairment loss is immediately recognised as income on the income statement. Impairment losses on goodwill are non-reversible.

3.6 Leases

a) When the Company in the Group is lessee– Finance lease

Leases of property, plant and equipment where the Group 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 Group 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 consolidated income statement in the period of accrual using the effective interest rate method. Contingent instalments are expensed in the year they are incurred. Lease obligations, net of financial charges, are recognised in "Finance lease liabilities". Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

b) When the Company in the Group is the lessee – Operating leases

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

3.7 Financial instruments

Financial assets

The Group classifies its current and non-current financial assets in the following categories:

-Loans and accounts 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 maturities longer than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in "Loans to companies" and "Trade and other receivables" in the consolidated statement of financial position. 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 year end, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not 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 consolidated income statement.

-Financial assets held for trading: Financial assets held for trading are assets acquired with the intention of selling in the short term or those who are part of a portfolio for which there is evidence of a recent actual target. This category also includes financial derivatives which are not agreements of financial guarantees or have been designated as hedging instruments.

-Other financial assets at fair value with changes in profit and loss: Included in this category are financial assets considered by the company at the time of initial recognition, due to such designation write off or significantly reduces accounting mismatches, or such assets form a Group whose performance is evaluated by the Company's management, based on fair value and in accordance with established and documented strategy.

-Held-to-maturity investments: Held-to-maturity financial assets are debt securities with fixed or determinable payments and fixed maturities that are traded on an active market and that Group management has the intention and ability to hold to maturity. If a Group company sells an immaterial 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 consolidated statement of financial position date which are classified as current assets. The measurement criteria applied to these investments are the same as for loans and receivables.

-Available-for-sale financial assets: Any others not included in the other financial asset categories, most of which are capital investments. These investments are also shown on the consolidated statement of financial position at market value which, for unlisted companies, is obtained using alternative methods such as comparisons with similar transactions or by updated expected cash flows, if there is sufficient information to do so. The profits and losses from changes in fair value are recognised directly in equity until the asset is disposed of or becomes impaired, at which the accumulated profits or losses previously recognised in equity are included in the net profits (losses) for the period. If the fair value cannot be reliably determined, they are recognised at cost or a lower amount if there is evidence of impairment. They are classed as non-current unless the maturity date is within 12 months of the statement of financial position date or Group management intends to dispose of the investment within that amount of time.

Cash and cash equivalents

“Cash and cash equivalents” in the interim consolidated statement of financial position includes cash, demand deposits and other highly liquid short-term investments that can be realised in cash quickly and are not subject to a risk of changes in value.

Financial liabilities

Financial liabilities are initially recognised for the amount actually received, net of transaction costs, and are later recognised at amortised cost using the effective interest rate 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. Finance costs are recognised on an accrual basis in the consolidated income statement using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise.

On the enclosed interim consolidated statement of financial position, the payables are classified by maturity, i.e., those maturing within twelve months are classified as current and those maturing in more than twelve months are classified as non-current.

No-interest or subsidised interest loans are recognised at face value, which is not believe to different significantly from fair value.

Suppliers and other short-term payables do not accrue interest and are stated at fair value.

Financial derivatives and accounting hedges

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 Group designates certain derivatives as:

- Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reflected in the consolidated income statement together with any changes in the fair value of the asset or liability hedged that are attributable to the hedged risk.
- 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 consolidated 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 inefficient part is recognised immediately in the consolidated income statement.

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 consolidated income statement.

3.8 Inventories

The heading of the consolidated statement of financial position covers the non-financial assets held for sale by the consolidated entities in the course of their ordinary business, in the process of being produced for sale or to be consumed in the production or service provision process.

Inventories are measured at the lower of cost or net realisable value. The net realizable value represents the estimated sale price less all estimated termination costs and the marketing, sales and distribution costs that will be incurred.

The Group adheres to a policy of setting up provisions to cover the risk of obsolescence, deducting these from inventories for the purposes of the consolidated statement of financial position.

3.9 Equity instruments

Capital instruments and other equity instruments issued by the Group are shown at the amount received in equity, net of direct issuing costs

3.10 Treasury stock

Treasury stock is recognised at cost, less net equity and the proceeds from the sale of shares are recognised against equity.

3.11 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group 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 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 Group. Such contingent liabilities are not reflected for accounting purposes and a breakdown is presented in the notes to the interim consolidated financial statements.

3.12 Severance pay

Under current legislation, the Group 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.

The Group has no other obligations to employees.

3.13 Deferred income

The grants received by the Group are covered under this heading.

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

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.

3.14 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 Group'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 paying on the dates specified in the agreement. The amounts agreed are not refundable by the Group, but the client is allowed to deduct these amounts from future sales. With these guaranteed minimum amounts the Group ensures the business and the license as signing the agreement with client the Group will receive the agreed amounts without fulfilling any obligation.

From an accounting perspective 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 the said income will be an asset in which is shown the guaranteed minimum



which the accrual has occurred. This account will be decreasing when the company goes invoicing in the agreed dates.

Royalties: The Group 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 Group will invoice based on this information.

In accounting terms the Group recognises royalties' revenues when they actually arise, whenever it is possible.

Both in the case recognition of guarantee minimums as in royalties, the Group recognises incomes according to the accrual principle either by agreement date, in the first case, or by the income generation period, in the second case.

- Incomes provided by Cake: Incomes provided by Cake Entertainment to the consolidated figures come from the granting of licenses to broadcast TV children content in accordance with the parent company's business. The companies in the Group recognise revenues when the amount can be reliably measured, future economic profits are likely to flow to the entity and the specific conditions for each of the Group'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 Group companies' estimates are based on historical results, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

3.15 Foreign currency transactions

Transactions in foreign currencies are recorded in the Group's functional currency (euro) calculated using the interest rate on the transaction date. The differences that occur during the fiscal year between the recorded exchange rate and the rate in force on the payment or receipt date are recorded on the income statement.

The accounts receivable or payable of the consolidated companies which are denominated in a currency other than the functional currency of the interim financial statements are converted to the euro at the exchange rate on the closing date. Any differences on exchange are recorded as financial gains (losses) on the consolidated income statement.

3.16 Income tax

The income tax expense or income for the year is calculated by adding the current and deferred income tax. The current tax expense is determined by applying the current tax rate to the fiscal earnings, less any tax credits and deductions, which gives the amount payable to the tax authorities.

Deferred tax assets and liabilities arise from temporary differences, which are defined as the amounts that will presumably be paid or received in the future as a result of differences between the carrying value of assets and liabilities and the taxable base. These amounts are recorded at the tax rate at which they are expected to be paid or received.

Deferred tax assets also arise as a consequence of tax loss carry forwards and tax deducted generated but not yet applied.



