ZINKIA ENTERTAINMENT, S.A.

INTERIM FINANCIAL STATEMENTS AT JUNE, 30th 2012

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ZINKIA ENTERTAINMENT, S.A.
BALANCE SHEET AT JUNE 30th 2012 AND DECEMBER 31st 2011 (In EUR)

ASSETS	Note	06/30/2012	12/31/2011
A) NON-CURRENT ASSETS		**18,330,625**	**15,119,673**
I. Intangible fixed assets	**5**	**8,867,097**	**8,982,959**
3. Patents, licenses, trademarks and similar		3,357,473	4,117,529
5. Computer software		64,593	80,374
6. Other intangible assets			
Research		5,407,258	4,768,975
Advance for intangible assets		37,773	16,082
II. Property, plant and equipment	**6**	**89,832**	**100,176**
2. Plant and other PPE		89,832	100,176
IV. Non-current investments in group companies and associates	**7, 8**	**1,003,697**	**1,002,966**
1. Equity instruments		1,003,697	1,002,966
V. Non-current financial investments	**7, 11**	**32,133**	**32,270**
1. Equity instruments		28,183	32,270
4. Derivatives		3,950	-
VI. Tax credits	**21**	**3,813,393**	**4,589,657**
VII. Non-current trade receivables	**7, 11**	**4,524,473**	**411,644**
1. From clients		4,524,473	411,644
B) CURRENT ASSETS		**3,203,528**	**2,288,773**
III. Trade and other accounts receivable	**7, 11**	**2,557,940**	**1,580,505**
1. From clients		2,520,702	1,538,096
2. Clients, group companies and associates		-	-
3. Sundry receivables		-	109
4. Staff		(1,546)	-
5. Current tax credits		729	2,852
6. Other tax credits		38,056	39,449
IV. Current investments in group companies and associates	**7, 11, 26**	**418,179**	**440,674**
2. Loans to companies		417,830	440,325
5. Other financial assets		349	349
V. Current financial investments	**7, 11**	**159,910**	**210,765**
1. Equity instruments		188	192
3. Debt securities		-	17,000
5. Other financial assets		159,722	193,574
VI. Prepaid expenses		**13,138**	**31,010**
VII. Cash and cash equivalents	**14**	**54,360**	**25,819**
1. Cash		52,307	24,993
2. Cash equivalents		2,054	826
TOTAL ASSETS		**21,534,153**	**17,408,446**

ZINKIA ENTERTAINMENT, S.A.
BALANCE SHEET AT JUNE 30th 2012 AND DECEMBER 31st 2011 (In EUR)

EQUITY AND LIABILITIES	Note	06/30/2012	12/31/2011
A) NET EQUITY		**11,379,473**	**8,796,564**
A-1) SHAREHOLDER'S EQUITY		**11,273,932**	**8,697,021**
I. Capital	**15**	**2,445,677**	**2,445,677**
1. Registered capital		2,445,677	2,445,677
II. Share premium	**15**	**9,570,913**	**9,570,913**
III. Reserves	**16**	**994,353**	**1,151,523**
1. Legal and statutory		237,262	237,262
2. Other reserves		757,091	914,261
IV. Treasury stock	**17**	**(403,841)**	**(950,560)**
V. Profit/(loss) carryforwards		**(3,520,531)**	**(3,389,612)**
2. Tax loss carryforwards		(3,520,531)	(3,389,612)
VII. Profit/(loss) for the year	**18**	**2,187,362**	**(130,919)**
A-2) ADJUSTMENTS DUE TO VALUE CHANGES	**12**	**-**	**(5,999)**
II. Hedgings transactions		-	**(5,999)**
A-3) GRANTS, DONATIONS AND BEQUESTS RECEIVED	**20**	**105,542**	**105,542**
B) NON-CURRENT LIABILITIES		**5,449,193**	**4,918,797**
II. Non-current payables	**7, 13**	**5,397,993**	**4,867,597**
1. Debentures and other marketable securities		1,877,079	1,771,536
2. Bank borrowings		871,413	543,593
4. Derivatives		-	5,999
5. Other financial liabilities		2,649,500	2,546,469
IV. Deferred tax liabilities	**21**	**51,200**	**51,200**
C) CURRENT LIABILITIES		**4,705,487**	**3,693,085**
III. Current payables	**7, 13**	**2,041,160**	**2,141,651**
1. Debentures and other marketable securities		138,347	29,840
2. Bank borrowings		1,320,996	1,651,174
5. Other financial liabilities		581,817	460,637
V. Trade an other payables	**7, 13**	**2,664,327**	**1,551,434**
3. Sundry payables		1,523,655	907,775
4. Wages and salaries pending of payment		134,500	32,996
6. Other tax payables		962,055	580,296
7. Advance from clients		44,117	30,367
TOTAL LIABILITIES AND EQUITY		**21,534,153**	**17,408,446**

ZINKIA ENTERTAINMENT, S.A.

INTERIM INCOME STATEMENT FOR THE PERIODS ENDING JUNE 30th 2012 AND JUNE 30th 2011 (in EUR)

	Note	06/30/2012	06/30/2011
1. Revenue	22.b	6,806,701	1,568,691
3. Own work capitalised	5	638,283	861,387
4. Raw materials and consumables	22.c	(46,864)	(41,626)
5. Other operating revenues	22.f	1,436	3,801,150
6. Staff expenses	22.e	(1,912,074)	(1,651,044)
7. Other operating expenses	22.d	(1,301,802)	(2,978,076)
8. Fixed assets amortisation	5, 6	(792,290)	(824,774)
9. Allocation of grants and other non-financial assets	20	-	-
11. Impairment and profit/(loss) on fixes assets disposals			
a) Impairment and losses	5	-	418,032
b) Profit/(loss) on disposals and other		2,145	1,896
12. Other results		(200)	-
A) OPERATING PROFIT/(LOSS)		**3,395,336**	**1,155,636**
13. Financial income		5,531	12,858
14. Financial expense		(436,393)	(379,649)
15. Change in fair value of financial instruments		-	-
16. Exchange differences		43,851	(44,926)
17. Impairment losses on disposal of financial instruments		731	(28,234)
B) FINANCIAL PROFIT/(LOSS)		**(386,280)**	**(439,951)**
C) PROFIT/(LOSS) BEFORE INCOME TAX		**3,009,055**	**715,685**
18. Corporate income tax	23	(821,694)	(217,337)
D) PROFIT/(LOSS) FOR THE YEAR		**2,187,362**	**498,348**

ZINKIA ENTERTAINMENT, S.A.

