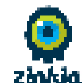

ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS, FOR THE SIX-MONTHS PERIOD ENDED JUNE 30th, 2012

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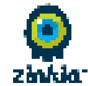


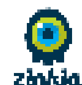
ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE, 30th 2012 (In EUR)

Euro

ASSETS	Note	06/30/2012	12/31/2011
Intangible assets	7	9,734,026	9,849,888
Goodwill	7, 1	866,929	866,929
Other intangible assets	7, 2	8,867,097	8,982,959
Property, plant and equipment	8	118,628	136,497
Non-current financial liabilities	9	32,133	32,270
Deferred tax assets	16	3,813,393	4,589,657
Non-current trade and other receivables	10	4,524,473	411,644
NON-CURRENT ASSETS		**18,222,652**	**15,019,956**
Trade and other receivables	10	3,279,255	3,246,535
Corporate income tax assets		2,774	6,363
Other tax receivables	16	50,539	54,802
Current financial assets	9, 18	577,740	651,090
Cash and cash equivalents	11	587,492	489,590
Other current assets	16	63,128	31,010
CURRENT ASSETS	16	**4,560,929**	**4,479,390**
CURRENT ASSETS		**22,783,581**	**19,499,346**

EQUITY AND LIABILITIES	Note	06/30/2012	12/31/2011
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	890,214	1,126,380
Treasury shares	12	(403,841)	(950,560)
Translation differences	12	752	(1,255)
Retained earnings	12	(3,357,604)	(3,357,604)
Profit attributable to the equity holders of the parent		**2,127,130**	**(84,476)**
TOTAL EQUITY OF THE PARENT		**11,273,241**	**8,749,074**
Profit attributable to minority interest		(86,476)	107,733
Minority interest	12	230,303	121,863
EQUITY		**11,417,068**	**8,978,670**
Deferred income	13	105,542	105,542
Non-current financial liabilities	14	5,397,993	4,867,597
Deferred tax liabilities	16	51,200	51,200
NON-CURRENT LIABILITIES		**5,554,734**	**5,024,338**
Current financial liabilities	14	2,216,889	2,320,310
Current trade and other payable	17	2,518,960	2,450,935
Corporate income tax payable	16	85,051	82,149
Other tax payable	16	990,879	642,944
CURRENT LIABILITIES		**5,811,779**	**5,496,338**
TOTAL EQUITY AND LIABILITIES		**22,783,581**	**19,499,346**



ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM INCOME STATEMENT AT JUNE, 30th 2012 (In EUR)

Euro	Note	06/30/12	06/30/2011
Revenue from operations	19	8,565,509	2,018,860
Other operating income	19	639,719	4,662,537
Total Revenue		**9,205,228**	**6,681,397**
Cost of goods sold	19	(295,523)	(385,508)
Cost of employees	19	(2,267,530)	(1,703,264)
Other operating expenses	19	(2,528,976)	(3,054,142)
Amortizations and depreciations	19	(804,407)	(826,586)
Total expenses		(5,896,436)	(5,969,501)
Operating income		**3,308,792**	**711,896**
Net financial expense	19	(448,390)	(409,665)
Impairment and gain/losses on sales of assets	7, 8	1,945	419,928
Profit before tax		**2,862,348**	**722,159**
Corporate income tax	16	(821,694)	(217,337)
Profit for the period		**2,040,654**	**504,823**
Profit attributable to minority interest		(86,476)	3,954
Profit attributable to the equity holders of the parent		**2,127,130**	**500,869**
Basic and diluted earnings per share	24	0.0870	0.0210

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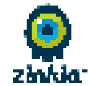
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME AT JUNE, 30th 2012 (In EUR)

Euro	06/30/2012		06/30/11	
	Equity holders of the parent	Minority interest	Equity holders of the parent	Minority interest
Profit (loss) for the period	2,127,130	(86,476)	500,869	3,954
Income and expenses recognized directly in equity	5,999	-	2,163	-
Reclassification included in the income statement		-	17,297	-
Income tax impact	-	-	-	-
TOTAL COMPREHENSIVE INCOME RECOGNIZED	**2,133,129**	**(86,476)**	**520,329**	**3,954**



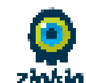
B) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT JUNE, 30th 2012 (in EUR)

Euro

	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, 12.31.2011	2,445,677	9,570,913	1,151,523	(19,144)	(1,255)	(950,560)	(3,357,604)	(84,476)	(5,999)	8,749,074	229,595	8,978,669
total comprehensive income recognized								2,127,130	5,999	2,133,129	(86,476)	2,046,653
Transactions with shareholders	-	-	(157,170)	-		546,719	-	-	-	389,549		389,549
Capital increases												-
Trading in treasury shares			(157,170)			546,719				389,549		389,549
Other movements in equity				(84,995)	2,007			84,476		1,489	706	2,195
FINANCIAL POSITION AT DECEMBER 06.30.2012	2,445,677	9,570,913	994,353	(104,139)	752	(403,841)	(3,357,604)	2,127,130	-	11,273,241	143,826	11,417,068

Euro

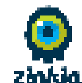
	ISSUED CAPITAL	SHARE PREMIUM	RESERVES-PARENT	RESERVES-SUBSIDIARIES	TRANSLATION DIFFERENCES	TREASURY SHARES	RETAINED EARNINGS	PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	UNREALISED ASSETS AND LIABILITIES REVALUATION RESERVE	TOTAL EQUITY OF THE PARENT	MINORITY INTEREST	TOTAL
FINANCIAL POSITION AT DECEMBER, 12.31.2010	2,445,677	9,570,913	1,175,649	3,917	(477)	(347,303)	(1,091,225)	(2,266,379)	(33,784)	9,456,988	-	9,456,988
total comprehensive income recognized								500,869	19,460	520,329	3,954	524,283
Transactions with shareholders	-	-	(18,154)	-		(600,420)	-	-	-	(618,574)		(618,574)
Capital increases												-
Trading in treasury shares			(18,154)			(600,420)				(618,574)		(618,574)
Other movements in equity				25,373	(108)		(2,298,387)	2,266,379		(6,743)	143,562	136,819
FINANCIAL POSITION AT DECEMBER 30.06.2011	2,445,677	9,570,913	1,157,495	29,291	(585)	(947,723)	(3,389,612)	500,869	(14,325)	9,352,000	147,516	9,499,515



ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM CASH FLOW STATEMENT AT JUNE, 30th 2012 (In EUR)

	06/30/2012	30/06/2011
A) CASH FLOWS FROM FROM OPERATING ACTIVITIES		
1. Profit before tax	**2,862,348**	**722,159**
2. Non cash adjustments for	**1,250,852**	**(2,983,681)**
a) Depreciation and amortisation charge	804,407	826,586
b) Non-current assets provisions	-	(418,032)
c) Results in non-current assets operations	(2,145)	(1,896)
d) Financial income	(10,022)	(12,886)
e) Financial costs	441,294	379,707
f) Exchange differences	17,117	42,844
g) Other income and costs	200	(3,800,004)
3. Changes in working capital	**(3,761,085)**	**883,318**
a) Trade and other receivables	(28,457)	(186,388)
b) Other current assets	(32,119)	14,214
c) Trade and other payables	412,320	1,046,137
d) Other non-current assets and liabilities	(4,112,829)	9,355
4.- Other cash flows from operating activities	**(262,732)**	**3,010,527**
a) Interest paid	(162,236)	(379,707)
b) Dividends received	-	141
c) Corpore Income Tax Payments/Refund	(105,697)	(38,415)
d) Interest received	5,400	
e) Others	(200)	3,428,508
5.- Net cash flows from operating activities (1+2+3+4)	**89,382**	**1,632,324**
B) CASH FLOW FROM INVESTING ACTIVITIES		
6- Investments payments (-)	**826,441**	**5,046,285**
a) Investments in associates		50,000
b) Investments in companies,net of cash and equivalents acquired	-	326,233
c) Investments in intangible assets	659,974	866,245
d) Investments in property, plant and equipment	9,648	60,263
e) Investments in other financial assets	156,819	3,743,545
7. Investments proceeds (+)	**234,919**	**3,340,625**
a) Proceeds on financial investments in associates	27,107	-
b) Proceeds on other financial invesments	207,812	3,340,625
8. Net cash flows from investing activities (7-6)	**(591,522)**	**(1,705,660)**
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Equity	**389,549**	**(618,574)**
a) Treasury shares acquisition	(39,369)	(779,793)
b) Proceeds from disposals of treasury shares	428,918	161,219
10. Finance liabilities	**222,004**	**1,793,078**
a) Issue	1,378,229	2,889,473
1. Proceeds from issue of debentures and bonds	-	82,297
2. Proceeds from loans and borrowings	973,216	-
3. Proceeds from other liabilities	405,013	2,807,176
b) Repayments	1,156,225	1,096,395
1. Repayments of loans and borrowings	994,916	850,490
2. Repayments of other liabilities	161,309	245,905
11. Dividends payments	**-**	**-**
a) Dividends	-	-
12. Net cash flows from financing activities (9+10+11)	**611,553**	**1,174,504**
D) EFFECT ON EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(11,511)	(42,844)
E) NET INCREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)	**97,902**	**1,058,324**
Cash and cash equivalents at January, 1st	489,590	409,567
Cash and cash equivalents at June, 30th	587,492	1,467,891



ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE, 30th 2012 (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.

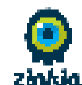
d) Managing and administering all kinds of companies including industrial, commercial and service companies and holding interests in existing or newly-created companies, either by participating in their governing bodies or by holding shares or financial interests in them. These activities may also be 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 Interim Financial Statements is as follows:

				06/30/2012				06/30/2011			
				% Interest held		Voting rights		% Interest held		Voting rights	
Name and address	Legal status	Activity	Auditor	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %
Sonocrew, S.L. Infantas 27, Madrid	Sociedad limitada	Music publisher	No	100.00%		100.00%		100.00%		100.00%	
Producciones y Licencias Plaza de España, S.A. de C.V. Av Presidente Massaryk 61, piso 2, México D.F.	Sociedad limitada de capital variable	Explotation and management of audiovisual rights	No	100.00%		100.00%		100.00%		100.00%	
Cake Entertainment, Ltd 76 Charlotte St, 5th Fl, London	Private limited company	Explotation and management of audiovisual rights	No	51.00%		51.00%		0.00%		0.00%	
Cake Distribution, Ltd 76 Charlotte St, 5th Fl, London	Private limited company	Explotation and management of audiovisual rights	No	0.00%	51.00%	0.00%	51.00%	0.00%	0.00%	0.00%	0.00%
HLT Productions Bv Van der Helstlaan 48. 1213 CE Hilversum. The Netherlands	Private limited company	Explotation and management of audiovisual rights	No	0.00%	51.00%	0.00%	51.00%	0.00%	0.00%	0.00%	0.00%

All subsidiaries have been consolidated using the full consolidation method.

The scope of consolidation underwent the following change during the first semesters of 2012 and 2011 :

- A 51% stake in the company Cake Entertainment, Ltd. was acquired on June, 2nd 2011.