Deferred tax liabilities are recognised for all temporary tax differences unless they arose out of the initial recognition of goodwill or the initial recognition of other assets and liabilities (except business combinations) from a transaction that has no effect on either the tax results or the book results.

Deferred tax assets associated with deductible temporary differences are only recognised if it is deemed probable that there will be sufficient future fiscal earning against which to make them effective and they do not arise from the initial recognition (except a business combination) of other assets and liabilities in operations that do not affect the tax results or the accounting results. All other deferred tax assets (tax loss carry forwards and deductions pending compensation) are only recognised if it is considered likely that the consolidated company will have sufficient tax earnings in the future to actually liquidate them.

At the end of the fiscal year, the deferred taxes are reviewed (both tax assets and liabilities) to see whether they are still valid and correcting them accordingly based on the results of those analyses and the tax rate in force.

3.17 Environmental Information

Expenses deriving from business actions taken to protect and improve the environment are recorded as expenses in the year incurred.

When they involve the addition of tangible fixed assets whose purpose is to minimise the environmental impact or to protect or enhance the environment, they are carried as an increase in the value of the asset.

3.18 Earnings per share

The basic earnings per share are calculated as the quotient between the net profit for the period attributable to the parent company and the weighted average number of ordinary shares in circulation during the period, without including the averaging number of shares of the parent company in the portfolios of Group companies.

The diluted earnings per share are calculated as the quotient between the net profit for the period attributable to the ordinary shareholders and the weighted average number of ordinary shares in circulation during the period, adjusted by the weighted average number of ordinary shares that will be issued if all potential ordinary shares are converted into ordinary shares of the parent company.

4. Segment information

According to IFRS 8, the only identified segment of the Group's business activities consists of the intellectual property licenses held by the company's consolidated in these Interim Consolidated Financial Statements.

5. Seasonality

The Group's net turnover and profit are not significantly influenced by the seasonality of its operations.

Historically, Zinkia Entertainment, S.A., the Group's parent company, earns approximately 60% of its turnover in the second half of the year.

6. Financial risk management

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on uncertainty in financial markets and seeks to minimise the potential adverse impact on its financial profitability. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is controlled by the parent 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 Group 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 Group's functional currency.

(ii) Price risk

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

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

As the Group has no significant interest-bearing assets, operating income and cash flows are not seriously affected by fluctuations in market interest rates.

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

The Group 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 Group calculates the effects which a certain variation in the interest rate would have on



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

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 and wholesalers and retailers, including accounts receivable outstanding and committed transactions. The Group 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 parent company's Treasury Department aims to maintain flexibility in funding by keeping credit lines available.

6.2 Fair value estimation

The fair value is defined as the amount by an asset is available or a liability can be settled between interested parties duly informed which make a transaction with independence position without any deduction for transaction costs in the possible transfer.

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 statement of financial position 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 Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position 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 statement of financial position 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.



7. Intangible Assets

7.1 Goodwill

On June 1st, 2011 a 51% stake in the company Cake Entertainment, Ltd. was acquired by the parent company. The amount agreed between both companies was EUR 989,158. This amount is considered the fair value of the asset as it has been agreed by the parties with independence position and it is based on market research about asset value and estimates of future cash flows.

At the acquisition date, the items in the asset and liability of the Cake Group balance sheet are mostly payable and receivable related to Group business with no assets and liabilities to apply the surcharge paid by the 51% stake in the company Cake if it is compared the amount paid with company's equity. No adjustments have been made to the book value and there are not items which apply surcharge. It is considered that the amount paid and therefore goodwill is due to intangibles (management expertise, portfolio, etc.) also estimates of future cash flows.

The amount of the minority interests recognized at the acquisition date is EUR 143,562. This item has been estimated according to the global integration method. So this item is 49% Cake Group value that is not part of the Zinkia Group and it belongs to third parties.

Accounting for the business combination was not provisional at December 2011.

Cake Entertainment, Ltd is the head of a Group of three companies in 2011 added a fourth in 2012 (Note 1). Its business is focused on the international distribution of series for children and family audience.

On June 1st, 2011 is performed takeover.

The percentage is 51% stake in net equity with voting rights.

Through 51% stake in Cake Group, the parent company seeks to increase its international expansion as well as get synergies in the field of children's animation for distribution, brands management and content production. The parent company acquired Cake Group control with 51% subscribed stock and voting rights.

At the acquisition date, the fair value of the assets is shown in the Cake Group balance sheet as the fair value of assets and liabilities other than cash on which is taken control.



The Goodwill changes, in the first semester of 2012 compared to 2012 takeover are as follows:

Euro	06/30/2013
Cost	897,307
Net changes effect of exchange rates at December 31th 2012	(57,570)
Net changes effect of exchange rates at June 30th 2013	14,547
Total	854,284

Euro	12/31/2012
Net value at 12.31. 2011	866,929
Impairment of goodwill from Cake	(27,192)
Goodwill	839,737
Net changes effect of exchange rates	57,570
Total	897,307

Exchange differences: The Group functional currency is euro. The dependent subgroup of the parent company makes transactions in pound sterling. The addition of the financial position of Cake subgroup to the parent company the balances have been translated to the exchange rate of the first semester of 2013. As provided rule, goodwill of consolidation is considered as an element of the acquired company and it must be translated at the exchange rate at the end of the year. The difference recorded amounts to EUR 14,547.

In 2012, there is an impairment of the goodwill from the dependent Group amounting to EUR 27,192 due to the difference between book value and net equity of an investee company.

Otherwise, goodwill impairment has not been recorded because the analysis is based on the remarkable evolution expected by the Group in the coming years. The parameters used in this analysis are described as follows:

Zinkia Group considers each company as a cash generating unit ("CGU"). Although Zinkia has identified different assets as industrial property and development projects, due to its small size, and for the time being, Zinkia considers the total of the company as a CGU. Therefore development costs are allocated in Zinkia as a CGU, and the goodwill is allocated in Cake as a CGU too. The asset impairment test is made for individualized asset based on estimates of the asset recoverable fair value of each asset, and not for the whole of the CGU.

The basis on which the Zinkia cash generating unit recoverable fair value is calculated for development expenses is the use value.

The basis on which the Cake cash generating unit recoverable fair value is calculated for goodwill is the fair value less the selling cost, considering third party valuations of this company.

In relation to Zinkia cash generating unit the hypothesis to estimate cash flows are as follows:

- Working in new territories that previously corresponded to ITV and reverted to Zinkia in 2011.
- Annual increase of 50% from 2012 to 2015 due to the increase in licensing revenues in new territories.
- Advertising development as a new unit business which shall enhance definitively the business growth



The past experience in the exploitation of other territories has been used in order to allocate value to each key hypothesis.