INTERIM STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD ENDED JUNE 30th 2012 AND JUNE 30th 2011 (in EUR)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE (In EUR)

	06/30/2012	06/30/2011
A) Profit/(loss) for the year	**2,187,362**	**498,348**
Income and expense recognised directly in equity		
I. Change in value of financial assets	-	-
1. Available-for-sale financial assets	-	-
2. Other income/expense	-	-
II. Cash-flow hedges	(91)	2,163
III. Grants, donations and bequests received	-	-
V. Tax effect	-	-
B) Total income and expense recognised directly in equity	**(91)**	**2,163**
Transfers to income statement		
VI. Change in value of financial assets	-	-
1. Available-for-sale financial assets	-	-
2. Other income/expense	-	-
VII. Cash-flow hedges	6,090	17,297
VIII. Grants, donations and bequests received	-	-
IX. Tax effect	-	-
C) Total transfers to income statement	**6,090**	**17,297**
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)	**2,193,360**	**517,808**

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

	REGISTERED CAPITAL	SHARE PREMIUM	RESERVES	TREASURY STOCK	PRIOR-YEAR RESULTS	PROFIT/(LOSS) FOR THE YEAR	VALUE ADJUSTMENTS	GRANTS AND DONATIONS	TOTAL
A. 2010, ENDING BALANCE	**2,445,677**	**9,570,913**	**1,175,649**	**(347,303)**	**(1,091,225)**	**(2,298,387)**	**(33,784)**	**79,748**	**9,501,287**
I. Adjustments due to criteria changes									-
II. Adjustments due to errors									-
B. 2011, ADJUSTED STARTING BALANCE	**2,445,677**	**9,570,913**	**1,175,649**	**(347,303)**	**(1,091,225)**	**(2,298,387)**	**(33,784)**	**79,748**	**9,501,287**
I. Total recognised income and expense	-	-	-	-	-	(130,919)	27,785	25,793	(77,341)
II. Transactions with shareholders									-
5. Trading treasury stock	-	-	(24,126)	(603,257)	-	-	-	-	(627,383)
III. Other movements in equity	-	-	-	-	(2,298,387)	2,298,387	-	-	-
C. 2011, ENDING BALANCE	**2,445,677**	**9,570,913**	**1,151,523**	**(950,560)**	**(3,389,612)**	**(130,919)**	**(5,999)**	**105,542**	**8,796,564**
I. Adjustments due to criteria changes									-
II. Adjustments due to errors									-
2012, ADJUSTED STARTING BALANCE	**2,445,677**	**9,570,913**	**1,151,523**	**(950,560)**	**(3,389,612)**	**(130,919)**	**(5,999)**	**105,542**	**8,796,564**
I. Total recognised income and expense	-	-	-	-	-	2,187,362	5,999	-	2,193,361
II. Transactions with shareholders									-
5. Trading treasury stock	-	-	(157,170)	546,719	-	-	-	-	389,549
III. Other movements in equity	-	-	-	-	(130,919)	130,919	-	-	-
E. 06.30.2012, ENDING BALANCE	**2,445,677**	**9,570,913**	**994,353**	**(403,841)**	**(3,520,531)**	**2,187,361**	**-**	**105,542**	**11,379,473**

	REGISTERED CAPITAL	SHARE PREMIUM	RESERVES	TREASURY STOCK	PRIOR-YEAR RESULTS	PROFIT/(LOSS) FOR THE YEAR	VALUE ADJUSTMENTS	GRANTS AND DONATIONS	TOTAL
A. 2009, ENDING BALANCE	**2,445,677**	**9,570,913**	**1,189,150**	**(319,737)**	**-**	**(1,091,224)**	**(63,389)**	**112,500**	**11,843,891**
I. Adjustments due to criteria changes									-
II. Adjustments due to errors									-
B. 2010, ADJUSTED STARTING BALANCE	**2,445,677**	**9,570,913**	**1,189,150**	**(319,737)**	**-**	**(1,091,224)**	**(63,389)**	**112,500**	**11,843,890**
I. Total recognised income and expense	-	-	-	-	-	(2,298,387)	29,604	(32,752)	(2,301,535)
II. Transactions with shareholders									-
5. Trading treasury stock			(13,501)	(27,567)					(41,068)
III. Other movements in equity	-	-	-	-	(1,091,224)	1,091,224	-	-	-
C. 2010, ENDING BALANCE	**2,445,677**	**9,570,913**	**1,175,649**	**(347,303)**	**(1,091,224)**	**(2,298,387)**	**(33,784)**	**79,748**	**9,501,287**
I. Adjustments due to criteria changes									-
II. Adjustments due to errors									-
2011, ADJUSTED STARTING BALANCE	**2,445,677**	**9,570,913**	**1,175,649**	**(347,303)**	**(1,091,224)**	**(2,298,387)**	**(33,784)**	**79,748**	**9,501,287**
I. Total recognised income and expense	-	-	-	-	-	498,348	19,460	-	517,808
II. Transactions with shareholders									-
5. Trading treasury stock	-	-	(18,154)	(600,420)	-	-	-	-	(618,574)
III. Other movements in equity	-	-	-	-	(2,298,387)	2,298,387	-	-	-
E. 06.30.2011, ENDING BALANCE	**2,445,677**	**9,570,913**	**1,157,495**	**(947,723)**	**(3,389,612)**	**498,348**	**(14,325)**	**79,748**	**9,400,522**

ZINKIA ENTERTAINMENT, S.A.

CASH FLOW STATEMENT FOR THE PERIODS ENDING 06.30.12 AND 06.30.11 (in EUR)