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 six-months period ended June, 30 th 2012 were formulated:

- By the directors of the parent company, Zinkia Entertainment, S.A., at Board of Directors' meeting held on August, 30th 2012.
- Pursuant to the terms of International Accounting Standard no. 27 on financial reporting 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 2012 and the results of its operations and the changes in the Group's consolidated equity during the period ended on the said date.
- Based on the accounting records of the parent company and the Group's subsidiaries.
- The Consolidated Interim 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 policies applied

The Group's Consolidated Interim Financial Statements at June, 30th 2012 were prepared in accordance with International Financial Reporting Standards.
In order to reconcile the value of net equity and consolidated interim 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 Interim Financial Statements is the responsibility of the directors of the parent company.

The directors of the parent company and consolidated companies have used certain estimates and hypotheses to prepare these Consolidated Interim 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 changes, 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 34, 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 Interim 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. In this sense, are restated figures for the same period last year in accordance with IAS 8, specially is restated consolidated interim income statement, and note 19, reclassifying the amount of EUR 180,466 under the heading of " Raw material and consumables" to " Other operating expenses" . This modification occurs in order to make comparable the figures, so as to maintain the homogeneity of the principles and accounting procedures applied in the Group.

- 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 consolidated interim 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 period-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 Consolidated Interim Accounts, while the items of the Consolidated Interim Income Statement are converted at the average exchange rate for the period. All resulting exchange differences are recognised as a separate component of equity.

f) The going concern principle- Negative Working Capital

The consolidated interim statement of financial position shows a negative Working Capital of EUR 1,250,850 at June, 30th 2012, caused mainly by the attention and maturity of the debt of the Group and its investments.

The Group consider these circumstances as transitory and foresee, according with provided for in the Business Plan announced to the market.

In order to solve the shortage of financial resources that may be revealed during the current year, the Group has implemented the necessary measures, such as the Labour Force Adjustment Plan that has been done and affected 33% of the staff, the renegotiation with suppliers and creditors, matching spending levels of the expected revenue, the renegotiation of the terms of the bank borrowings, etc.

The parent Company's directors believe that these actions, already completed, and all those that are taking place and will be completed in the coming months, will lead to the necessary financial resources to meet all the commitments of the Group.

g) Changes in accounting policies

During this period, the Group has decided to reclassify the amount recorded under "other taxes" corresponding to the tax deducted at source from income earned abroad, to the epigraph "income tax" for considering such retentions as corporate income tax.
Are restated, in this sense, the Consolidated Interim Profit and Loss Account for period January-June 2011, and the note 19, being the expenses incurred by this concept in that period of euro 38,415 and in the first semester of 2012 euro 45,430.

3. Accounting principles and policies and measurement criteria applied

The following accounting principles and measurement criteria were used to formulate these Consolidated Interim Financial Statements of Zinkia Entertainment Group for the period ended at June, 30th 2012 pursuant to the terms of the International Financial Reporting Standards adopted by the European Union and in force at June, 30th 2012 :

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 cost and/or cost of production and are later stated at cost less accumulated depreciation and/or any losses due to 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 unamortized 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 them 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 Interim 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 interim 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 - 8
Other equipment	8
Furnishings	10
Data-processing equipment	4 - 5
Other PPE	10

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each consolidated interim 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.

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 interim 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 interim 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 consolidate interim income statement. Impairment losses on goodwill are non-reversible.

3.6 Leases

a) When the Group is lessee – Finance leases

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

b) When the Company is the lessor – 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 interim 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 interim 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 interim income statement.

- 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 interim 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 interim 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 asst 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 consolidated interim 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 consolidated interim 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 interim 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 interim 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 interim income statement.

3.8 Inventories

The heading of the consolidated interim 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 interim 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 is 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 consolidated interim financial statements.

3.12 Labour obligations

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

3.13 Deferred income

The heading of the consolidated interim statement of financial position covers grants received by the Group.

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.

The Group recognises revenues when the amount can be reliably measured, future economic benefits are likely to flow to the entity and the specific conditions for each of the 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 customer type, transaction type and specific terms.

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 consolidate interim income statement.

The accounts receivable or payable of the consolidated companies which are denominated in a currency other than the functional currency of the 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 interim income statement.

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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 carryforwards and tax deducted generated but not yet applied.

Deferred tax liabilities are recognised for all temporary tax differences unless they arose out of the initital 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 carryforwards 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.

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 Consolidated Interim 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 notionals 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 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

The changes under this heading on the consolidated interim statement of financial position during the first semester of 2012 are as follows:

Euro	**06/30/2012**	**12/31/2011**
Companies		
Cake Entertainment Ltd	866,929	-
Total	**866,929**	**-**

As indicated in note 1 of these Consolidated Interim Financial Statements, the changes in goodwill were as follows:

- A 51% stake in the company Cake Entertainment, Ltd. was acquired on June, 2nd 2011.

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 2012 and 2011:

Euro	Balance at 12/31/11	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Balance at 06/30/12
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	16,081	-	21,692	-	-	37,773
Total	**17,372,167**	**-**	**659,974**	**-**	**-**	**18,032,141**
Accumulated Amortisation						
Research and development	(246,985)	-	-	-	-	(246,985)
Intellectual property	(7,708,322)	-	(760,056)	-	-	(8,468,378)
Computer software	(433,900)	-	(15,781)	-	-	(449,681)
Total	**(8,389,207)**	**-**	**(775,837)**	**-**	**-**	**(9,165,044)**
Impairment	-	-	-	-	-	-
Total	**8,982,959**	**-**	**(115,863)**	**-**	**-**	**8,867,097**

Euro	Balance at 12/31/10	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Balance at 06/30/11
Cost						
Research and development	5,134,781	-	861,387	-	-	5,996,168
Intellectual property	10,090,877	-	-	-	-	10,090,877
Computer software	509,416	-	4,858	-	-	514,274
Intangible assets advances	-	-	-	-	-	-
Total	**15,735,074**	**-**	**866,245**	**-**	**-**	**16,601,318**
Accumulated Amortisation						
Research and development	(246,985)	-	-	-	-	(246,985)
Intellectual property	(6,009,231)	-	(786,706)	-	-	(6,795,937)
Computer software	(395,975)	-	(21,942)	-	-	(417,917)
Total	**(6,652,191)**	**-**	**(808,648)**	**-**	**-**	**(7,460,839)**
Impairment	(418,032)	-	418,032	-	-	-
Total	**8,664,851**	**-**	**475,629**	**-**	**-**	**9,140,479**

The additions during the first semester of 2012 refer primarily to work done on fixed assets (Note 3.1.a).

