ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30th 2011

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ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT JUNE, 30th 2011 (In EUR)

Euros

ASSETS	Note	06/30/2011	12/31/2010
Intangible Assets	7	10,007,408	8,664,851
Goodwill	7.1	866,929	-
Other Intangible Assets	7.2	9,140,479	8,664,851
Property, plant and equipment	8	151,916	107,695
Non-current financial assets	9	84,770	84,770
Deferred tax assets	16	3,750,084	3,929,006
Non-current trade and other receivables	10	90,682	100,037
NON-CURRENT ASSETS		**14,084,861**	**12,886,359**
Trade and other receivables	10	3,463,670	3,483,057
Corporate income tax assets		14,092	14,092
Other tax receivables	16	390,159	184,385
Current financial assets	9	1,016,941	560,477
Cash and cash equivalents	11	1,467,890	409,567
Other current assets	16	30,353	44,567
CURRENT ASSETS	16	**6,383,106**	**4,696,145**
TOTAL ASSETS		**20,467,967**	**17,582,504**

EQUITY AND LIABILITIES	Note	06/30/2011	12/31/2010
Issued capital attributable to equity holders of the parent	12	2,445,677	2,445,677
Share premium	12	9,570,913	9,570,913
Reserves	12	1,172,461	1,145,782
Treasury shares	12	(947,723)	(347,303)
Translation differences	12	(585)	(477)
Retained earnings	12	(3,389,612)	(1,091,225)
Profit Attributable to the equity holders of the parent		**500,869**	**(2,266,379)**
TOTAL EQUITY OF THE PARENT		**9,352,000**	**9,456,988**
Profit attributable to minority interest		3,954	-
Minority interest	12	143,562	-
EQUITY		**9,499,515**	**9,456,988**
Deferred Income	13	79,748	79,748
Non-current financial liabilities	14	5,396,530	3,672,294
Deferred tax liabilities	16	39,675	39,675
NON-CURRENT LIABILITIES		**5,515,954**	**3,791,718**
Current financial liabilities	14	2,526,966	2,459,121
Current trade and other payable	17	2,477,047	1,533,403
Corporate income tax payable	16	-	10,510
Other tax payables	16	448,484	330,764
CURRENT LIABILITIES		**5,452,498**	**4,333,798**
TOTAL EQUITY AND LIABILITIES		**20,467,967**	**17,582,504**

ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM INCOME STATEMENT AT JUNE, 30th 2011 (In EUR)

Euros	Note	06/30/2011	06/30/2010
Revenue from operations	19	2,018,860	1,397,695
Other operating income	19	4,662,537	1,009,786
Total Revenue		**6,681,397**	**2,407,481**
Cost of goods sold	19	(385,508)	(121,505)
Cost of Employees	19	(1,703,264)	(1,693,757)
Other Operating Expenses	19	(3,092,558)	(1,424,782)
Amortizations and Depreciations	19	(826,586)	(865,598)
Total Expenses		(6,007,916)	(4,105,642)
Operating Income		**673,481**	**(1,698,161)**
Net financial expense	19	(409,665)	(68,986)
Impairment and gain/losses on sales of assets	7 y 8	419,928	(13,681)
Profit before tax		**683,744**	**(1,780,828)**
Corporate income tax	16	(178,921)	446,324
Profit for the period		**504,823**	**(1,334,504)**
Profit attributable to minority interest		3,954	-
Profit Attributable to the equity holders of the parent		**500,869**	**(1,334,504)**
Basic and diluted earnings per share	23	0.02	(0.06)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME AT JUNE, 30th 2011 (In EUR)

Euros	06/30/2011		06/30/2010	
	Equity holders of the parent	**Minority interest**	**Equity holders of the parent**	**Minority interest**
Profit for the period	500,869	3,954	(1,334,504)	-
Income and expenses recognized directly in equity	2,163	-	(8,117)	-
Reclassification included in the income statement	17,297	-	19,166	-
Income tax impact	-	-	-	-
TOTAL COMPREHENSIVE INCOME RECOGNIZED	**520,329**	**3,954**	**(1,323,455)**	**-**

B) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT JUNE, 30th 2011 (in EUR)