A) CASH FLOWS FROM OPERATIONS	NOTES	06/30/2012	06/30/2011
1. Profit before taxes		**3,009,055**	**715,685**
2. Adjustments to profit (loss)		**1,176,625**	**(2,955,207)**
a) Fixed asset depreciation	5, 6	792,290	824,774
b) Value corrections	5, 8	(731)	(389,798)
c) Allocation of grants	20	-	-
d) Profit(loss) from fixed asset disposals		(2,145)	(1,896)
e) Financial Income		(5,531)	(12,858)
f) Financial expenses		436,393	379,649
g) Exchange differences		(43,851)	44,926
h) Change in fair value of financial instruments		-	-
i) Other income and expenses		200	(3,800,004)
3. Change in working capital		**(3,963,015)**	**504,838**
a) Debtors and other receivables	7, 11	(980,951)	1,351,390
b) Other current assets and liabilities		17,871	35,899
c) Creditors and other payables	7, 13	1,112,893	(891,806)
d) Other non-current assets and liabilities	7 , 11, 21	(4,112,829)	9,355
4.- Other cash flows from operations		**(202,966)**	**3,412,192**
a) Interest paid		(157,336)	(379,649)
b) Dividends received		-	141
c) Collections (payments) for corporate income tax		(45,430)	(38,415)
d) Other payments (collections)		(200)	3,791,700
5.- Cash flows from operations (1+2+3+4)		**19,700**	**1,639,093**
B) CASH FLOWS FROM INVESTMENTS			
6. Paid on investments (-)		**822,903**	**5,696,370**
a) Group companies and associates	7, 8	-	1,074,322
b) Intangible assets	5	659,974	866,245
c) Property, plant and equipment	6	6,110	12,259
d) Other financial assets		156,819	3,743,545
7. Amounts collected from divestments (+)		-	-
a) Group companies and associates		**234,919**	**3,340,625**
b) Other financial assets		27,107	-
8. Cash flows from investments (7-6)		207,812	3,340,625
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(587,985)**	**(2,355,745)**
9. Collections and payments on equity instruments			
a) Acquisition of equity instruments		**389,549**	**(618,574)**
b) Disposal of equity instruments		(196,539)	(779,793)
10. Collections and payments on financial liability instruments		586,088	161,219
<u>a) Issues</u>		**218,788**	**1,793,078**
1. Debentures and other marketable securities		1,375,013	2,889,473
2. Bank borrowings		-	82,297
3. Other payables		970,000	-
<u>b) Retur and amortisation of</u>		405,013	2,807,176
1. Bank borrowings		1,156,225	1,096,395
2. Other payables		994,916	850,490
11. Dividend payments and returns on other equity instruments		161,309	245,905
12. Cash flows from financing (9+10+11)		-	-
D) Effect of exchange rate fluctuations		**608,337**	**1,174,504**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		(11,511)	(44,926)
Cash and cash equivalents at January, 1st		**28,541**	**412,926**
Cash and cash equivalents at December, 31st		25,819	374,499
Efectivo o equivalente al final del ejercicio		54,360	787,425

ZINKIA ENTERTAINMENT, S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS AT JUNE 30th 2012
(in EUR)

1. General information

The Company was founded as a limited liability company under the name of Junk & Beliavsky, S.L. on April, 27th 2000. On December, 27th 2001, the name was changed to Zinkia Sitement, S.L. and the company's registered offices were established at Calle Infantas, 27 in Madrid.
On June, 11th 2002, the name of the company was once again changed to ZINKIA ENTERTAINMENT, S.L.

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

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

a) Business activities related to the production, promotion, development, management, exhibition and commercialisation of cinematographic, audiovisual and musical works as well as the activities related to publishing of musical works.

b) Rendering services related to the development of interactive software, hardware and consulting in the field of telecommunications.

c) Buying and selling shares and debentures which may or may not 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 Company’s activities are focused primarily on those described in points a and b.

2. Basis of presentation

a) True and fair view

These interim financial statements have been prepared on the basis of the Company’s accounting records and are presented in accordance with prevailing commercial legislation and the provisions of the Chart of Accounts approved by Royal Decree 1514/2007 so as to present fairly the

Company's equity, financial situation and results and accurately cash flow in the cash flow statement.

b) Accounting principles

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

c) Critical measurement issues and estimates of uncertainty

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

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

- Fair value of derivatives or other financial instruments

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

- Useful lives of the factory and Technology Division equipment

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

d) Comparability of information

The Company has included the figures from previous year for comparison purposes as there is no reason why the figures from both years would not be comparable.

e) Grouping of items

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

f) Changes in accounting policies

During this period, the Company 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 Profit and Loss Account for period January-June 2011, and the note 22.d), being the expenses incurred by this concept in that period of euro 38,415 and in the first semester of 2012 euro 45,430.

g) Correction of errors

There were no corrections due to errors from prior years.

h) The going concern principle- Negative Working Capital

The Interim Balance Sheet shows a negative Working Capital of 1.250.850 euro as at June, 30th 2012, caused mainly by the attention and maturity of the debt of the Company and its investments.

The Company has decided to file these financial statements using the going concern principle for considering 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 Company 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 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 Company.

3. Accounting policies

3.1 Intangible assets

a) Research and development expenses

Research expenditure is recognised as an expense when incurred. Development costs incurred in projects are recognised as intangible assets when it is probable that the project will be 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 value is greater than the estimated recoverable amount, the carrying value is written down immediately to the recoverable amount (Note 3.4).

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

b) <u>Licenses and trademarks</u>

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) <u>Computer software</u>

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

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

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

3.2 Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.3 Interest costs

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

3.4 Losses due to impairment of non-financial assets

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

3.5 Financial assets

a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in "Loans to companies" and "Trade and other receivables" in the balance sheet.

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

At least once a year at 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 income statement.

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

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

c) Financial assets held for trading and other financial assets through profit or loss: All those assets held for trading, purchased for sale in the short term or that form part of an instrument portfolio, identified and managed jointly to obtain short-term gains, are considered financial assets at fair value through profit or loss together with the financial assets designated by the Company upon initial recognition for inclusion in this category for the purposes of a fairer presentation. Derivatives are also classified as held for trading provided that they do not relate to a financial guarantee contract and have not been designated as a hedge (Note 3.6).

These financial assets are measured at both initial recognition and subsequent measurement at fair value and any changes in that value are reflected in the income statement. Transaction costs directly attributable to the acquisition are recognised in the income statement for the year.

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

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

e) Available-for-sale financial assets: This category includes debt securities and equity instruments that have not been classified in any of the preceding categories. They include non-current assets unless management intends to sell the investment within 12 months of the balance sheet date.

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

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

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

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

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

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

3.6 Financial derivatives and hedge accounting

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

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

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

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

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

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

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

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

3.7 Equity

Share capital consists of ordinary shares.

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

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

3.8 Financial liabilities

a) Creditors and payables

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

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

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

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

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

b) Financial liabilities held for trading and other financial liabilities at fair value through profit or loss

Held-for-trading liabilities issued to be repurchased in the short term or that are part of a financial instrument portfolio, identified and managed jointly to obtain short-term gains, are considered financial liabilities at fair value through profit or loss together with the financial liabilities designated by the Company upon initial recognition for inclusion in this category for the purposes of a fairer presentation. Derivatives are also classified as held for trading provided that they do not relate to a financial guarantee contract and have not been designated as a hedge (Note 3.6).

These financial liabilities are measured at both initial recognition and subsequent measurement at fair value and any changes in that value are reflected in the income statement for the year. Transaction costs directly attributable to the issue are recognized in the income statement in the year in which they arise.

3.9 Grants received

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 directly in equity and are taken to income on a systematic and rational basis in line with grant costs. Non-repayable grants received from shareholders are recognised directly in equity.

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

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

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

3.10 Current and deferred taxes

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

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

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

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

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

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

3.11 Severance pay

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

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

3.12 Provisions and contingent liabilities

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

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

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

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

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

3.13 Revenue recognition

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

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

3.14 Leases

a) When the Company is lessee – Finance leases

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

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

b) When the Company is the 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 income statement in the period of accrual on a straight-line basis over the term of the lease.