In 2011, the Group reversed a recognised loss due to the impairment of its intangible fixed assets, specifically the *Shuriken School* project which is included under the heading of "Intellectual Property". The recognition of this reversal is based on the improved revenue forecasts associated with the project in the coming years.

Fully-amortised intangible assets

At June, 30th 2012, the Group had fully depreciated assets valued at EUR 2,674,704 still in use. These intangible assets correspond to software and audiovisual projects.

At June, 30th 2011, the Group had fully depreciated intangible assets valued at 851,359 still in use.

Assets subject to guarantees and ownership restrictions

At June, 30th 2012 no property, plant and equipment were subject to ownership restrictions or had been pledged to secure liabilities. The same was true at the same period of previous year.

Grants received in relation to intangible assets

During the first semester of 2012 , the Group did not receive any operating grants for the development of intangible assets.

The Group has received capital grants for the acquisition of computer software (Note 13) that amounts to EUR 23,963.

8. Property, plant and equipment

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

Euro	**Balance at 12/31/11**	**Changes in scope of consolidation**	**Additions**	**Disposals or reductions**	**Transfers**	**Balance at 06/30/12**
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	**433,183**	**-**	**9,648**	**-**	**-**	**442,831**
Accumulated Amortisation						
Machinery	(31,285)	-	(60)	-	-	(31,345)
Other equipment	(25,921)	-	(2,107)	-	-	(28,028)
Furnishings	(119,950)	-	(14,008)	-	-	(133,958)
Data-processing equipment	(109,283)	-	(9,924)	-	-	(119,207)
Other PPE	(10,247)	-	(1,418)	-	-	(11,665)
Total	**(296,686)**	**-**	**(27,517)**	**-**	**-**	**(324,203)**
Impairment	-	-	-	-	-	-
Total	**136,497**	**-**	**(17,869)**	**-**	**-**	**118,628**

Euro	**Balance at 12/31/10**	**Changes in scope of consolidation**	**Additions**	**Disposals or reductions**	**Transfers**	**Balance at 06/30/11**
Cost						
Machinery	31,689	-	-	-	-	31,689
Other equipment	34,517	-	978	-	-	35,495
Furnishings	65,399	101,231	3,110	-	-	169,740
Data-processing equipment	139,115	-	10,068	-	-	149,183
Other PPE	26,672	-	-	-	-	26,672
Total	**297,392**	**101,231**	**14,156**	**-**	**-**	**412,779**
Accumulated Amortisation						
Machinery	(31,167)	-	(58)	-	-	(31,225)
Other equipment	(22,359)	-	(1,569)	-	-	(23,928)
Furnishings	(39,430)	(55,039)	(3,185)	-	-	(97,654)
Data-processing equipment	(89,235)	-	(9,982)	-	-	(99,218)
Other PPE	(7,506)	-	(1,332)	-	-	(8,838)
Total	**(189,697)**	**(55,039)**	**(16,126)**	**-**	**-**	**(260,862)**
Impairment	-	-	-	-	-	-
Total	**107,695**	**46,192**	**(1,971)**	**-**	**-**	**151,916**

Impairment losses

During the first semester of the 2012 , the company did not recognise any losses due to the impairment of its property, plant and equipment. Nor were recorded in the same period last year.(Note 3.5)

Fully-depreciated assets

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

At June, 30th 2011, the Group had fully depreciated tangible assets valued at EUR 128,296 still in use.

Property, plant and equipment subject to guarantees

At June, 30th 2012, no property, plant and equipment were subject to ownership restrictions or had been pledged to secure liabilities. The same was true at June, 30th 2011.

Commitments to purchase tangible fixed assets

At June, 30th 2012, the Group had assumed no commitments to acquire tangible fixed assets. The same was true at June, 30th 2011.

Assets under operating leases

The consolidate interim income statement includes, mainly, operating leases on the rental offices of the Group and computer rentals, all of which total EUR 225,904. The amount of such expenses for the first half of 2011 was EUR 147.427. During the first semester of 2012, the Group has not non-cancellable operating leases. The same was true at June, 30th 2011.

Grants received in relation to property, plant and equipment

During the first semester of 2012, The Group did not receive any capital grants for the acquisition of data-processing equipment.

The Group has received in 2011 , capital grants for the acquisition of data-processing equipment (Note 13) that amounts to EUR 26,686.

9. Financial assets

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

Euro	06/30/2012	12/31/2011	06/30/2011	12/31/2010
Non-current financial investments				
Equity instruments	28,183	32,270	32,270	32,270
Other financial assets	3,950	-	52,500	52,500
Total	**32,133**	**32,270**	**84,770**	**84,770**
Current financial investments				
Loans to Group's companies	417,830	440,325	434,592	380,876
Equity instruments	188	192	195	198
Bonds and securities	-	17,000	-	-
Other financial assets	159,722	193,573	582,154	179,403
Total	**577,740**	**651,090**	**1,016,941**	**560,477**

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

Other non-current assets refer to long-term deposits and bonds set up by the parent company.