Euros

	Issued Capital	Share premium	Reserves Parent	Reserves Subsidiaries	Translation differences	Treasury shares	Retained earnings	Profit Attributable to the equity holders of the parent	Unrealised assets and liabilities revaluation reserve	Total Equity of the Parent	Minority interest	Total
Financial position at December 31 2010	**2,445,677**	**9,570,913**	**1,175,649**	**3,917**	**(477)**	**(347,303)**	**(1,091,225)**	**(2,266,379)**	**(33,784)**	**9,456,988**	**-**	**9,456,988**
Total comprehensive income recognized								**500,869**	**19,460**	**520,329**	**3,954**	**524,283**
Operaciones con socios	**-**	**-**	**(18,154)**	**-**		**(600,420)**	**-**	**-**	**-**	**(618,574)**		**(618,574)**
Capital increase												-
Net movement in treasury shares			(18,154)			(600,420)				(618,574)		(618,574)
Other movements				**25,373**	**(108)**		**(2,298,387)**	**2,266,379**		**(6,743)**	**143,562**	**136,819**
Financial position at June 30 2011	**2,445,677**	**9,570,913**	**1,157,495**	**29,291**	**(585)**	**(947,723)**	**(3,389,612)**	**500,869**	**(14,325)**	**9,352,000**	**147,516**	**9,499,515**

Euros

	Issued Capital	Share premium	Reserves Parent	Reserves Subsidiaries	Translation differences	Treasury shares	Retained earnings	Profit Attributable to the equity holders of the parent	Unrealised assets and liabilities revaluation reserve	Total Equity of the Parent	Minority interest	Total
Financial position at December 31 2009	**2,445,677**	**9,570,913**	**1,189,150**	**2,016**	**-**	**(319,737)**	**-**	**(1,091,225)**	**(63,389)**	**11,733,406**	**-**	**11,733,406**
Total comprehensive income recognized								**(1,334,504)**	**11,049**	**(1,323,455)**		**(1,323,455)**
Operaciones con socios	**-**	**-**	**4,181**	**-**	**-**	**8,519**	**-**	**-**	**-**	**12,700**		**12,700**
Capital increase												-
Net movement in treasury shares			4,181			8,519				12,700		12,700
Other movements							**(1,091,225)**	**1,091,225**				**-**
Financial position at June 30 2010	**2,445,677**	**9,570,913**	**1,193,331**	**2,016**	**-**	**(311,218)**	**(1,091,225)**	**(1,334,504)**	**(52,340)**	**10,422,651**		**10,422,651**

ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM CASH FLOW STATEMENT AT JUNE, 30th 2011 (In EUR)

	06/30/2011	06/30/2010
A) CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit before tax	**683,744**	**-1,780,828**
2. Non cash adjustments for	**-2,983,681**	**948,266**
a) Depreciation and amortisationn charge	826,586	865,598
b) Non-current assets provisions	- 418,032	-
c) Resuls in non-current assets operations	- 1,896	- 531
d) Finance income	- 12,886	- 15,737
e) Finance costs	379,707	107,506
f) Translation differences	42,844	- 22,783
g) Other income and costs	-3,800,004	14,214
3. Changes in working capital	**883,318**	**595,916**
a) Trade and other receivables	- 186,388	506,003
b) Other current assets	14,214	8,317
c) Trade and other payables	1,046,137	146,790
d) Other non-currrent assets and liabilaties	9,355	- 65,194
4.- Other cash flows from operating activities	**3,048,942**	**- 121,714**
a) Interests paid	- 379,707	- 107,506
b) Dividends received	141	6
c) Others	3,428,508	- 14,214
5.- Net cash flows from operating activities (1+2+3+4)	**1,632,323**	**- 358,360**
B) CASH FLOW FROM INVESTING ACTIVITIES		
6. Investment payments (-)	**5,046,285**	**1,070,414**
a) Investments in associates	50,000	4,457
b) Investments in companies, net of cash and equivalents acquired	326,233	-
c) Investments in intangible assets	866,245	1,044,217
d) Investments in property, plant and equipment	60,263	21,740
e) Investments in other financial assets	3,743,545	-
7. Investment proceeds (+)	**3,340,625**	**1,750,117**
a) Proceeds on financial investments in associates	-	350,000
b) Proceeds on other financial investments	3,340,625	1,400,117
8. Net cash flows from investing activities (7-6)	**- 1,705,660**	**679,703**
C) CASH FLOWS FROM FINANCING ACTIVITIES		
9. Equity	**- 618,574**	**12,700**
a) Treasury shares acquisition	- 779,793	- 139,393
b) Proceeds from disposals of treasury shares	161,219	152,093
10. Finance liabilities	**1,793,078**	**- 456,745**
a) Issue	2,889,473	692,523
1. Proceeds from issue of debentures and bonds	82,297	-
2. Proceeds from loans and borrowings	-	692,523
3. Proceeds from other liabilites	2,807,176	-
b) Repayment	1,096,395	1,149,268
1. Repayments of loans and borrowings	850,490	1,143,793
2. Repayments of other liabilities	245,905	5,475
11. Dividends payments	**-**	**-**
a) Dividends	-	-
12. Net cashflows from financing activities (9+10+11)	**1,174,504**	**- 444,045**
D) Effect on eschange rate changes on cash and cash equivalents	- 42,844	22,783
E) NET INCREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)	**1,058,323**	**- 99,920**
Cash and cash equivalents at 1 January	409,567	384,040
Cash and cash equivalents at 30 June	1,467,890	284,120

ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE, 30th 2011
(In EUR)

1. General information and business activity

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

On June, 11th 2002, the name of the 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.

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

Jomaca 98, S.L. holds a 71.56% Stake in Zinkia Entertainment, S.A.

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

Company	Address	Activity	Auditor	% 12/31/10	% 06/30/11
Sonocrew, S.L.	Madrid (Spain)	Recording company	No	100%	100%
Producciones y Licencias Plaza de España, S.A. de C.V.	México DF (Mexico).	Audiovisual rights management	No	100%	100%
Cake Entertainment Ltd.	London (UK)	Audiovisual rights management	No	0%	51%

All subsidiaries have been consolidated using the full consolidation method.

The scope of consolidation underwent the following changes in 2010 and 2011:

- The company Producciones y Licencias Plaza de España, S.A. de C.V. was founded on August, 9th 2010, a company that is jointly controlled by Zinkia Entertainment, S.A. and Sonocrew, S.L.
- A 51% stake in the company Cake Entertainment, Ltd. was acquired on June, 2nd 2011.

2. Basis of presentation of the consolidated financial statements

a) Basis of presentation

These Consolidated Interim Financial Statements of the Zinkia Entertainment Group for the six-month period ended June, 30th 2011 were formulated:

- By the directors of the parent company, Zinkia Entertainment, S.A., at Board of Directors' meeting held on August, 30th 2011.

- Pursuant to the terms of International Accounting Standard no. 34 on interim financial reporting and International Financial Reporting Standards (IFRS), as approved by the European Union, in accordance with (EC) Law 1606/2002 of the European Council and Parliament.

- So as to show a true image of the equity and financial position of the consolidated Group at June, 30th 2011 and the results of its operations and the changes in the Group's consolidated equity during the six-month period ended on the said date.

- Based on the accounting records of the parent company and the Group's subsidiaries.

- The Consolidated Interim Financial Statements were prepared on a historical cost basis, with the exception of the derivative financial instruments and available-for-sale financial assets, which are shown at fair value.

b) Accounting policies applied

The Group's Consolidated Interim Financial Statements at June, 30th 2011 were prepared in accordance with International Financial Reporting Standards.

This is the first time that the Group has prepared Consolidated Interim Financial Statements according to IFRS.

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

Due to the negligible relative importance of the companies Sonocrew, S.L. and Producciones y Licencias Plaza de España, S.A. de C.V., the Company had not filed Consolidated Financial Statements prior to these. The acquisition of 51% of the company Cake Entertainment, Ltd. to the first-time application of the International Financial Reporting Standards and current interpretations of the IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) and adopted by the European Union for implementation.

c) Responsibility for information and estimates made

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

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

- Impairment of assets:

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

- Useful lives of PPE and intangible assets:

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

- Tax credits:

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

- Corporate tax expense:

  According to IAS 34, corporate tax expense is recognised in each interim accounting period based on the best estimate of the average weighted tax rate for the accounting year in question. It may be necessary to make adjustments to the amounts calculated in the future.

d) Consolidation principles

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

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

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

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

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

  Any negative difference is credited to the consolidated income statement.