3.15 Foreign currency transactions

a) Functional and presentation currency

The annual accounts are presented in euro, which is the Company's functional and presentation currency.

b) Transactions and balances

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

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

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

3.16 Transactions between related parties

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

For mergers, splits and non-monetary contributions of a business, the Company applies the following:

a) For transactions between group companies involving the parent of the group or of a subgroup and its subsidiary, directly or indirectly, the assets representing the business acquired are carried at the amount at which, following the transactions, is attributable to them in the group's or subgroup's consolidated annual accounts.

b) For intercompany transactions, the assets of the business are stated at their carrying value in the individual financial statements prior to the transaction.

The difference that may arise is reflected in reserves.

3.17 Share-based payment transaction

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

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

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

4. Financial risk management

4.1 Financial risk factors

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

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

a) Market risk

(i) Foreign exchange risk

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

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

(ii) Price risk

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

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

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

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to the cash flow interest rate risk. Fixed interest rate borrowings expose the Company to fair value interest rate risks.
The Company analyses its interest rate exposure in a dynamic manner. A simulation is performed of various scenarios, taking into account the refinancing, renewal of current positions, alternative financing and hedging. On the basis of these scenarios, the Company calculates the effect on results of a certain variation in the interest rate. For each simulation, the same variation in interest rates is used for all currencies. Scenarios are only simulated for liabilities representing the most significant interest-bearing positions.

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

b) **Credit risk**

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

c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, keeping funds available through sufficient committed credit facilities and having the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's Treasury Department aims to maintain flexibility in funding by keeping credit lines available.

4.2 Fair value estimation

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

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

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

5. Intangible assets

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

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

Euro	Saldo a 12/31/09	Additions	Disposals or reductions	Transfers	Balance at 12/31/10
Cost					
Research and development	5,134,781	861,387	-	(1,734,975)	4,261,193
Intellectual property	10,090,877	-	-	1,734,975	11,825,852
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 in the first half of 2012 referred primarily to work done by the company on its own assets.

In 2011, the Company 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 "Industrial Property". The recognition of this reversal is based on the improved revenue forecasts associated with the project in the coming years.

Research and development expenses

Development costs capitalised relate to the following projects:

Euro				06/30/2012
Project	**Cost**	**Accumulated amortisation**	**Impairment**	**Carrying value**
Developed by the company				
Work in progress	5,407,258	-	-	5,407,258
Completed projects	246,985	(246,985)	-	-
	5,654,243	**(246,985)**	**-**	**5,407,258**

Research and development expenditure recognised in the income statement during the first half of 2012 totals EUR 638,283.

Industrial property rights

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

Capitalised financial expenses

No financial expenses were capitalised in at 06.30.2012

Property, plant and equipment located abroad

At 06.30.12, the Company had no intangible asset investments located outside of Spain.

Fully-amortised intangible assets

At 06.30.12, there were intangible fixed assets with an accounting cost of EUR 2,674,704 still in use and fully amortised that corresponds with software and audiovisual projects.

At 06.30.11, there were intangible fixed assets with an accounting cost of EUR 851,359 still in use and fully amortised

Assets subject to guarantees and ownership restrictions

At 06.30.12, no intangible assets are subject to ownership restrictions or have been pledged to secure liabilities. At 06.30.11 the situation was the same.

Insurance

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

Grants received in relation to intangible assets

The Company did not receive any operating grants for the development of intangible assets at 06.30.12.

In 2011, the Company received capital grants for the acquisition of computer software (Note 20) that amounts to EUR 23,963.

6. Property, plant and equipment

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

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

Euro	Balance at 12/31/10	Additions	Disposals or reductions	Transfers	Balance at 06/30/2011
Cost					
Machinery	31,689	-	-	-	31,689
Other equipment	34,517	978	-	-	35,495
Furnishings	65,399	3,110	-	-	68,509
Data-processing equipment	139,115	10,068	-	-	149,183
Other PPE	26,672	-	-	-	26,672
Total	**297,392**	**14,156**	**-**	**-**	**311,548**
Accumulated amortisation					
Machinery	(31,167)	(58)	-	-	(31,225)
Other equipment	(22,359)	(1,569)	-	-	(23,928)
Furnishings	(39,430)	(3,185)	-	-	(42,615)
Data-processing equipment	(89,235)	(9,982)	-	-	(99,217)
Other PPE	(7,506)	(1,332)	-	-	(8,838)
Total	**(189,697)**	**(16,126)**	**-**	**-**	**(205,823)**
Impairment	-	-	-	-	-
Total	**107,695**	**(1,970)**	**-**	**-**	**105,725**

Impairment losses

At 06.30.12 , 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.

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

No revaluations of fixed assets have been applied during the first half of 2012.

Property, plant and equipment located abroad

As at 06.30.12, the Company recorded the following investments in property, plant and equipment located at its Beijing offices:

				06/30/2012
Fixed assets	**Cost**	**Accumulated amortisation**	**Impairment**	**Carrying value**
Furnishings	7,001	(4,354)	-	2,647
Data-processing equipment	10,571	(10,205)	-	366
	17,572	(14,559)	-	3,013

Capitalised financial expenses

No financial expenses were capitalised at 06.30.12.

Fully-depreciated assets

At 06.30.12, the Company had fully depreciated assets valued at 144,600 still in use. At 06.30.11, the Company had fully depreciated assets valued at 128,296 still in use.

	06/30/2012	06/30/2011
Machinery	30,559	30,559
Other equipment	75,267	66,422
Furnishing	27,132	19,672
Other PPE	11,643	11,643
	144,600	**128,296**

Property, plant and equipment subject to guarantees

At 06.30.12, no property, plant and equipment were subject to ownership restrictions or had been pledged to secure liabilities. At 06.30.11 the situation was the same.

Assets under operating leases

The interim income statement includes, mainly, operating leases on the rental offices in Madrid and Beijing and computer rentals, all of which total EUR 170,677. The amount of such expenses for the first half of 2011 was EUR 143,056. At 06.30.12 the Company has not non-cancellable operating leases.

Insurance

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

Grants received in relation to property, plant and equipment

The Company did not receive any capital grants for the acquisition of data-processing equipment at 06.30.12.

In 2011, the Company received capital grants for the acquisition of data-processing equipment (Note 20) that amounts to EUR 26,686.