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, 2012 the parent Company has two deposits of restricted availability related to the issuance of bonds and a loan from a financial institution. The amounts are euro 109,938 and euro 14,567 respectively.

The caption 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.

Changes during the year in the fair value of assets measured at fair value with changes in the consolidated interim income statement are recorded in the net financial expense.

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

10. Trade and other accounts receivable

The detail of this caption on the Consolidated Interim Statement of financial position at June, 30th 2012 and December, 31st 2011 is as follows:

Euro	06/30/2012	12/31/2011
Trade receivables	3,259,527	3,220,057
Accounts receivables	198,690	203,894
Others	(1,546)	-
Bad debt provision	(177,416)	(177,416)
Total	**3,279,255**	**3,246,535**

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

	30/06/2012	31/12/2011
Euro	1,939,204	1,998,471
US dollar	1,060,106	853,693
Pound sterling	30,022	61,749
Australian dollar	128	1,299
Canadian dollar	15,266	93,625
Swiss franc	99	28
New Zealander dollar	17	2
Norwgian krone	40	6
Mexican peso	2,855	454
Yen	65	27
Yuan	231,364	237,182
Danish krone	14	-
Hong Kong dollar	7	-
Swdish krone	18	-
Singapore dollar	44	-
Taiwan New dollar	6	-
Total	**3,279,255**	**3,246,535**

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 of the Consolidated Interim Statement of financial position include the customer balances with maturity dates more than 12 months away from the formulation date of the Consolidated Interim Financial Statements. At June, 30th 2012 the figure shown under this heading was EUR 4,524,473 compared to EUR 411,644 at December, 31st 2011.

As a result of the Labour Force Adjustment Plan carried out by the Parent Company, previously communicated through the corresponding Relevant Fact to the Market, there are trade receivables from international clients that guarantee the obligations assumed by the Parent Company up to the total amount agreed in the labour plan and for the present and futures revenues.

At June, 30th 2012, the Group has not considered necessary to provide any provision for bad debts. In case, all accounts receivable, due or not, which could be considered doubtful recoverability on those dates, would be provisioned. The allocation of the corresponding impairment provision would be made by a reasonable estimate of the loss that would be for each customer. The receivables that have suffered an impairment loss, would correspond mainly to balances with identified collection problems in an individually way.

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 as insurance.

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

11. Cash and other cash equivalents

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

Euro	06/30/2012	12/31/2011
Cash	585,438	488,764
Cash equivalent	2,054	826
Total	**587,492**	**489,590**

These reserves are freely available for distribution.

12. Equity

Share capital

At June, 30th 2012, 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 2012, the share capital was broken down as follows:

Shareholder	% Interest
Jomaca 98, S.L.	64.71%
Stock market	11.20%
Others	22.94%
Treasury shares	1.15%
Total	**100.00%**

The parent Company is governed by the terms of the Capital Companies Act which establishes a minimum capital of EUR 60,101.21 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:

Euro	**06/30/2012**	**12/31/2011**
Non-current financial liabilities	5,397,993	4,867,597
Current financial liabilities	2,216,889	2,320,310
Cash and cash equivalents	(587,492)	(489,590)
Net Debt	**7,027,390**	**6,698,317**
Equity of the parent	11,379,473	8,796,564
Equity of the parent	**11,379,473**	**8,796,564**
Leverage	**61.75%**	**76.15%**

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

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

The legal reserve at June, 30th 2012 and December 31st 2011 totalled EUR 237,262.

Other reserves

These include the reserves of the parent Company which stood at EUR 757,091 and EUR 914,261 at June, 30th 2012 and December 31st 2011 respectively, and those of the subsidiaries which totalled EUR (104,139) and EUR (19,144) on the same dates.

Treasury shares

During first semester of 2012, the Parent Group 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 Consolidated Interim Statement of financial position during the first semester of 2012 are as follows:

Euro	Number of shares	Euros
Balance at January, 1st 2012	579,367	950,560
Additions	36,122	39,369
Disposals	(333,986)	(586,088)
Balance at June, 30th 2012	**281,503**	**403,841**

The changes during 2011 were as follows:

Euro	Number of shares	Euros
Balance at January,1st 2011	206,314	347,303
Additions	511,605	834,661
Disposals	(138,552)	(231,404)
Balance at December, 31st 2011	**579,367**	**950,560**

The treasury stock in the Company's possession at June, 30th represented approximately 1.15% (2.37% at December, 31st 2011) of the share capital with a nominal value of EUR 28,150 (EUR 57,937 at December, 31st 2011) 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 2011 was EUR 1.75 per share (EUR 1.67 per share at December, 31st 2011).

Dividends

The Group did not pay any dividends during the first semester of 2012 nor does it intend to do so. The same is true for 2011.

Minority interests

At June, 30th 2012, 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 Consolidated Interim Statement of financial position includes the capital grants received by the Group not yet charged to income.

The details are as follows:

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

Grants are recognized in the previous 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%.(See note 16)

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

14. Financial liabilities

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

Euro	06/30/2012		12/31/2011	
	Current	Non-current	Current	Non-current
Debentures and bonds	138,347	1,877,079	29,840	1,771,536
Bank loans	1,318,272	871,412	1,327,481	543,593
Credit facilities	227,995	-	548,486	-
Credit card	2,724	-	-	-
Derivative	-	-	-	5,999
Participating loans	376,130	-	376,371	-
Other borrowings	153,422	2,649,501	38,131	2,546,469
Total	**2,216,889**	**5,397,993**	**2,320,310**	**4,867,597**

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.