Projection period is five years.

The discount rate applied is the weighted average interest rate which Zinkia get external long-term financing without real guarantees as it shows the market valuation of the risks associates with the assets operated by Zinkia. This discount rate is 6.16% at June 30th 2013.

There are not projections more than five years so it has not been necessary to use growth rate.

In relation to Cake cash generating unit the methodology used was the valuation of the audiovisual rights portfolio managed by itself. For this valuation no account is taken comparable market prices since each production is different. The hypothesis used is that the management commission received by cake applied to the amount of signed agreements is an appropriate estimation of the fair value. It has been used the past experience in order to allocate value to this key hypothesis.

No reasonable change in the key hypothesis is expected to cause the Zinkia cash generating unit fair value to be lower than its book value. For even though in the coming years the same level of incomes, as in 2012 and the first semester of 2013, were to be maintained in the new territories operated by Zinkia, the fair value would still be higher than book value. The difference between assets book value and assets fair value ranges from 130% to 500%.

7.2 Other intangible assets

The details and changes in the items under the Intangible Assets caption other than goodwill were as follows during the first semester of 2013 and 2012:

Euro	Balance at 12/31/2012	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Balance at 06/30/2013
Cost						
Research and development	6,351,594	-	679,878	(74,110)	{828,833}	6,128,529
Intellectual property	11,877,019	-	-	-	828,833	12,705,852
Computer software	516,370	-	8,896	-	-	525,266
Intangible assets advances	37,773	-	-	-	-	37,773
Total	18,782,756	-	688,774	(74,110)	-	19,397,420
Accumulated Amortisation						
Research and development	(246,985)	-	-	-	-	(246,985)
Intellectual property	(9,237,576)	-	(675,373)	-	-	(9,912,949)
Computer software	(465,533)	-	(17,169)	-	-	(482,702)
Total	(9,950,094)	-	(692,542)	-	-	(10,642,637)
Impairment	-	-	-	-	-	-
Total	8,832,662	-	(3,768)	(74,110)	-	8,754,783

Euro	Balance at 12/31/2011	Changes in scope of consolidation	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 additions in 2012 refer primarily to work done on fixed assets (Note 3.1.a). Disposals in 2013 refer to adjustment in development expenses due to work in assets.

The amount in the item *research and development* refer to parent company internal developments.



As parent company's functional currency is Euro, and all the monies come from that company, there is not exchange difference for the conversion of the financial statements to the submission currency.

The main assets of the Group, particularly the Shuriken School project and Pocoyo, have recognized a residual value about 10% and their depreciation is calculated systematically using the straight-line method over these assets' estimated useful lives 5 and 8.5 years respectively. At present Shuriken School and Pocoyo are fully amortised.

In the Shuriken School project, recognition of residual value is based on historical estimated revenues of the Group. Although this project is fully amortised the series could be sold to international television companies for amounts over 10% of the residual value so this percentage is considered an prudent estimate figure.

In the Pocoyo project, recognition of residual value and useful life is based both on the project revenues, which today has surpassed already five years long, and on the offers made to the Group, which make the asset exceed its book value.

Significant intangible assets

The amounts in this item include costs of new audiovisual projects elaborated until the moment these projects are completed and therefore transferred to the item "intellectual property". They are detailed below:

DESARROLLO WIRELESS WEST	245.785
DESARROLLO JUEGO SHURIKEN	304.638
DESARROLLO MOLA NOGURU	1.617.384
DESARROLLO FISHTAIL	487.309
DESARROLLO POCOYO EYE CIRCUITS	1.065.956
DESARROLLO POCOYO IV	1.175.322
DESARROLLO POCOYO PLAYSET	363.617
OTROS DESARROLLOS	621.531

For these developments the Group has considered the possibility of an impairment of the book value over fair value. In order to evaluate such possibility, the Group relied both on internal and external information sources. In relation to the external information sources, the Group has calculated the assets fair value applying a discount rate on their estimations as the weighted average rate of the different debts of the Group; this rate, as we have stated above, is 6.16% at June, 30th 2013. As there is not comparable market price because each production is different, the Group has taken on a value for their forecasts based on past experience and discussion with television companies. Therefore there are internal reports which support that the economic performance of these assets will meet the projected expectations.

Fully-amortised intangible assets

At June, 30th 2013, the Group had intangible assets valued at EUR 10,124,855 still in use. These intangible assets correspond to software and audiovisual projects.

At June, 30th 2012, the Group had intangible assets fully-amortised valued at 2,674,704 still in use.

Assets subject to guarantees and ownership restrictions

At June, 30th 2013, no elements of intangible assets were subject to ownership restrictions or had been pledged to secure liabilities. The same was true at June, 30th 2012.

Grants received in relation to intangible assets

In the first semester of 2013, the Group has not received any capital grants for intangible assets.

The Group has not received during the first semester of 2013 any amount corresponding to any grant of capital related to the intangible assets.

8. Property, plant and equipment

Set out below is an analysis of the details and movements in property, plant and equipment on the Interim Consolidated Statement of financial position:

Euro	Balance at 12/31/2012	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Translations Differences	Balance at 06/30/2013
Cost							
Machinery	31,689	-	-	-	-	-	31,689
Other equipment	38,198	-	-	-	-	-	38,198
Furnishings	186,403	-	6,497	-	(11,911)	(6,841)	174,148
Data-processing equipment	186,834	-	1,121	-	-	-	187,955
Other PPE	28,444	-	-	-	-	-	28,444
Total	471,567	-	7,618	-	(11,911)	(6,841)	460,434
Accumulated Amortisation							
Machinery	(31,405)	-	(60)	-	-	-	(31,465)
Other equipment	(29,923)	-	(1,386)	-	-	-	(31,309)
Furnishings	(125,626)	-	(12,605)	-	-	4,897	(133,334)
Data-processing equipment	(153,103)	-	(7,411)	-	-	-	(160,514)
Other PPE	(13,084)	-	(1,419)	-	-	-	(14,503)
Total	(353,142)	-	(22,881)	-	-	4,897	(971,125)
Impairment	-	-	-	-	-	-	-
Total	118,425	-	(15,263)	-	(11,911)	(1,944)	89,309

Euro	Balance at 12/31/2011	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Translations Differences	Balance at 06/30/2012
Cost							
Machinery	31,689	-	-	-	-	-	31,689
Other equipment	38,198	-	-	-	-	-	38,198
Furnishings	183,688	-	6,254	-	-	-	189,942
Data-processing equipment	151,164	-	3,395	-	-	-	154,559
Other PPE	28,444	-	-	-	-	-	28,444
Total	433,182	-	9,648	-	-	-	442,831
Accumulated Amortisation							
Machinery	(31,285)	-	(60)	-	-	-	(31,345)
Other equipment	(25,921)	-	(2,107)	-	-	-	(28,028)
Furnishings	(119,950)	-	(14,098)	-	-	-	(133,958)
Data-processing equipment	(109,283)	-	(9,924)	-	-	-	(119,207)
Other PPE	(10,248)	-	(1,418)	-	-	-	(11,664)
Total	(296,685)	-	(27,517)	-	-	-	(324,203)
Impairment	-	-	-	-	-	-	-
Total	136,497	-	(17,869)	-	-	-	118,628

Impairment losses

The Group Consolidated Financial Statements for the first semester of 2013 do not include any fixed asset impairment losses. The same was true for the previous period. (Note 3.5)

Fully-depreciated assets

At June, 30th 2013, the Group had fully depreciated assets valued at EUR 255,058 still in use.