7. Analysis of financial instruments

7.1 Analysis by category

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

	Euro					
	Non- current financial assets					
	Equity instruments		Debt securities		Credit facilities, derivatives, oth	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011	06/30/2012	12/31/20
Available-for-sale financial assets	28,183	32,270	-	-	-	-
Loans and receivables (Note 11)	-	-	-	-	4,524,473	411,644
Derivatives	-	-	-	-	3,950	-
Total non-current financial assets	**28,183**	**32,270**	**-**	**-**	**4,528,423**	**411,644**
	Current financial assets					
	Equity instruments		Debt securities		Credit facilities, derivatives, oth	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011	06/30/2012	12/31/20
Assets at fair value through profit and loss (Note 10):						
-held for trading	188	198	-	-	-	-
Held to maturity (Note 9)	-	-	-	17,000	-	-
Loans and receivable (Note 11)	-	-	-	-	3,098,603	2,172,452
Total current financial assets	**188**	**198**	**-**	**17,000**	**3,098,603**	**2,172,452**
Total	**28,371**	**32,468**	**-**	**17,000**	**7,627,025**	**2,584,096**

	Euros					
	Pasivos financieros a largo plazo					
	Bank borrowings		Debentures and other marketable securities		Derivatives, other	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011	06/30/2012	12/31/20
Borrowings and payables (Note 13)	871,413	543,593	1,877,079	1,771,536	2,649,500	2,546,469
Hedging derivatives (Note 12)						5,999
Total non-current financial liabilities	**871,413**	**543,593**	**1,877,079**	**1,771,536**	**2,649,500**	**2,552,468**
	Pasivos financieros a corto plazo					
	Bank borrowings		Debentures and other marketable securities		Derivatives, other	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011	06/30/2012	12/31/20
Borrowings and payables (Note 13)	1,320,996	1,651,174	138,347	29,840	2,188,088	1,431,775
Total current financial liabilities	**1,320,996**	**1,651,174**	**138,347**	**29,840**	**2,188,088**	**1,431,775**
Total	**2,192,409**	**2,194,767**	**2,015,426**	**1,801,376**	**4,837,589**	**3,984,243**

At June, 30th, 2012 the 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 amounts for 2011 were euro 109,938 and euro 50,000.

As a result of the Labour Force Adjustment Plan carried out by the 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 Company up to the total amount agreed in the labour plan and for the present and futures revenues.

At June 30th, 2012, the Company has loan payments overdue. As of preparation of these Interim Financial Statements, the Company 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.

7.2 Analysis by maturity

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

	Euros					
	Activos financieros					
	06/30/2012	2013	2014	2015	2016 and therefore	Total
Investments in group companies and associates						
-Loans and receivables	417,830	-	-	-	-	417,830
Total	**417,830**	**-**	**-**	**-**	**-**	**417,830**
Other financial investments						
-Held-to-maturity investments	-	-	-	-	-	-
-Loans and receivables	2,680,772	553,067	1,588,562	2,382,844	3,950	7,209,195
Total	**2,680,772**	**553,067**	**1,588,562**	**2,382,844**	**3,950**	**7,209,195**
Total	**3,098,603**	**553,067**	**1,588,562**	**2,382,844**	**3,950**	**7,627,025**

	Euros					
	Pasivos financieros					
	06/30/2012	2013	2014	2015	2016 and therefore	Total
Other financial liabilities						
Bank borrowings	1,320,996	146,271	265,743	151,888	307,511	2,192,408
Derivaties	-	-	-	-	-	-
Other financial liabilities	2,326,435	1,923,548	2,500,000	-	103,031	6,853,015
Total	**3,647,432**	**2,069,819**	**2,765,743**	**151,888**	**410,542**	**9,045,424**
Total	**3,647,432**	**2,069,819**	**2,765,743**	**151,888**	**410,542**	**9,045,424**

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

a) Shareholdings in Group companies

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

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

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

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

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

Set out below are the figures for capital, reserves, results and other information at June, 30th 2012:

Company	Capital	Reserves	Other	Operating results	FY profit (loss)	Carrying value of the investment	Dividends received
	Equity						
Sonocrew, S.L.	3,006	41,005	-	12,022	12,050	3,006	-

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

Company	Capital	Share premium	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Value adjustments for impairment	Dividends received
	Equity								
	Euro								
Cake Entertainment, Ltd	1,376	166,097	-	(560,666)	3,770	3,153	989,158	-	-

Company	Capital	Share premium	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Value adjustments for impairment	Dividends received
	Equity								
	Euro								
Cake Distribution, Ltd	248	-	892,022		(157,528)	(193,226)	-	-	-

Company	Capital	Share premium	Reserves	Losses carryforwards	Operating results	FY profit (loss)	Carrying value of the investment	Value adjustments for impairment	Dividends received
	Equity								
	Euro								
HLT Productions Bv	18,000	-	99,420	-	2,105	6,592	-	-	-

At 06.30.12 the Company reversed a recognised loss due to the impairment of its investment in Producciones y Licencias Plaza de España, S.A. de C.V. due to the difference in the rates of change value , considering the equity of the investee company on the valuation date.

Cake Entertainment Ltd. is the parent company of a group of companies with two subsidiaries: Cake Distribution Ltd and HLT Productions Bv. The figures shown in the table above are consolidated.

9. Held-to-maturity investments

At June, 30th 2012 it does not include any concept in this section. The details for 2011 were as follows:

Description	Amount	Incorporation date	Maturity	Interest rate	Accrued interest
Bonds	17,000	12/29/2011	01/05/2012	0.25%	-

10. Financial assets at fair value through profit or loss

This heading includes the following items and amounts:

Euro

	06/30/2012	12/31/2011
Held for trading-listed securities		
SCH bank shares (Note 7)	188	192

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

The changes to the fair value of assets measured at fair value in the Interim Income Statement are recorded in the Financial Results.

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

11. Loans and receivables

Euro

	06/30/2012	12/31/2011
Non-current loans and receivables		
-Clients, non-current	4,524,472.74	411,644.00
-Deposits (Note 7)	-	-
Total largo plazo	**4,524,472.74**	**411,644.00**
Current loans and receivables		
-Loans to associates (Note 26)	395,404.78	422,511.65
-Current account with subsidiaries (Note 26)	349.00	348.57
-Current account with related parties	5,395.83	4,233.46
-Trade receivables	2,520,701.57	1,538,095.74
-Debtors	-	109.16
-Interest in current investments (Note 26)	22,425.49	17,813.46
-Current deposits	139,759.08	139,340.34
-Financial products	14,567.00	50,000.00
Total current loans and receivables	**3,098,602.75**	**2,172,452.38**
Total	**7,623,075.49**	**2,584,096.38**

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

	06/30/2012	12/31/2011
Euro	2,139,283.00	1,615,968.25
US dollar	5,071,497.59	670,190.00
Pound sterling	177,521.12	60,089.54
Australian dollar	128.20	76.27
Canadian dollar	115.30	74.16
Swiss franc	99.28	27.75
New Zealander dollar	16.58	1.61
Nowegian krone	40.07	5.56
Mexican peso	2,855.11	454.07
Yen	65.32	27.25
Yuan	231,364.19	237,182.00
Danish krone	14.24	-
Hong Kong dollar	6.59	-
Swedish krone	18.18	-
Singapore dollar	43.68	-
Taiwan New dollar	6.10	-
Total	**7,623,074.53**	**2,584,096.38**

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

The Non-current trade receivables from non-current assets on the Interim Balance Sheet, shows balances maturing beyond 12 months from the closing date of the first half of 2012. The figure for At June, 30th 2012 reflected in this section is euro 4,524,473 compared to euro 411,644 at the end of last year 2011.