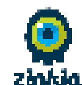
The conditions of the issue are as follows:

Number of securities	2,238
Unit par value	1,000
Issue price	100%
Annual interest rate payable annually	9.75%
Amortisation of securities	12.11.13
Amortisation system	Par

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

Euro Maturity	06/30/2012	12/31/2011
2012	1,402,383	2,320,310
2013	2,884,326	2,331,109
2014	2,765,743	-
2015	151,888	2,536,488
2016 and thereafter	410,542	-
Total	**7,614,882**	**7,187,906**

During 2011, the parent company took out a loan in the amount of EUR 2,500,000 which matures in 2014, as reported in the Relevant Event sent to the CNMV and MAB.



At June, 30th 2012, Group companies had unused lines of credit totalling EUR 82,000. At the end of 2011, the unused lines of credit totalled EUR 190,949.

All of the Group's debt is denominated in EUR.

The average weighted rate of reference of the Group's financial liabilities at June, 30th 2012, was 7.56%. At the end of 2011, the rate was 7.41%.

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

Euro	06/30/2012		12/31/2011	
	Euros	**%**	**Euros**	**%**
Fixed rate	5,599,629	75%	5,538,850	77%
Variable rate	1,862,445	25%	1,649,056	23%
Total	**7,462,074**	**100%**	**7,187,906**	**100%**

At June 30th, 2012, the Group has loan payments overdue. As of preparation of these Interim Financial Statements, the Group is under negotiation and signature of new loan conditions to improve existing ones.

The difference resulting from the bond issue rate by the effective interest method compared to the nominal interest rate amounts to euro 105,543.

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.

The notional principal on outstanding interest rate swaps was EUR 200,000 at June, 30th 2012 and EUR 500,000 at December, 31st 2011.

At June, 30th 2012, fixed interest rate was 1.50%. The floating interest rate was 12M Euribor. Gains/ losses recognised in equity under "Reserves" for interest rate swaps at June, 30th 2012, 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 Interim Statement of financial position are as follows:

Euro	12/31/2011	Additions	Removed at 06/30/12	06/30/12
Tax credits for tax-loss carryforwards	1,732,102	-	776,264	955,838
Other tax credits	2,857,555	-	-	2,857,555
Deferred tax assets	**4,589,657**	-	**776,264**	**3,813,393**
Temporary differences-amortisation	18,627	-	-	18,627
Reversal temporary differences - amortisation	(2,607)	-	-	(2,607)
Temporary differences-deferred income	35,180			35,180
Deferred tax liabilities	**51,200**	-	-	**51,200**

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

Euro	06/30/2012	06/30/2011
Consolidated profit before taxes	**2,862,348**	**683,744**
Non-deductible expenses and non-computable income	200	-
Adjusted accounting profit	**2,862,548**	**683,744**
Corporate Income tax	45,430	38,415
Deferred tax	-	-
Application of tax credit to offset tax loss carryforwards	776,264	178,921
Income tax expense	**821,694**	**217,337**

The details of the debit and credit tax balances with tax authorities at June, 30th 2012, are as follows:

Euro	06/30/2012	12/31/2011
Deferred tax assets	-	-
Tax credits for tax-loss carryforwards	3,813,393	4,589,657
Corporate income tax assets	2,774	6,363
Other tax receivable	50,539	54,802
Tax receivables	**3,866,706**	**4,650,822**
Deferred tax liabilities	51,200	51,200
Corporate income tax payable	85,051	82,149
Other tax payable	990,879	642,944
Tax payables	**1,127,129**	**776,293**

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	06/30/2012	12/31/2011
Suppliers of services provided	2,286,177	2,321,829
Other	232,783	129,106
Total	**2,518,960**	**2,450,935**

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

Euro	30/06/2012	31/12/2011
Euro	1,644,463	1,842,630
US dollar	454,285	568,501
Pound sterling	419,711	39,804
Argentine peso	-	-
Brazilian real	-	-
Yuan	500	-
Mexican peso	-	-
Total	**2,518,960**	**2,450,935**

It is the opinion of the directors of the parent Company that the carrying value of these balances is close to the 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 Consolidated Financial Statements. The transactions between the parent Company and its subsidiaries are detailed in the respective individual financial statements.

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

Euro	06/30/2012		12/31/2011	
	Receivables	Payables	Receivables	Payables
Advances to creditors	-	52,320	-	-
Jomaca 98, S.L.				
Short-term loans received	-	60,000	-	-
Other related parties				
Short-term loans	417,830	-	440,325	-
Jomaca 98, S.L.	124,437	-	123,437	-
HLT, Bv	**542,267**	**112,320**	**563,762**	**-**
Total	**124,437**	-	**123,437**	-

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The related-party transactions during the first semester of 2012, were as follows:

Euro	06/30/2012		12/31/2011	
	Expenses	**Incomes**	**Expenses**	**Incomes**
Jomaca 98, S.L.	72,000	4,612	293,661	3,716
Other related parties	2,096	-	-	-
Total	**74,096**	**4,612**	**293,661**	**3,716**

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

19. Income and expense

Net sales

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

Euro	06/30/2012	06/30/2011
Trademark licences	8,017,952	1,438,557
Interactive contents	542,366	566,314
Other	5,191	13,989
Total	**8,565,509**	**2,018,860**

During the first semester of 2012, an agreement with a new client, has been signed. This agreement represents the 56% of the parent Company´s turnover.

Other operating revenues

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

Euro	06/30/2012	06/30/2011
Services rendered to staff	1,436	1,150
Other services	-	3,800,000
Own work capitalized	638,283	861,387
Release to Income Statement-deferred income	-	-
Totales	**639,719**	**4,662,537**

The amounts recognized in the item "own work capitalized" corresponds to the costs incurred in the production of 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".

The figure under this heading ,for same period at the previous year, are restated, reclassifying the amount of EUR 180,466 to “ Other operating expenses” . This modification occurs in order to make comparable the figures, so as to maintain the homogeneity of the principles and accounting policies applied in the Group.