At June, 30th 2012, the Group had fully depreciated tangible assets valued at EUR 159,582 still in use.

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. The same was true at June, 30th 2012.

Commitments to purchase fixed assets

At June, 30th 2013, the Group had assumed no commitments to acquire tangible fixed assets. The same was true at December, 30th 2012.

Assets under operating leases

The Interim Consolidated Income Statement includes operating leases on the rental offices for the Group and computer rentals, all of which total EUR 170,607. At June 30th 2013, the Group has not non-cancellable operating leases.

Grants received in relation to property, plant and equipment

In the first semester of 2013, the Group has not received any capital grants.

9. Financial assets

The carrying value of each one of the financial instrument categories on the Interim Consolidated Statement of financial position is as follows:

<i>Euro</i>	06/30/2013	12/31/2012
Non-current financial investments		
Equity instruments	28,183	28,183
Derivades assets	98	-
Total	28,282	28,183
Current financial investments		
Loans to Relative parties	460,826	445,244
Equity instruments	172	181
Bonds and securities	-	-
Other financial assets	901,938	150,278
Total	1,362,936	595,703

Non-current financial investments include the capital investments of the parent company.

In the current financial investments, the item "Other financial assets" has been strongly increased due to a deposit established during the first semester of 2013 by the Group, which amounts EUR 748,198, required for its pledging by the Ministry of Industry, Energy and Tourism as a guarantee of the financing granted according to the Plan Avanza 2012.

Current financial investments include loans granted to Jomaca 98, S.L., which controls 64.71% of the share capital of the parent company, Zinkia Entertainment, S.A. This transaction is explained in further detail in note 18 regarding third party balances and transactions.



Equity instruments includes the value of a small interest in a publicly listed companies while the short term deposits and bonds set up by Group companies are listed under Other Financial Assets.

At June, 30th 2013, the Group has a deposit of restricted availability related to the bonds issuance of the parent company. The amount is EUR 109,938.

The heading *Equity Instruments* is considered a financial asset at fair value. The fair value of equity securities is based on current prices in an active market buyer.

The maximum exposure to credit risk at the time of presenting the information is the fair value of assets.

10. Trade and other receivable accounts

The detail of this caption on the Interim Consolidated Statement of financial position at June, 30th 2013 and December, 31st 2012 is as follows:

<i>Euro</i>	06/30/2013	12/31/2012
Trade receivables	5,039,635	8,197,808
Trade receivables, long term	2,258,590	3,979,292
Accounts receivables	2,077,380	-
Bad debt provision		(183,948)
Total	9,375,605	11,993,152

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

Euro	1,964,363	2,906,115
Us dólar	6,646,013	8,080,210
Pound sterling	732,417	686,820
Australian dolar	21,234	69,302
Yuan	-	212,192
Other currencies	11,578	38,512
Total	9,375,605	11,993,152

The amounts included in the item non-current assets are all domestic less the amount of the long-term trade receivables which are detailed below by geographic areas, Spain and Abroad, in the first semester of 2013 and the year 2012:

<i>Market</i>	06/30/2013	12/31/2012
Domestic	0%	0%
International	100%	100%
Total	100%	100%

The most relevant country in non-current assets is USA which amounts to EUR 2,198,590. In 2012 the most relevant country was also USA, amounting to EUR 3,716,982.

The directors of the parent Company believe that the carrying value of trade receivables and other accounts receivables are close to fair market value.



Furthermore, non-current trade receivables on the asset side include the customer balances with a maturity date longer than one year. This valuation involves a decrease of this item of EUR 377,920, and a profit before taxation that amounts to EUR 47,704. Both figures increased to EUR 330,216 in the year 2012.

Regarding to current receivables, at June 30th 2013, no damages have been registered. In 2012, the damaged amounts reached EUR 79,031. Damaged amounts accumulated balance for both periods reached up to EUR 183,948. Remainder accounts included in "Trade and other receivables" are not impaired.

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 Group does not maintain any guarantee or insurance.

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

A right of charge amounting to EUR 207,639 is guaranteeing a delay with the Treasury (Note 16). A right of charge amounting to EUR 75,792 is the guarantee of the performance by the Parent Company of those obligations up to the total amount agreed upon, and of the present and future yields.

Classification of financial assets (Notes 9 and 10)

		Euros					
		Non current financial assets					
		Equity instruments		Debt securities		Credits, derivatives, other	
		06/30/2013	12/31/2012	06/30/2013	12/31/2012	06/30/2013	12/31/2012
Available for sale assets		28,183	28,183	-	-	-	-
Loans and accounts receivables		-	-	-	-	2,258,688	3,979,292
Total non current		28,183	28,183	-	-	2,258,688	3,979,292
		Current financial assets					
		Equity instruments		Debt securities		Credits, derivatives, other	
		06/30/2013	12/31/2012	06/30/2013	12/31/2012	06/30/2013	12/31/2012
Assets held for trading		172	181	-	-	-	-
Held to maturity investments		-	-	-	-	-	-
Loans and accounts receivables		-	-	-	-	8,479,778	8,609,042
Total current		172	192	-	-	8,479,778	8,609,042
Total		28,355	32,462	-	-	10,738,466	12,588,334



11. Cash and other cash equivalents

The details of this heading in the accompanying Interim Consolidated Statement of financial position are as follows:

<i>Euro</i>	06/30/2013	12/31/2012
Cash	748,023	2,911,348
Cash equivalent	1,398	1,931
Total	749,421	2,913,279

These reserves are freely available for distribution.

The difference between the Interim Consolidated Statement cash balance at June, 30th 2013, and the one corresponding to the Interim Consolidated Cash Flow Statement at the end of the period, is due to overdrafts and credit lines relating to usual Group cash operations.

12. Equity

Share capital

At June, 30th 2013, the registered capital of the parent Company, Zinkia Entertainment, S.A. 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.