At 06.30.12 the Company 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 fair value of financial assets is not substantially different from book value.

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

12. Derivative financial instruments

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

The notional principal on interest rate swaps outstanding at June, 30th 2012 was EUR 200,000. The figure for 2011 was euro 500,000.

At 06.30.12 the Company has entered into a swap agreement type CAP with a premium of euro 3,950.

At 06.30.12, fixed interest rate is 1.95%. The floating interest rate was 12M Euribor. Gains/ losses recognised in equity under "Value changes adjustments" on interest rate swaps at 06.30.12 will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

13. Creditors and payables

Euro

	06/30/2012	12/31/2011
Non-current creditors and payables		
-Bank loans	871,413	543,593
-Participating loans	-	-
-Other loans	2,603,031	2,500,000
-Debentures and bonds	1,877,079	1,771,536
-Payables transformable into grants	46,469	46,469
Total non-current creditors and payables	**5,397,993**	**4,861,598**
Current creditors and payables		
-Banks loans	1,318,272	1,327,467
-Other payables to banks	2,724	323,707
-Payables to related parties (Note 26)	60,000	-
-Debentures and bonds	138,347	29,840
-Trade creditors	1,427,655	907,775
-Fixed assets creditors	52,266	52,879
-Paticipating loans	375,000	375,000
-Interest debt	94,551	32,758
-Current account with related parties	-	-
-Wages and salaries pending of payment	134,500	32,996
-Advance from clients	44,117	30,367
Total current creditors and payables	**3,647,431**	**3,112,789**
Total	**9,045,424**	**7,974,388**

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

	30/06/2012	31/12/2011
		Valores en euros
Euro	8,662,940	7,772,088
US dollar	367,545	186,735
Pound sterling	14,439	-
Argentine peso	-	1,120
Brazilian real	-	12,950
Yuan	500	1,495
Mexican peso	-	-
Total	**9,045,424**	**7,974,388**

The carrying amounts of these items approximate their fair value.

a) Bank borrowings

The details of the Company's balances with credit institutions at June, 30th 2012 are as follows:

Euro

	Non-current balance	Current balance	Total
Loans	871,413	1,318,272	2,189,685
Total loans	**871,413**	**1,318,272**	**2,189,685**

Valores en euros

	Non-current balance	Current balance	Total
Credit facilities	-	-	-
Total credit facilities	**-**	**-**	**-**
Credit card		2,724	2,724
Total credit card	**-**	**2,724**	**2,724**
Interest on current bank borrowings	-	-	-
Total interest on current bank borrowings	**-**	**-**	**-**
TOTAL	**871,413**	**1,320,996**	**2,192,409**

b) Participating loans

The Company has two participating loans with fixed annual interest rates of Euribor plus 0.25 percent and floating annual interest defined in the contract as a percentage of before-tax results on the average shareholders' equity for the year, less the fixed interest paid, provided that the results are positive. If the Company generates before-tax losses, the variable rate is 0%.

The maturity dates on the loans are as follows:

	Euro
2012	375,000
	375,000

c) Fixed income securities issue

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

The conditions of the issue are as follows:

Number of securities	2,238
Unit par value	1.000
Issue price	100%
Annual interest rate payable annually	9.75%
Amortisation of securities	11.12.13
Amortisation system	Par

14. Cash and cash equivalents

At 06.30.12, the Company's cash situation was as follows:

Euro	06/30/2012	12/31/2011
Cash at bank and in hand	52,307	24,993
Other cash equivalents	2,054	826
Total	**54,360**	**25,819**

15. Capital and share premium

a) Capital

Euro	06/30/2012	12/31/2011
Registered capital	2,445,677	2,445,677
(Uncalled capital)	-	-
Total	**2,445,677**	**2,445,677**

At 06.30.12, the registered capital consisted of 24,456,768 ordinary bearer shares represented by book entries with a par value of €0.10 each, fully subscribed and paid in.

At 06.30.12, the share capital was broken down as follows:

Shareholder	% interest
Jomaca 98, S.L.	71.56%
Stock market	15.17%
Other	10.94%
Treasury shares	2.33%

b) Share premium account

This reserve is freely available for distribution.

	06/30/2012	12/31/2011
		Euro
Share premium	9,570,913	9,570,913
Total	**9,570,913**	**9,570,913**

This caption also reflects, for both 2009 and 2010, the merger premium generated in fiscal year 2004 as a result of the merger by absorption of the companies Gamecrew, S.L. and Motioncrew, S.L. in the amount of EUR 118,100.

16. Reserves and prior-year results

a) Reserves

	06/30/2012	12/31/2011
		Euro
Legal and statutory		
-Legal reserve	237,262	237,262
Total legal reserve	237,262	237,262
Other reserves		
-Voluntary reserves	1,672,369	1,672,369
-Reserves for other adjustments	(915,278)	(758,108)
Total reserves	757,091	914,261
Total	**994,353**	**1,151,523**

b) Legal reserve

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

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

17. Treasury shares

At 06.30.12, the Company carried out certain transactions with its own shares, recording the transactions as changes in the Company's equity.

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

		Euro
	06/30/2012	
	Number of shares	Euro
Starting balance	579,367	950,560
Additions	36,122	39,369
Disposals	(333,986)	(586,088)
Al cierre del ejercicio	**281,503**	**403,841**

In 2011, the movements were as follows:

		Euro
	12/31/2011	
	Number of shares	Euro
Starting balance	206,314	347,303
Additions	511,605	834,661
Disposals	(138,552)	(231,404)
Al cierre del ejercicio	**579,367**	**950,560**

The treasury stock in the Company's possession at 06.30.12 represented approximately 1.15% of the share capital (2.37% at 12.31.11) with a nominal value of EUR 28,150 (EUR 57,937 at 12.31.11) and an average acquisition price of EUR 1.09 per share (EUR 1.64 per share iat 12.31.11). The average sale price of the Company's treasury stock at June, 30th 2012 was EUR 1.75 per share (EUR 1.67 at 12.31.11)

18. Profit/(loss) for the year

a) Profit /(loss) for the period

The profit (loss) for the the first six months of 2012 along with the results as at December, 31st 2011 are as follows:

		Euro
	06/30/2012	**06/30/2011**
Available for distribution		
Profit/(loss) for the year	2,187,362	498,348
Total	**2,187,362**	**498,348**

19. Based payment transactions in equity instruments.

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

On October 10th, 2011, the Company issued a Relevant Fact under Article 82 of Securities Market Law 24/1988 and Memorandum 9/2010 of the Spain´s Alternative Investment Market (Mercado Alternativo Bursatil–MAB) which reported on the Long-term Variable Compensation Plan according to resolution of the Board of Directors.
This plan provides delivery of shares to senior management and members of the Board of Directors. The characteristics and conditions are as follow:

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

February 14th 2014- the amount of euro 2,200,000 plus shares acquired with the above euro 300,000. In the event that the value of the shares, at that date, is less than that amount, the Company undertakes to cover the difference in share or cash.