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

- The enclosed Consolidated Interim Financial Statements include certain adjustments to standardise the accounting principles and procedures applied by the subsidiaries and the parent company.

- The value of the interest of minority shareholders in the equity and results of the fully consolidated subsidiaries is presented under "Equity - Minority Interests" in the accompanying consolidated interim statement of financial position and "Minority Interests" in the consolidated interim income statement.

- All balances and transactions between fully or proportionately consolidated companies were eliminated on consolidation.

e) Functional currency

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

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

The financial statements of foreign companies were converted to euros using the year-end exchange rate method. This method consists of converting all assets, rights and obligations to euro at the exchange rate in effect on the closing date of the Consolidated Accounts, while the items of the Consolidated Income Statement are converted at the average exchange rate for the year. All resulting exchange differences are recognised as a separate component of equity.

3. Accounting principles and policies and measurement criteria applied

The following accounting principles and measurement criteria were used to formulate these Consolidated Interim Financial Statements of the Zinkia Entertainment Group for the six-month period ended June, 30th 2011 pursuant to the terms of the International Financial Reporting Standards adopted by the European Union and in force in June 2011:

3.1 Intangible assets

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

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

a) Research and development expenses

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

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

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

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

b) Licenses, trademarks and intellectual property

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

c) Computer software

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

Expenses associated with software maintenance are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the 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 Goodwill

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

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

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

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

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

3.4 Interest costs

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

until they are ready for use.

3.5 Losses due to impairment of non-financial assets

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

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

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

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

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

3.6 Leases

a) When the Group is lessee – Finance leases

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

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

b) <u>When the Company is the lessor – Operating leases</u>

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

3.7 Financial instruments

Financial assets

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

- Loans and accounts receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities longer than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in “Loans to companies” and “Trade and other receivables” in the consolidated statement of financial position. Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that brings the instrument’s carrying amount into line with all estimated cash flows to maturity. However, trade receivables falling due in less than one year are carried at their face value at both initially and subsequently, provided that the effect of not updating the cash flows is not significant. At least once a year at year end, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected. The amount of the impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments and reversals, where applicable, are recognised in the consolidated income statement.

- Held-to-maturity investments: Held-to-maturity financial assets are debt securities with fixed or determinable payments and fixed maturities that are traded on an active market and that Group management has the intention and ability to hold to maturity. If a Group company sells an immaterial amount of held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months of the consolidated statement of financial position date which are classified as current assets. The measurement criteria applied to these investments are the same as for loans and receivables.

- Available-for-sale financial assets: Any others not included in the other financial asset categories, most of which are capital investments. These investments are also shown on the consolidated statement of financial position at market value which, for unlisted companies, is obtained using alternative methods such as comparisons with similar

transactions or by updated expected cash flows, if there is sufficient information to do so. The profits and losses from changes in fair value are recognised directly in equity until the asst is disposed of or becomes impaired, at which the accumulated profits or losses previously recognised in equity are included in the net profits (losses) for the period. If the fair value cannot be reliably determined, they are recognised at cost or a lower amount if there is evidence of impairment. They are classed as non-current unless the maturity date is within 12 months of the statement of financial position date or Group management intends to dispose of the investment within that amount of time.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are initially recognised for the amount actually received, net of transaction costs, and are later recognised at amortised cost using the effective interest rate method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date of the liability. Finance costs are recognised on an accrual basis in the consolidated income statement using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise.

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

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

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

Financial derivatives and accounting hedges

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

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

- Cash flow hedges: The part of the change in the fair value of the derivatives designated as cash flow hedges is tentatively recognised in equity. It is taken to the consolidated income statement in the years in which the forecast hedged transaction affects results unless the hedge relates to a forecast transaction ending in the recognition of a non-financial asset or

liability, in which case the amounts reflected in equity are included in the cost of the asset when it is acquired or of the liability when it is assumed. The gain or loss relating to the inefficient part is recognised immediately in the consolidated income statement.