All of the shares representing the capital of the parent Company have traded on the Mercado Alternativo Bursátil Empresas en Expansión (MAB) since July, 15th 2009.

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

Shareholder	% Interest
Jomaca 98, S.L.	64.71%
D. Miguel Valladares	11.20%
Stock market and others	21.52%
Treasury shares	2.57%
Total	100%

The parent Company is governed by the terms of the Capital Companies Act which establishes a minimum capital of EUR 60,000 for public limited companies.

The main capital management objectives of the Zinkia Entertainment Group are to ensure the long and short term financial stability of the Group, the positive evolution of its shares, the proper financing of its investments and the reduction of debt levels. This capital management policy is designed to optimise the financial structure by creating value for shareholders through access to financial markets at competitive costs that allow the Group to cover the financing needs of its business plan and investments which cannot be covered through self-funding. The table below shows the leveraging, understood as the ratio between financial debt and net equity:



<i>Euro</i>	06/30/2013	12/31/2012
Non-current financial liabilities	4,553,531	6,827,306
Current financial liabilities	6,763,023	4,572,298
Cash and cash equivalents	(749,421)	(2,913,279)
Net Debt	10,567,133	8,486,325
Equity of the parent	8,792,948	10,358,129
Equity of the parent	8,792,948	10,358,129
Leverage	120.18%	81.93%

Share premium account

The revised Text of the Spanish Capital Companies Act expressly permits the use of the balance of the share premium to increase capital and places no specific restrictions on the availability of said balance.

Legal reserve

The legal reserve is funded in compliance with Article 274 of the Spanish Corporate Act, which stipulates that an amount equal to 10% of the the yearly profits 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.

The legal reserve at June, 30th 2013, amounts to EUR 330,475, and in December, 31st 2012, totalled EUR 237,262.

Other reserves

These include the reserves of the parent Company which stood at EUR 773,741 and EUR 757,091 at June, 30th 2013 and December, 31st 2012 respectively, and those of the subsidiaries which totalled EUR (412,094) and EUR 190,440 on the same dates.

Treasury shares

This year, the parent company carried out certain transactions with its own shares, recording the transactions as changes in the Group's equity.



The changes under the heading of "Treasury Stock" on the Interim Consolidated Statement of financial position during the first semester of 2013 are as follows:

<i>Euro</i>	Number of shares	Euro
Balance at January, 1st 2013	281,503	403,841
Additions	347,554	404,187
Disposals	-	-
Balance at June, 30th 2013	629,057	808,028

The changes during year 2012 were as follows:

<i>Euro</i>	Number of shares	Euro
Balance at January, 1st 2012	579,367	950,560
Additions	36,122	39,369
Disposals	(333,986)	(586,088)
Balance at December, 31st 2012	281,503	403,841

The treasury stock in the Company's possession 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 1.09 per share (EUR 1.64/share at December, 31st 2011). The average sale price of the Company's treasury stock at June, 30th 2013 was EUR 1.16 per share (EUR 1.09 per share at December, 31st 2012).

Dividends

The Group did not pay any dividends in the first semester of 2013 nor does it intend to do so. The same was true for 2012.

Minority interests

At June, 30th 2013, the minority shareholders of Cake Entertainment Ltd. controlled 49% of the company's share capital.

13. Deferred income

This heading on the liability side of the Interim Consolidated Statement of financial position includes the capital grants received by the Group not yet charged to income.



The details are as follows:

Granting entity	Purpose	Grant date
Education, Audiovisual and Culture Agency	Pre-production of 3 audiovisual works	11/06/2007
Ministry of Culture	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	08/03/2010
Ministry of Culture	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	08/03/2010
Ministry of Culture	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	08/03/2010

Grants are recognized in the current year to be considered as non refundable. The decreases correspond to the charge to income and the tax effect, result of applying a tax rate of 25% (Note 16)..

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

There were no changes in this heading in the first semester of 2013. The detail of this caption compared to 2012, is shown below:

	06/30/2013	12/31/2012
Balance at January, 1st 2013	130,978	105,542
Additions	-	46,469
Comprehensive p&l recognized	-	(12,554)
Other decrease	-	(8,479)
Balance at June, 30th 2013	130,978	130,978

Current accruals

This amount arises in 2012 as a result of the agreement signed for development of content in educational *apps* concept. In accordance with the agreement 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. Financial liabilities

The following table shows the details of the financial debt of the Zinkia Entertainment Group:

<i>Euro</i>	06/30/2013		12/31/2012	
	Current	Non-current	Current	Non-current
Debentures and bonds	2,267,625	-	2,027,004	-
Bank loans	1,121,031	797,228	1,379,203	759,295
Other payables to banks	622,006	-	494,991	-
Derivative	-	-	-	53
Participating loans	2,549	500,000	-	500,000
Other borrowings	2,749,813	3,256,303	671,100	5,567,958
Total	6,763,023	4,553,531	4,572,298	6,827,306

On November, 11st 2010, the parent 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
Issue price	100%
Annual interest rate payable annually	9.75%
Amortisation of securities	12 th November 2013
Amortisation system	Par

The maturity dates of these financial liabilities are shown on the table below:

<i>Euro</i>		
Maturity	06/30/2013	12/31/2012
	-	-
2013	6,763,023	4,572,298
2014	341,254	3,002,827
2015	347,239	255,448
2016	328,671	328,671
2017 & subsequent	3,536,367	3,240,359
Total	11,316,554	11,399,604

At June, 30th 2013, Cake holds as guarantee with a French bank the incomes produced by Angelo Rules 2 and Plankton series. The credit with this entity amounts to EUR 246,001.

All of the Group's debt is denominated in EUR except for the credit held by the Cake Subgroup which is denominated in Sterling Pounds.



The average weighted rate of reference of the Group's financial liabilities at June, 30th 2013, was 6,16%. At the end of 2012, the rate was 6,39%. The detail is as follows:

Bonds issue	9.75%
Private Loan	9.75%
Financial entities and other	4.00%
Average weighted rate	6.16%

The Group's debts are shown on the following table based on the interest rate to which they are referenced:

<i>Euro</i>	06/30/2013		12/31/2012	
	Euro	%	Euro	%
Fixed rate	9,734,839	85%	9,531,132	84%
Variable rate	1,744,194	15%	1,868,472	16%
Total	11,479,033	100%	11,399,604	100%

At June, 30th 2013, the parent company holds overdue loan obligations. At the date of the preparation of these interim financial statements, the parent Company is seeking an agreement in order to obtain 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.

15. Derivative financial instruments

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

At June, 30th 2013 the Company has signed a C.A.P. swap contract with an issue premium of EUR 3,950. This C.A.P., at June, 30th 2013, has a positive assessment of EUR 98.