20. Capital grants received

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

Granting entity	Euro	Purpose	Grant date
Education, Audiovisual and Culture Agency	150,000	Pre-production of 3 audiovisual works	11/06/2007
Ministry of Culture	25,000	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	08/03/2010
Ministry of Culture	25,000	Grant to promote capital investment in modernization, innovation and technological adaptation of cultural industries for year 2010	08/03/2010

The changes in grants are analyzed below:

	06/30/2012	12/31/2011
		Euro
Opening balance	105,542	79,748
Increases	-	50,000
Release to income	-	(15,609)
Other decrease	-	(8,598)
Closing balance	**105,542**	**105,542**

Grants have been 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%.

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

21. Deferred tax

Set out below is an analysis of deferred tax:

Euro	Removed at 06/30/2012	Additions 2011	Additions 2010	Prior years	Total
Tax credits for tax-loss carryforwards	(776,264)	176,171	753,749	802,183	955,839
Other tax credits	-	484,481	7,652	2,365,422	2,857,555
Deferred tax assets	**(776,264)**	**660,651**	**761,401**	**3,167,605**	**3,813,394**
Temporary differences related to income recognized directly in equity	-	(8,598)	10,917	(37,500)	**(35,181)**
Temporary differences-amortisation	-	(5,535)	(13,092)	-	**(18,627)**
Reversal of temporary differences-amortisation	-	2,607	-	-	**2,607**
Deferred tax liabilities		**(11,525)**	**(2,175)**	**(37,500)**	**(51,200)**
Deferred tax	**(776,264)**	**649,126**	**759,226**	**3,130,105**	**3,762,193**

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

The changes in deferred taxes are as follows:

	Euro 06/30/2012	12/31/2011
Opening balance	**4,538,457**	**3,889,331**
Tax effect on income recognized directly in equity	-	(8,598)
Charged to the income statement (Note 23)	(776,264)	657,724
Closing balance	**3,762,193**	**4,538,457**

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

The taxable bases pending compensation at June, 30th 2012 totalled EUR 6,928,409.

In 2011, the Company capitalised the deductions pending application in the amount for EUR 484,481.

22. Income and expense

a) Transactions denominated in foreign currency

Transactions carried out in foreign currency are as follows:

Euro	06/30/2012	06/30/2011
Sales	6,174,580	652,838
Services rendered	451,203	283,303
Total	**6,625,783**	**936,141**

b) Turnover

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

Market	06/30/2012	06/30/2011
Domestic	4.05%	46.00%
International	95.95%	54.00%
Total	**100.00%**	**100.00%**

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

Euro	06/30/2012	06/30/2011
Trademark licenses	92.03%	61.95%
Interactive/on line contents	7.97%	36.52%
Other	0.00%	1.53%
Total	**100.00%**	**100.00%**

Raw materials and consumables

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

Euro	06/30/2012	06/30/2011
Raw materials and consumables	46,864	41,626
Totales	**46,864**	**41,626**

c) Other operating expenses

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

Euro	06/30/2012	06/30/2011
Leases	170,677	143,056
Repairs	21,147	20,935
Independent professional services	682,440	1,259,152
Insurance	17,017	25,883
Bank fees	11,951	15,945
Advertising and public relations	219,349	247,677
Utilities	50,298	55,316
Other general expenses	126,967	203,426
Other taxes	1,956	4,726
Impairment losses on commercial transactions	-	1,022,691
Losses on commercial transactions	-	-
Reversal of impairment losses on commercial transactions	-	(20,731)
Total	**1,301,802**	**2,978,076**

It is restated "other taxes" for the first half of 2011 due to changes in accounting policies, reclassifying EUR 38,415 related to taxes paid abroad, under the heading " Income Tax expense" .

d) Staff expenses

Euro	06/30/2012	06/30/2011
Wages, salaries and similar remuneration	1,480,152	1,231,274
Social Security	362,546	315,340
Other expenses	69,376	104,430
Total	**1,912,074**	**1,651,044**

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

CATEGORIA	Average number of employees	
	06/30/2012	06/30/2011
5-YR DEGREE HYOLDER	22.00	25.63
3-YR DEGREE HOLDER	4.00	4.00
SR. MANAGER	6.00	7.00
MANAGER 1	-	1.83
MANAGER 2	1.00	1.00
OFFICIAL 1	10.00	12.76
OFFICIAL 2	1.00	5.00
ASSISTANT	2.00	1.73
PROGRAMMER	1.00	2.00
OPERATOR	4.00	4.00
OFFICIAL 1	-	1.50
Total	**51.00**	**66.45**

The distribution of the Company's personnel at 06.30.12, by gender and category, is as follows:

CATEGORIA	06/30/2012		06/30/2011	
	Men	Women	Men	Women
5-YR DEGREE HYOLDER	9.00	13.00	12.00	13.63
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	**31.00**	**20.00**	**42.50**	**23.96**

e) <u>Other operating revenue</u>

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

Euro	06/30/2012	06/30/2011
Services rendered to staff	1,436	1,150
Other services	-	3,800,000
Total	**1,436**	**3,801,150**

23. Corporate income tax and tax situation

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

	Income statement			Income and expense recognised directly in equity		Euro
Income/expense for the year			2,187,362			(91)
	Increases	Decreases		Increases	Decreases	
Corporate Income Tax	821,694	-	821,694			
Permanent differences	200		200			
Temporary differences:						
arising during the year	-	-	-			
arising from previous years	-	-	-	91		91
Offsetting tax-loss carryforwards	776,264					
Taxable base (tax result)			**3,009,256**			

Income tax expense is analysed below:

	Current year tax	Income tax paid abroad	Change in equity: Net charge deferred tax assets: Temporary differences	Change in equity: Net charge deferred tax assets: Tax credits for tax-loss carryforwards	Change in equity: Net charge deferred tax assets: Otros créditos	Change in equity: Change in deferred tax liabilities: Temporary differences	TOTAL
Charged to the Income Statement							
To continuing operations	-	(45,430)	-	(776,264)	-	-	(821,694)
Total	**-**	**(45,430)**	**-**	**(776,264)**	**-**	**-**	**(821,694)**

The Company capitalised deductions in the amount of EUR 2,857,555.