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

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

3.8 Inventories

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

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

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

3.9 Equity instruments

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

3.10 Treasury stock

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

3.11 Provisions and contingent liabilities

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

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

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

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

Contingent liabilities are considered to be potential liabilities deriving from past events, the existence of which is subject to the occurrence of one or more future events that lie outside the control of the Company. Such contingent liabilities are not reflected for accounting purposes and a breakdown is presented in the notes to the consolidated financial statements.

3.12 Labour obligations

Termination benefits are payable when the employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits when it has demonstrably undertaken to terminate current employees' employment in accordance with a formal detailed plan that cannot be withdrawn, or to provide severance indemnities as a result of an offer made to encourage voluntary redundancy. Benefits which are not going to be paid within twelve months of the statement of financial position date are discounted at present value.

The Group has no other obligations to its personnel.

3.13 Grants

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.

3.14 Revenue recognition

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

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

3.15 Foreign currency transactions

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

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

3.16 Income tax

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

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

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

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

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

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

3.17 Environmental Information

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

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

3.18 Earnings per share

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

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

4. Segment information

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

5. Seasonality

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

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

6. Financial risk management

6.1 <u>Financial risk factors</u>

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

Risk management is controlled by the parent company's Treasury Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the Board of Directors. The Board provides guidelines for overall risk management and written policies covering

specific areas such as foreign exchange risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives and investing excess liquidity.

a) <u>Market risk</u>

(i) <u>Foreign exchange risk</u>

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

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

(ii) <u>Price risk</u>

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

(iii) <u>Interest rate, cash flow and fair value risk</u>

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

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

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

On the basis of the different scenarios, the Group manages the cash flow interest rate risk through floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting floating interest borrowings to fixed interest borrowings. Generally the Group obtains long-term borrowings at floating interest rates and swaps them for fixed rates borrowings that are lower than those which would be available if the Group obtained them directly at fixed interest rates. Under interest rate swaps, the Group undertakes with other parties to exchange the

difference between fixed and floating interest, calculated on the basis of the principal notionals on a regular basis (generally quarterly).

b) **Credit risk**

Credit risk is managed by groups. The credit risk results from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions and wholesalers and retailers, including accounts receivable outstanding and committed transactions. The 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 parent company's Treasury Department aims to maintain flexibility in funding by keeping credit lines available.

6.2 Fair value estimation

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

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

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

7. Intangible assets

7.1 Goodwill

The changes under this heading on the consolidated statement of financial position in the first half of 2011 are as follows:

Euros	**06/30/2011**	**12/31/2010**
Companies		
Cake Entertainment Ltd	866,928.92	-
Total	**866,928.92**	**-**

During the first half of 2010 there was no goodwill from the subsidiaries of Zinkia Entertainment, S.A.

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

- The company Producciones y Licencias Plaza de España, S.A. de C.V. was founded on August, 9th 2010, a company that is jointly controlled by Zinkia Entertainment, S.A. and Sonocrew, S.L.
- A 51% stake in the company Cake Entertainment, Ltd. was acquired on June, 2nd 2011.

7.2. Other Intangible Assets

The details and changes in the items under the Intangible Assets caption other than goodwill were as follows during the first half of 2011 and 2010:

Euros	Balance at 12/31/10	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Balance at 06/30/11
Cost						
Research and development	5,134,780.69	-	861,387.05	-	-	5,996,167.74
Intellectual property	10,090,877.21	-	-	-	-	10,090,877.21
Computer software	509,415.79	-	4,857.74	-	-	514,273.53
Intangible assets advances	-	-	-	-	-	-
Total	**15,735,073.69**	**-**	**866,244.79**	**-**	**-**	**16,601,318.48**
Accumulated Amortisation						
Research and development	- 246,985.25	-	-	-	-	- 246,985.25
Intellectual property	- 6,009,230.88	-	- 786,706.00	-	-	- 6,795,936.88
Computer software	- 395,974.88	-	- 21,942.13	-	-	- 417,917.01
Total	**- 6,652,191.01**	**-**	**- 808,648.13**	**-**	**-**	**- 7,460,839.14**
Impairment	- 418,032.01	-	-	- 418,032.01	-	-
Total	**8,664,850.67**	**-**	**57,596.66**	**- 418,032.01**	**-**	**9,140,479.34**