Staff expenses

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

Euro	06/30/2012	06/30/2011
Wages and salaries	1,300,642	1,216,922
Compensations	179,510	61,088
Employer social security costs	362,546	320,824
Other expenses	69,376	104,430
Total	**1,912,074**	**1,703,264**

The breakdown by professional category and gender is as follows:

CATEGORY	06/30/2012		06/30/2011	
	Men	Women	Men	Women
5-YR DEGREE HOLDER	16.00	16.00	19.00	16.63
3-YR DEGREE HOLDER	3.00	1.00	4.00	-
SR. MANAGER	4.00	2.00	4.00	3.00
MANAGER 1	-	-	1.00	0.83
MANAGER 2	1.00	-	1.00	-
OFFICIAL 1	9.00	1.00	11.00	1.76
OFFICIAL 2	1.00	-	3.00	2.00
ASSISTANT	-	2.00	-	1.73
PROGRAMMER	1.00	-	2.00	-
OPERATOR	3.00	1.00	4.00	-
OFFICIAL 1	-	-	0.50	1.00
Total	**38.00**	**23.00**	**49.50**	**26.95**

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:

Euro	06/30/2012	06/30/2011
Operating leases	225,904	147,427
Independent professional services	1,558,417	1,511,313
Other expenses	744,655	612,324
Impairment losses on commercial transactions		1,001,960
Total	**2,528,976**	**3,273,024**

Under this heading the figure for same period at the previous year, are restated, reclassifying the amount of EUR 180,466 from "Raw materials and consumables " to " Other operating expenses" . This modification occurs in order to make comparable the figures, so as to maintain the homogeneity of the principles and accounting policies applied in the Group.

Depreciation and provisions

The composition of this caption is as follows:

Euro	06/30/2012	06/30/2011
Intangible asset depreciation charge	775,837	810,460
Property, plant and equipment depreciation charge	28,570	16,126
Grants related to assets transferred to income for the year	-	-
Total	**804,407**	**826,586**

Financial income and expense

Euro	06/30/2012	06/30/2011
Finance income due to credits to related parties	4,612	3,716
Other	5,410	9,169
Finance Income	**10,022**	**12,886**
Finance expense due to loans from related parties	2,096	-
Finance and similar costs	439,199	379,707
Exchange profit/losses	17,117	42,844
Finance Cost	**458,412**	**422,551**
Net financial expense	**(448,390)**	**(409,665)**

20. Based payment transactions 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 Alternativo Bursatil–MAB) which reported on the Long-term Variable Compensation Plan according to resolution of the Board of Directors.

This plan provides delivery of shares to senior management and members of the Board of Directors. The characteristics and conditions are as follow:

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

-The plan will last 5 years having the beneficiaries 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 2012, 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 guarantees

During first semester of 2012, the Group had no identified contingent liabilities.

The parent Company has two guarantees in the amount of EUR 200,000 and EUR 2,000,000 to guarantee loans in the same amounts.

22. Director and senior management compensation

Remuneration of the members of the Board of Directors

During the first semester of 2012, the members of the Board of Directors received no remuneration for sitting on the Board.

During the first semester of 2012 as in 2011, no contributions were made to pension plans or funds for former or current members of the parent Company's Board of Directors. No such obligations were incurred during the first semester of 2012.

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

During the first semester of 2012, the remuneration accrued by Group's senior management staff total of EUR 486,155, while in the same period from previous year that remuneration accrued by senior management staff was total of EUR 649,007. The number of people considered as top management has changed in this period.

During the first semester of 2012, the remuneration accrued by parent Company's senior management staff total of EUR 325,533, while in the same period from previous year that remuneration accrued by senior management staff was total of EUR 647,316. The number of people considered as top management has changed in this period.

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

Article 42.3.h) of the Rules of the Board establishes that the Nomination and Remuneration Committee's functions include: 229 ter, paragraph 2 of the Spanish Capital Companies Act, as worded in Law 26/2003 (July, 18th), whereby the Stock Market Act and the Spanish Capital Companies Act were amended to increase transparency in listed companies, obliges Board directors to inform the company of any shareholdings in companies engaged in activities that are the same as or similar or complementary to the company's corporate purpose, any offices or duties performed in such companies, and any activities that are the same as or similar or complementary to the company's objects, carried out for their own account or for the account of third parties.

To this end it is noted that the positions held by the members of the Board of Directors on the governing bodies of other group companies are as follows: José María 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.

During the first semester of 2012, 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.

Euro	**06/30/2012**	**06/30/2011**
Profit Attributable to the equity holders of the parent	2,127,130	500,869
Average number of shares during the year	24,445,677	24,445,677
Average number of treasury shares held	(148,932)	(388,370)
Average number of shares outstanding	24,296,745	24,057,307
Basic earning per share (euros)	**0.09**	**0.02**

As at the date of these Consolidated Interim Financial Statements, there are no transactions in shares that may modify the calculation of earnings per share (Note 26).

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 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 accrued by Garrido Auditores, S.L. for auditing and other services for the parent company of the Group totalled EUR 8,000 during the first semester of 2012.

The parent Company also has the fees accrued in the amount of EUR 11,148 for Garrido Abogados y Asesores Fiscales, S.L.

26. Events after the Financial Statement date

Between July, 1st 2012 and the date of these Consolidated Interim Financial Statements, there were no events that could have a significant effect on them.

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 this law, at June, 30th 2012 the parent Company had a balance payable to suppliers in the amount of EUR 700,000 which had exceeded the legally-established payment deadline. During the first semester of 2012, the parent Company made payments to suppliers amounting to EUR 533,000, which 6% exceeded legal limit. The weighted average term of payment amounts to 82 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 Consolidated Financial Statements

These Consolidated Interim Financial Statements are signed by the members of the Board of Directors, at the time of the Board of Directors meeting held in Madrid on August, 30th 2012.