The Company has tax loss carryforwards to offset in the amount of EUR 6,928,409 at December 31st 2011, last fiscal year ended.

At June, 30th 2012, the Company's corporate tax returns for the years 2007 to 2010 were open to inspection, as were its tax returns for VAT, withholding taxes, business tax, capital gains tax and non-resident tax returns for the years 2008 to 2011.

24. Risks

At June, 30th 2012, the Company had no contingent assets or liabilities.

25. Director and senior management compensation

a) 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 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 first semester of 2012 and nor have they exercised any options and nor do they have any options to be exercised.

The Company is committed to the members of the Board, a plan for long-term variable remuneration consisting of the delivery of shares. (Note 19)

b) Compensation and loans to senior management personnel

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

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

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.

26. Other related-party transactions

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

Euro	06/30/2012		06/30/2011	
	Expense	**Income**	**Expense**	**Income**
Jomaca 98, S.L.	72,000	4,612	293,661	3,716
Other related parties	2,096	-	-	-
Sonocrew, S.L.	7,000	20,763	-	48,822
Cake Distribution, Ltd	64,385	214,617	-	-
Total	**145,481**	**239,992**	**293,661**	**52,538**

The income from transactions with related parties, EUR 4,612 are financial income derived from short-term loans granted to Jomaca 98, S.L (Note 11)The rest of revenues reflects, come from business operations.

The expenses from transactions with related parties EUR 2,096 are financial expenses resulting from the short-term borrowings (Note 13). The rest of expenses come from business operations.

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

Closing balances at 06.30.12 with related-parties

Euro	06/30/2012 Debit	06/30/2012 Credit	12/31/2011 Debit	12/31/2011 Credit
Current accounts with subsidiaries				
Sonocrew, S.L.	156	-	156	-
Producciones y Licencias Plaza de España, S.A. de C.V.	193	-	193	-
Trade payable				
Sonocrew, S.L.	-	8,260	-	-
Jomaca 98, S.L.	-	52,320	-	-
Cake Distribution, Ltd	-	66,686	-	-
Cake Entertainment,Ltd	-	12,022		11,611
Short term loans payable				
Otras partes vinculadas	-	60,000	-	-
Advances from clients				
Sonocrew, S.L.	-	44,117	-	30,367
Trade receivables				
Cake Distribution, Ltd	222,286	-	-	-
Trade receivables				
Cake Entertainment,Ltd	-	-	874	-
Short term loans receivable				
Jomaca 98, S.L.	417,830	-	440,325	-

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

27. Environmental information

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

During the first semester of 2012, there were no major environmental expenditures.

28. Events after the balance sheet date

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

29. Auditors' fees

The professional fees accrued by Garrido Auditores, S.L. for auditing and other services for the company totalled EUR 8,000 in the first half of 2012.

In addition, fees accrued by Garrido Abogados y Asesores Fiscales, S.L. amount to EUR 11,148 in the same period.

30. Other disclosures

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

Impact of International Financial Reporting Standars in the Interim Financial Statements.

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

The Company, in the current period, submits consolidated financial statements, so it does not apply the above.

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

Pursuant to the terms of this law, at the end of the first half of 2012, the Company had a balance payable to suppliers in the amount of EUR 700,000 which had exceeded the legally-established payment deadline. During this period, the Company made payments to suppliers amounting to EUR 533,000 of which 6 % exceeded the legal limit. The weighted average term of payment is exceeded 82 days.

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

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

31. Guarantees

At June, 30th 2012, the Company has two guarantees, for amount of EUR 200,000 and EUR 2,000,000, both to ensure lending operations by the same amounts.

32. Signed Interim Financial Statements

These 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.

ZINKIA ENTERTAINMENT S.A.
DIRECTOR'S REPORT FOR THE FIRST HALF OF 2012

Business Performance and Company Situation

During the first half of 2012, the company reported turnover of EUR 6,806,701 compared to EUR 1,568,691 for the same period last year, which represents a 334% 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. In this regard, it is to be noticed the fact that only a 4% of the turnover comes from local market, and a 96% of our revenue is generated outside Spain, compared with the first half of last years' turnover of 54% that was generated in foreign markets. The significant international projections of Pocoyo brand allows us to expand the growth potential of our turnover, to be able to enter markets that will help us strengthen our forecasts and be less dependent on other markets that are being strongly affected by the current difficult economic situation.

Due to the increase in revenues, operating income has also experienced a significant improvement, reporting EUR 3,395,336 in the first six months of the year compared to EUR 1,155,636 in the same period last year.

It must be stressed that the agreement reached 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 Pocoyo 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 turn enable us to be less dependent on certain geographical areas in the coming years.

Also the online content and digital rights fields are starting to gain more and more importance within the turnover, and the Company is working in these fields in order to increase and reach the projected revenues for the coming years.

The Company's operating costs in the first half of 2012 continued their usual behavior and were in keeping with the income trends, so that both personnel costs and general expenses remained within the anticipated budget levels of this year.

During the first half of the year, the financial market situation remained restrictive in terms of access to credits for companies, as it has become the trend of recent years. In this respect the Company continues to seek funding formulas that can be used for the implementation of its investment projects.

The Company's financial position is evenly balanced, with net equity of EUR 11,379,473 in June compared to a total of EUR 8,796,564 debt at the end of the previous year.

The Company'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 Company has taken every necessary step to reverse this situation, as it have been made public by the Relevant Events sent to the market. These measures include, among others, the employment regulation plan that has affected 33% of the 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.

Event after the date of these Interim Financial Statements

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

Outlook of the Company

In 2012 and thereafter we expect a considerable increase in the Company's business due to the territorial expansions of Pocoyo band as well as the development of new content and audiovisual brands.

Regarding new projects of the Company, the Company will continue working on its developments and the commercial agreements in order to bring those developments into production.

Research & Development activities

Zinkia is constantly involved in technological research, development and innovation activities in order to optimize 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 Company hedged its interest rate risks in order to reduce the impact of interest fluctuations on the income of the Interim Financial Statements.

Acquisition of treasury shares

Pursuant to the terms of article 262 of the Revised Text of the Capital Companies Act and considering Title IV, Chapter VI of the law, in the first half of the year the 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 fulfill 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 interim statement of financial position. At June, 30th the Company possessed 281,503 shares with a per value of EUR 28,150, which accounted for 1,15% of share capital.

DECLARATION OR RESPONSIBILITY FOR INTERIM FINANCIAL REPORTING

The members of the Board of Directors of ZINKIA ENTERTAINMENT, S.A. listed below declare that, to the best of their knowledge, the interim financial information for the Company, which includes the Individual Interim Financial Statements of ZINKIA ENTERTAINMENT, S.A. 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, S.A. and that the Directors' Report includes an accurate analysis of the Company's business results and position, along with a description of the principal risks and uncertainties faced by the Company.

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