Euros	Balance at 12/31/09	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Balance at 06/30/10
Cost						
Research and development	4,240,503.25	-	1,008,454.41	-	- 1,096,661.23	4,152,296.43
Intellectual property	8,994,215.98	-	-	-	1,096,661.23	10,090,877.21
Computer software	456,062.88	-	30,134.51	-	-	486,197.39
Intangible assets advances	17,025.32	-	5,627.78	-	-	22,653.10
Total	**13,707,807.43**	**-**	**1,044,216.70**	**-**	**-**	**14,752,024.13**
Accumulated Amortisation						
Research and development	- 246,622.84	-	- 362.41	-	-	- 246,985.25
Intellectual property	- 4,358,195.31	-	- 828,294.00	-	-	- 5,186,489.31
Computer software	- 354,362.82	-	- 20,416.09	-	-	- 374,778.91
Total	**- 4,959,180.97**	**-**	**- 849,072.50**	**-**	**-**	**- 5,808,253.47**
Impairment	-	-	-	-	-	-
Total	**8,748,626.46**	**-**	**195,144.20**	**-**	**-**	**8,943,770.66**

The additions in the first half of year refer primarily to work done on fixed assets (Note 3.1.a).

The estimated impairment of one of the audiovisual projects shown under Intellectual Property was reversed. At the end of last year, it was estimated that because of the future revenues associated with this project warranted the impairment provision. During the first half of 2011,

following the purchase of the stake in Cake Entertainment Ltd., a company which will expand the Group's commercial and distribution capacity, it was estimated that the amount of income generated would be sufficient to reverse the estimated impairment. (Note 3.5)

Fully-amortised intangible assets

At June, 30th 2011, the Group had fully depreciated assets valued at 851,358.70 still in use.

At June, 30th 2010, the Group had fully depreciated intangible assets valued at 524,682.93 still in use.

Assets subject to guarantees and ownership restrictions

At June, 30th no property, plant and equipment were subject to ownership restrictions or had been pledged to secure liabilities. The same was true at 30 June 2010.

Grants received in relation to intangible assets

As of the date of these financial statements, the Group had recognised grants related to projects underway in the amount of EUR 79,748.25 as “Deferred Income” under the heading of non-current liabilities on the Consolidated Interim Statement of financial position and EUR 96,469.00 which are shown as "Financial Liabilities” under the heading of non-current liabilities.

During the same period the year before, there were capital grants in the amount of EUR 112,500.00 to be spread over various fiscal years.

Since the capital grants are associated with projects still underway that are not being amortised no income was carried to the Group’s Consolidated Income Statement during the first half of 2011 or 2010. (Note 3.13).

8. Property, plant and equipment

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

Euros	Balance at 12/31/10	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Balance at 06/30/11
Cost						
Machinery	31,688.60	-	-	-	-	31,688.60
Other equipment	34,517.28	-	977.83	-	-	35,495.11
Furnishings	65,398.90	101,230.95	3,109.77	-	-	169,739.62
Data-processing equipment	139,115.25	-	10,067.90	-	-	149,183.15
Other PPE	26,672.02	-	-	-	-	26,672.02
Total	**297,392.05**	**101,230.95**	**14,155.50**	**-**	**-**	**412,778.50**
Accumulated Amortisation						
Machinery	- 31,166.75	-	- 58.00	-	-	- 31,224.75
Other equipment	- 22,358.64	-	- 1,568.96	-	-	- 23,927.60
Furnishings	- 39,429.92	- 55,039.41	- 3,184.73	-	-	- 97,654.06
Data-processing equipment	- 89,235.09	-	- 9,982.45	-	-	- 99,217.54
Other PPE	- 7,506.27	-	- 1,332.00	-	-	- 8,838.27
Total	**- 189,696.67**	**- 55,039.41**	**- 16,126.14**	**-**	**-**	**- 260,862.22**
Impairment	-	-	-	-	-	-
Total	**107,695.38**	**46,191.54**	**- 1,970.64**	**-**	**-**	**151,916.28**