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

16. Deferred taxes, income tax and other taxes

The changes under the heading of "Deferred tax assets" and "Deferred tax liabilities" on the Consolidated Statement of financial position are as follows:

<i>Euro</i>	12/31/2012	Additions	Reductions	06/30/2013
Tax credits for tax-loss carryforwards	1,393,359	286,619	-	1,679,978
Other tax credits	3,032,400	-	-	3,032,400
Deferred tax assets	4,425,759	286,619	-	4,712,378
Temporary differences - amortisation	18,627	-	-	18,627
Reversal temporary differences - amortisation	(6,698)	-	-	(6,698)
Temporary differences-deferred income	43,659	-	-	43,659
Tax effect expense recognized in equity	18,000	-	(18,000)	-
Deferred tax liabilities	73,588	-	(18,000)	55,588

The evidence supporting the recognition of assets by deferred tax is detailed as follows:

- Outstanding tax loss carry forwards from previous years.

DESCRIPTION	TO OFFSET	TERM
Tax loss carryforward FY 2013	1,146,476	2030/2031
Tax loss carryforward FY 2011	704,683	2029/2030
Tax loss carryforward FY 2010	3,014,994	2028/2029
Tax loss carryforward FY 2009	1,853,761	2027/2028
TOTAL	6,719,914	

- Outstanding double tax deductions from previous years.

YEAR	DESCRIPTION	TERM	OUTSTANDING DED.	DEADLINE
2012	International (art. 31 C.I.T.)	-	66,521	2019
2011	Intercompany (art. 30.1 and 3 C.I.T.)	-	1.14	2018
2011	International (art. 31 C.I.T.)	-	95,048	2021
2010	Intercompany (art. 30.1 and 3 C.I.T.)	-	1.50	2017
2010	International (art. 31 C.I.T.)	-	76,978	2020
2009	Intercompany (art. 30.1 and 3 C.I.T.)	-	1.61	2016
2009	International (art. 31 C.I.T.)	-	60,455	2019
2008	Intercompany (art. 30.1 and 3 C.I.T.)	-	2.11	2015
2008	International (art. 31 C.I.T.)	-	40,693	2018
2007	International (art. 31 C.I.T.)	-	32,672	2017
	TOTAL		372,375	

- Outstanding investment deductions from previous years.

YEAR	DESCRIPTION	TERM	OUTSTANDING DED.	DEADLINE
2012	Foment AE'S	25	6,630	2027
2012	Research and development expenses	25	101,695	2027
2011	Film productions	25	312,295	2026
2011	Non-profit entities donation	-	158	2026
2010	Technology, information and communication investment	25	222	2028
2010	Exporting entities	25	5,002	2025
2010	Professional training expenses	25	34	2025
2010	Non-profit entities donation	-	2,392	2025
2009	Technology, information and communication investment	25	12,427	2027
2009	Exporting entities	25	1,945	2024
2009	Professional training expenses	25	43	2024
2009	Non-profit entities donation	-	8,049	2024
2008	Research and development expenses	25	57,288	2026
2008	Technology, information and communication investment	25	633	2026
2008	Film productions	25	61,859	2023
2008	Exporting entities	25	5,968	2023
2008	Professional training expenses	25	350	2023
2008	Non-profit entities donation	-	13,843	2023
2007	Research and development expenses	25	95,680	2025
2007	Technology, information and communication investment	25	1,435	2025
2007	Film productions	25	317,823	2022
2007	Exporting entities	25	2,363	2022
2006	Research and development expenses	25	89,859	2024
2006	Technology, information and communication investment	25	13,759	2024
2006	Film productions	25	614,160	2021
2006	Exporting entities	25	6,952	2021
2006	Professional training expenses	25	990	2021
2005	Research and development expenses	25	198,897	2023
2005	Technology, information and communication investment	25	8,477	2023
2005	Film productions	25	591,521	2020
2005	Exporting entities	25	21,676	2020
2005	Professional training expenses	25	937	2020
2004	Research and development expenses	25	104,663	2022
TOTAL			2,660,025	

The item Other Tax Credits included double tax deductions and investment deductions which have been detailed above.

In 2012, last ended fiscal year, the Group capitalized outstanding deductions amounting to EUR 174,845. Out of this amount EUR 101,695 are deductions for IT projects of this year, EUR 66,521 are double tax deductions and EUR 6,630 are investment deductions.

The Group considers recoverable tax credits in accordance with forecast figures submitted to the market.

As detailed above, the Group considers tax credits for tax-loss carry forwards based on estimations for the coming years and always taking into account tax credits deadlines set by tax regulations as a recovery term of not more than 10 years. Although the Group has losses from several years, these losses are due to the sort of business and the company sector. Investments in the series production, mainly Pocoyo, involve a period of several years in which the early years bear higher costs. During the previous fiscal year, the said return on investment began, due to the international exploitation of the brand. Therefore this situation is due to the activity of the company but it is unusual and it will not be repeated over time.

The Group has not tax credit for which have not been recognized deferred tax assets.

The consolidated "Corporate tax expense" was determined as shown on the following table:



Euro	06/30/2013	06/30/2012
Consolidated profit before taxes	(1,557,988)	2,862,348
Non-deductible expenses and non-computable income	-	200
Adjusted accounting profit	(1,557,988)	2,862,548
Corporate income tax	-	45,430
Withholding taxes from income earned abroad	119,163	-
Deferred tax	(404,773)	-
Application of tax credit to offset tax loss carryforwards	-	776,264
Income tax expense	(285,610)	821,694

Conciliation between profit before tax and income tax expense at rate applicable is as follows:

Euros	30/06/2013	30/06/2012
Consolidated profit before taxes	(1,557,988)	2,862,348
Effective rate	18%	29%
Accrual expense C.I.T.	(285,610)	821,637
Non-deductible expenses effective rate effect	-	57
Reductions pending to apply	-	-
C.I.T.	(285,610)	821,694

Due to the fact that the Group obtains its revenues in different jurisdictions, the applicable rate is determined by the ratio between the income tax expense (excluding the tax credits effect) and the adjusted consolidated profit before taxes.

The details of the debit and credit tax balances of the Group with the tax authorities at June, 30th 2013, are as follows:

Euro	06/30/2013	12/31/2012
Deferred tax assets	-	-
Tax credits for tax-loss carryforwards	4,712,378	4,425,759
Corporate income tax assets	26,739	2,774
Other tax receivable	141,710	110,314
Tax receivables	4,880,827	4,538,847
Deferred tax liabilities	55,588	73,588
Corporate income tax payable	21,553	193,625
Other tax payable	451,213	473,469
Tax payables	528,354	740,682

Additionally the Group has been granted two deferments, one of them from the Tax Authorities regarding the withholdings, and the other from the Social Security, related to social security contributions. The amount, with a maturity date of over a year in the case of the General Social Security Treasury, amounts to EUR 280,642 at June 30th 2013. The amounts with a maturity date of over a year showed in the non-current liabilities of the Group for this concepts amounted to EUR 46,732 and EUR 320,734, for the Tax Authorities and the General Social Security Treasury, respectively at December, 31th 2012.