The signature of Miguel Valladares García, member of the Board of Directors, is not recorded herein due to his absence of Madrid at the time and place of signature of the present declaration of responsibility.

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ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES
CONSOLIDATED DIRECTORS' REPORT FOR THE FIRST HALF OF 2012

Business Performance and Company Situation

The Group reported turnover of EUR 8,565,509 in the first six months of the year compared to EUR 2,018,860 for the same period last year, which represents a 324% increase. This turnover improvement comes primarily from the territories in which our properties and projects have started to be commercially exploited, once the commercial management of Pocoyo in these territories was recovered from ITV in April 2011. Another factor to consider is the consolidation of the company Cake Entertainment Ltd. for the first half of the year, while it wasn't included in the scope of consolidation during those six full months in the same period last year.

The consolidated operating income went from EUR 711,896 to positive EUR 3,308,792 through June, 30th.

It must be stressed that the agreement reached by the parent company with ITV Global Entertainment Ltd. in April of last year, which brought the economic and commercial relations between the two companies to an end, making Zinkia the exclusive world-wide distributor of Pocoyó rights and licenses, has been an important milestone in terms of Pocoyó commercial operations. Now, Zinkia is able to implement world-wide strategies that will allow it to achieve the objectives set out in the Company's business plans. It will also allow us to diversify the income sources geographically, which will in turn enable us to be less dependent on certain geographical areas in the coming years.

The Group's operating costs in the first six months of 2012 were similar to those in the same period last year and they were in keeping with the income trends, so that both personnel costs and general expenses remained within the anticipated budget levels.

The Group's financial position is evenly balanced, with consolidated net financial debt of EUR 7,027,390 at June, 30th compared to equity of EUR 11,379,473, which is equal to leveraging of 62%.

The Group's working capital is negative due to the current access problems to the financing of working capital requirements that causes impairment of the average collection periods, treasury tensions, etc. For this reason the Parent company has taken every necessary step to reverse this situation, as have been made public by the Relevant Events sent to the market. These measures include, amongst others, the employment regulation plan that has affected 33% of the Parent company's staff. All the measures aim to adjust the size and level of costs in order to remove the tensions that we are encountering

Related- party transactions

Related party transactions during the first six months of 2012 did not have a significant effect on the Group's results or financial situation.

Events after the date of these Consolidated Interim Financial Statements

There were no events worthy of note between the end of the six-month period in question and the date of these Consolidated Interim Financial Statements which would have a significant effect on them.

Outlook for the Company

While it is still largely uncertain which way the world economy is going, in 2012 and thereafter we expect a considerable increase in the Group's business due to the synergies created with the addition of Cake and the territorial expansions planned for the Group's projects.

The Group will continue working on its developments and commercial agreements to bring those developments into production, always from the perspective of rigorous cost control, increased efficiency and financial balance that facilitates the achievement of the Group's profitability objectives.

Research & Development.

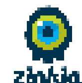
The Group is constantly involved in technological research, development and innovation activities in order to optimise our productive processes and acquire the technical skills that will allow us to maintain our position as a leader in our sector.

Financial Risk Hedging

The Group hedges its interest rate risks in order to reduce the impact of interest fluctuations on the consolidated income statement.

Acquisition of treasury shares

Pursuant to the terms of article 262 of the Revised Text of the Capital Companies Act and considering the contents of Title IV, Chapter VI of the law, in the first half of the year the parent Company acquired 36,122 shares of treasury stock under a liquidity contract signed with Banesto Bolsa, S.V.B., S.A., which acts as the liquidity agent for Zinkia following our inclusion in the Mercado Alternativo Bursátil to fulfil the commitments acquired in the EUR 2.5 million financing operation signed in February of last year. Also during the first half of the year, the Company disposed of 333,986 treasury shares, incurring losses of EUR 157,170 on these transactions which were carried as a reduction in equity on the consolidated interim statement of financial position. At June, 30th the Company possessed 281,503 shares with a par value of EUR 28,150, which accounted for 1,15% of share capital.



DECLARATION OF RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The members of the Board of Directors of ZINKIA ENTERTAINMENT, S.A. listed below declare that, to the best of their knowledge, the interim financial information for the Zinkia Entertainment Group, which includes the Consolidated Interim Financial Statements of ZINKIA ENTERTAINMENT, S.A. and subsidiaries as at the end of the first half of 2012, formulated by the Board of Directors at the meeting held on August, 30th 2012 and prepared according to the applicable accounting principles, offer a true image of the equity, financial situation and results of ZINKIA ENTERTAINMENT Group and that the consolidated Directors' Report includes an accurate analysis of the Group's business results and position, along with a description of the principal risks and uncertainties faced by the Group.

Madrid, August 30th 2012

Mr. José María Castillejo Oriol	Mr. Alejandro Francisco Ballestero de Diego
Mr. Alberto Delgado Gavela	Mr. Juan José Güemes Barrios
Mr. Miguel Valladares García	JOMACA 98, S.L. represented by Mr. Íñigo Mencos Valdés

- The signature of Miguel Valladares García, member of the Board of Directors, is not recorded herein due to his absence of Madrid at the time and place of signature of the present declaration of responsibility.
- It is hereby declared that the acceptance of Axón Capital e Inversiones S.G.E.C.R., S.A. appointment as member of Zinkia Entertainment S.A. Board of Directors, which was approved by the Ordinary General Shareholders Meeting held on the 22nd of June 2012, remains pending.

Mss Lorea Fátima García Jáuregui