17. Trade and other payables

Accounts payable include the outstanding balances due for purchases, services rendered and related costs. This caption also includes the payables derived from the acquisition of fixed assets.

Euro	06/30/2013	12/31/2012
Suppliers of services provided	4,261,604	5,302,066
Other	127,832	437,513
Total	4,389,436	5,739,579

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

	<i>Euro</i>	
	06/30/2013	12/31/2013
Euro	1,764,605	3,204,974
Dólar US	1,835,098	2,063,400
Libra esterlina	782,554	461,224
Peso argentino	-	-
Real brasileño	-	-
Yuan	7,179	9,981
Total	4,389,436	5,739,579

It is the opinion of the directors of the parent Company that the carrying value of these balances is close to their fair market value.

18. Balances and transactions with related parties

The transactions between the parent Company and its related-party subsidiaries were eliminated in the process of preparing these Interim Consolidated Financial Statements. The transactions between the parent Company and its subsidiaries are detailed in the respective interim individual financial statements.

The balances maintained with related parties at June, 30th 2013 and 2012 are as follows:

<i>Euro</i>	06/30/2013		12/31/2012	
	Receivables	Payables	Receivables	Payables
Trade payables				
Jomaca 98, S.L.	-	-	-	20,184
Armialda, S.A (Yeguada)	-	149,200	-	50,000
Loans, long term				
Other related parties	-	-	-	20,839
Loans short term				
Other related parties	-	62,865	-	88,111
Short-term loans				
Jomaca 98, S.L.	460,826	-	445,244	-
Total	460,826	212,065	445,244	179,134

The terms and conditions for the recovery of outstanding amounts with related parties are similar to the market being the average collection period about 45 or 60 days and usually by bank transfer. In relation to the credits granted to related parties, maturity and interest payment is semi-annual although the term may be renewed by agreement between the parties.

The related-party transactions during this period were as follows:

<i>Euro</i>	06/30/2013		06/30/2012	
	Expenses	Incomes	Expenses	Incomes
Jomaca 98, S.L.	-	15,582	72,000	4,612
Armialda (Yeguada)	100,000	-	-	-
HLT, Bv	76,320	-	-	-
Other related parties	2,348	-	2,096	-
Total	178,668	15,582	72,000	4,612

Transactions with related parties are equivalent to those that were at arm's length transaction.

The related parties incomes and expenses are detailed as follows:

Expenses of Jomaca 98, S.L., Yeguada Floridablanca, S.A. y HLT, Bv correspond to management services.

For further information, the Company HLT, Bv is out of the scope of consolidation, so there may be confusion with HLT Productions, Bv which is inside the scope of consolidation (Note 1). Although the name is similar there are two different companies. The amounts of transactions between related parties have been written off to make consolidated financial statements.



Other related parties expenses correspond to financial expenses of the short-term loans.

Incomes of Jomaca 98, S.L. correspond to financial incomes of the short-term loans granted to this company.

19. Income and expense

Net sales turnover

The breakdown of this account for this period is as follows:

Euro	06/30/2013	06/30/2012
Content	2,626,501	2,203,843
Licensing	737,927	6,000,532
Advertising	736,163	361,134
Total	4,100,592	8,565,509

The breakdown by geographic area is as follows:

Market	06/30/2013	06/30/2012
Domestic	10%	4%
Abroad	90%	96%
Total	100%	100%

The most relevant country in the item of revenues is USA with EUR 1,069,035 at June, 30th 2013. In 2012, USA was also considered significant, with an amount of EUR 5,656,996.

Other operating revenues

The breakdown of this account for this period is as follows:

<i>Euro</i>	06/30/2013	06/30/2012
Services rendered to staff	-	1,436
Other services	-	-
Own work capitalized	605,768	638,283
Release to Income Statement-deferred income	-	-
Total	605,768	639,719

The amounts recognized under the item "own work capitalized for the intangible assets" correspond to the costs incurred in the production of the audiovisual projects of the Group.

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".

Staff expenses

The composition of "Staff expenses" on the Consolidated Income Statement is as follows:

<i>Euro</i>	06/30/2013	06/30/2012
Wages and salaries	1,073,664	1,617,378
Compensations	3,257	179,510
Employer social security costs	248,328	398,770
Other expenses	1,293	71,872
Total	1,326,542	2,267,530



The breakdown of employees of the Group by professional category and gender is as follows:

CATEGORY	06/30/2013		06/30/2012	
	Men	Women	Men	Women
5-YR DEGREE HOLDER	9	13	16	16
3-YR DEGREE HOLDER	3	1	3	1
SR.MANAGER	4	1	4	2
MANAGER 1	1	3	-	-
MANAGER 2	2	-	1	-
OFFICIAL 1	7	1	9	1
OFFICIAL 2	1	-	1	-
ASSISTANT	1	4	-	2
PROGRAMMER	2	0	1	-
OPERATOR	0	0	3	1
Total	30	24	38	23

The average number of employees at the consolidated level was determined based on the total number of employees of the fully consolidated companies.

External services

The composition of this caption is as follows:

<i>Euro</i>	06/30/2013	06/30/2012
Operating leases	170,607	225,904
Independent professional services	2,883,130	1,558,417
Other expenses	700,305	744,655
Impairment losses on commercial transactions	23	-
Total	3,754,065	2,528,976

Depreciation and provisions

The composition of this caption is as follows:

<i>Euro</i>	12/30/2013	06/30/2012
Intangible asset depreciation charge	692,542	775,837
Property, plant and equipment depreciation charge	22,879	28,570
Total	715,421	804,407

Financial income and expense

The composition of this caption is as follows:

<i>Euro</i>	06/30/2013	06/30/2012
Finance income due to credits to related parties	15,582	4,612
Other	295	5,410
Finance Income	15,877	10,022
Finance and similar costs	(519,354)	(439,199)
Exchange profit/losses	74,031	(17,117)
Finance Cost	(447,671)	(458,412)
Net financial expense	(431,794)	(448,390)

Financial incomes are mainly due to a loan granted to the Group by Jomaca 98, S.L., head of the parent Company.

Regarding on the financial expenses, they are mainly due to the Group's financial debts included under the heading of payable financial liabilities.

20. Transactions with payments based in equity instruments

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

On October 10th, 2011, the parent 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 Alternative Barstool-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 to which all beneficiaries of plan will be entitled amounts to 1,200,000 shares.
- The plan will be 5 years long, the beneficiaries will be entitled to receive annually 20% of total shares to which they were entitled.
- The delivery of shares is conditional on at the time of execution of the plan, the value of the stock has appreciated by at least 30% of the value of share price as at June, 30th, 2011. In addition, the parent Company shall have obtained in the previous year distributable profits, fee only 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.

At 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 parent 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 parent 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. In the event that the value of the shares, at that date, is less than that amount, the parent Company undertakes to cover the difference in share or cash.

21. Contingencies and committed guarantees

At June, 30th 2013, no provision for claims has been recorded. This is due to the advice from our legal department as well as our external lawyers since all of them estimate that the risk taken by the Group is low. At the end of 2012 one of the claims was won by the company. To the date of preparation of these interim consolidated financial statements it is not yet possible to estimate the economic impact of these events.

The parent company has three guarantees, two of which granted by Avalmadrid SGR amounting to EUR 200,000 and EUR 2,000,000, both of the aimed at guaranteeing two loans for the same amounts. The third guarantee, granted by another entity, amounts to EUR 748,198, whose funds for the pledge were deposited by a private entity at the Group's name at the end of the year 2012. On June, 30th 2013, this guarantee has been already pledged on the parent Company's funds. This guarantee has been required by the Ministry of Industry in order to obtain funds from the Avanza programme.

22. Director and senior management compensation

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 at the Board.

No contributions have been made to pension plans or funds in favour of former or current members of the parent 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 parent Company is committed to the members of the Board, a plan for long-term variable remuneration consisting of the delivery of shares. (Note 20).

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 Group amounted to EUR 394,623, the compensation received by other senior management personnel different than the members of the Board of Directors of the Group has earned gross wages totalling EUR 48.069. In the first semester of 2012 member of the Board of Directors received a total of EUR 409,976, and the senior management staff received a total of EUR 42.098 in remuneration. The number of members considered as senior management staff has decreased during this period.

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

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 parent 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 Castillejo 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.

23. 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 half of 2013, there were no major environmental expenditures.

24. Earnings per share

Basic earnings per share

The basic earnings per share are calculated as the quotient between the net profit for the period attributable to the parent company and the weighted average number of ordinary shares in circulation during the period, without including the average number of shares of the parent company in the portfolios of Group companies.

<i>Euro</i>	06/30/2013	06/30/2012
Profit Attributable to the equity holders of the parent	(1,063,835)	2,127,130
Average number of shares during the year	24,445,677	24,445,677
Average number of treasury shares held	(455,280)	(148,932)
Average number of shares outstanding	23,990,397	24,296,745
Basic earning per share (euros)	(0.04)	0.09

Diluted earnings per share



The calculation is similar for diluted earnings per share, except that the weighted average number of shares in circulation is adjusted to account for the potentially diluting effects of stock options, warrants and convertible debt at the end of the year. The Zinkia Entertainment Group has not issued any instruments of this kind, so the basic earnings per share match the diluted earnings per share.

25. Auditors' fees

The professional fees for auditing individual and interim consolidated financial statements in the first semester of 2013 totalled EUR 9,347.

The parent Company also paid fees in the amount of EUR 19,044 to Garrido Abogados yAsesores Fiscales, S.L. during the same period.

26. Events after the Financial Statement date

Between July, 1st 2013 and the preparing date of these Interim Consolidated Financial Statements, nothing that might affect the statements in any significant way happened.

27. Other disclosures

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

Pursuant to the terms of the above mentioned law, at June, 30th 2013 the parent Company held a balance payable to suppliers amounting to EUR 1,692,054, which exceeds the legally-established payment deadline. During the first semester of 2013, the parent Company made payments to suppliers amounting to EUR 620,345, out of which 5% exceeded the legal deadline. The weighted average term of payment amounts to 91 days.

At the end of finance year 2012 the parent Company held a balance payable to suppliers amounting to EUR 1,223,414, which exceeded the legally-established payment deadline. In that period, the parent Company made payments to suppliers amounting to EUR 1,970,000, out of which 42% exceeded the established legal limit. The weighted average term of payment amounts to 170 days.

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

On November 10th 2011, the parent 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 parent Company bound for placement among U.S. investors. Each ADR representing 5 shares of the parent Company .This transaction did not increase in capital or increase funding for the parent Company to be made with shares already issued.

Signed Interim Consolidated Financial Statements



These Consolidated Interim Accounts are signed by the members of the Board of Directors, at the time of the Board of Directors meeting held in Madrid on August, 29th 2013.



ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES CONSOLIDATED MANAGEMENT REPORT CORRESPONDING TO THE FIRST SEMESTER OF 2013

Business Performance and Company Situation

During the first semester of 2013 the Group sales sum up to EUR 4,100,592. 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.

The part regarding contents has increased by a 19% compared to the previous year. This progress is the consequence of both selling the different contents of the Group to television (channels) at international level, and signing certain distribution agreements of the contents for different platforms of video on demand and the like, which are steadily growing in the market.

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 10% of the turnover comes from the Spanish market, while 90% 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 consequence, the amount of the "staff expenses" in this first semester has been 41% lower compared to the previous period. However, "Other operating expenses" have had a greater weight than expected. Under this heading are collected the fees of advisers, consultants and, mainly, trade commissions. In the case of the investee Cake Entertainment, Ltd, the amount of the commercial commissions has been higher than expected.

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 statement of financial position shows a negative Working Capital of the Group, mainly due to the current difficulties in financing the needs of working capital, which results in the impairment of the payment terms, 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:

- f) Income increase due to the international expansion of the trademark, thus diversifying the generation of cash flow from different countries.
- g) Improvement in the exploitation of the digital licenses, online contents and associated publicity, in order to increase the payment resulted in this activity. This type of licences has a period of payment much more reduced than payments under traditional licences.
- h) 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 Consolidated Interim Financial Statements

Between the date at these interims consolidated 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 Group activities.

For the years 2013 and the following ones, a substantial increase in the turnover of the Group is still expected, based on Pocoyo entry into new markets and the developing of new audiovisual contents and brands.

With regard to new projects, the Group is still working in their development and in achieving commercial and financial agreements that shall allow to enter in 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 consolidated intermezzo income statement of 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, during the first semester of the year the Group has not acquired treasury shares in compliance with the contract de liquidity signed with Banesto Bolsa, S.V.B., S.A., who is acting as liquidity agent for Zinkia after our incorporation to the Mercado Alternativo Bursátil. During these six months of the year 347,554 treasury shares were acquired according to the will of the parent company.

On June, 30th 2013 the parent company holds 629,057 shares, with a face value of EUR 808,028, representing a 2.57% of capital share.