Euros	Balance at 12/31/09	Changes in scope of consolidation	Additions	Disposals or reductions	Transfers	Balance at 06/30/10
Cost						
Machinery	31,688.60	-	-	-	-	31,688.60
Other equipment	26,583.70	-	777.35	-	-	27,361.05
Furnishings	56,760.27	-	5,887.42	-	-	62,647.69
Data-processing equipment	105,420.70	-	9,917.48	-	-	115,338.18
Other PPE	20,982.76	-	5,689.26	-	-	26,672.02
Total	**241,436.03**	**-**	**22,271.51**	**-**	**-**	**263,707.54**
Accumulated Amortisation						
Machinery	- 30,954.68	-	- 158.07	-	-	- 31,112.75
Other equipment	- 18,826.50	-	- 1,590.00	-	-	- 20,416.50
Furnishings	- 30,523.24	-	- 4,887.15	-	-	- 35,410.39
Data-processing equipment	- 72,411.79	-	- 8,711.78	-	-	- 81,123.57
Other PPE	- 4,996.27	-	- 1,178.00	-	-	- 6,174.27
Total	**- 157,712.48**	**-**	**- 16,525.00**	**-**	**-**	**- 174,237.48**
Impairment	-	-	-	-	-	-
Total	**83,723.55**	**-**	**5,746.51**	**-**	**-**	**89,470.06**

The main change during the first half of 2011 compared to the same period the year before was the addition of the fixed assets contributed by the Cake Entertainment Ltd. in the amount of EUR 46,191.54, this being the first period for which the company was consolidated by the Zinkia Entertainment Group. (Note 1)

Impairment losses

The Consolidated Financial Statements for the first half of 2011 do not include any fixed asset impairment losses. The same was true for the year before. (Note 3.5)

Fully-depreciated assets

At June, 30th the Group had fully depreciated assets valued at 128,295.83 still in use.

At June, 30th 2010, the Group had fully depreciated tangible assets valued at 90,375.81 still in use.

Property, plant and equipment subject to guarantees

At 06.30.11, no property, plant and equipment were subject to ownership restrictions or had been pledged to secure liabilities. The same was true at June, 30th 2010.

Commitments to purchase tangible fixed assets

At June, 30th the Group had assumed no commitments to acquire tangible fixed assets. The same was true at June, 30th 2010.

9. Financial assets

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

Euros	06/30/2011	12/31/2010	06/30/2010	12/31/2009
Non-current financial investments				
Equity instruments	32,270.20	32,270.20	32,270.20	32,270.20
Other financial assets	52,500.00	52,500.00	-	-
Total	**84,770.20**	**84,770.20**	**32,270.20**	**32,270.20**
Current financial investments				
Loans to Group's companies	434,591.65	380,875.55	331,970.09	677,511.65
Equity instruments	194.80	198.20	288.75	288.75
Other financial assets	582,154.19	179,402.78	138,923.78	1,539,040.52
Total	**1,016,940.64**	**560,476.53**	**471,182.62**	**2,216,840.92**

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

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

Current financial investments include loans granted to 98, S.L., which controls 71.56% of the share capital of the parent company, Zinkia Entertainment, S.A. This transaction is explained in further detail in note 18 regarding third party balances and transactions.

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

10. Trade and other accounts receivable

The detail of this caption on the Consolidated Statement of financial position at June, 30th and 2010 is as follows:

Euros	06/30/2011	12/31/2010
Trade receivables	3,343,424.68	3,483,575.70
Accounts receivables	119,916.14	-
Others	329.48	- 519.15
Bad debt provision	-	-
Total	**3,463,670.30**	**3,483,056.55**

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

Furthermore, non-current trade receivables on the asset side of the Consolidated Statement of financial position include the customer balances with maturity dates more than 12 months away from the formulation date of the Consolidated Interim Financial Statements. At June, 30th the figure shown under this heading was EUR 90,682.38 compared to EUR 100,037.27 at the end of fiscal year 2010.

At June, 30th the Group did not consider it necessary to set up any provisions for bad debts. All receivables, whether due or not, whose recoverability could be considered doubtful at that date were provided for. The amount of the corresponding impairment provision has been determined by estimating the loss that can reasonably be expected to be incurred with each customer. The impaired receivables consist mainly of individually identified items with specific collection problems.

In the first half of the year the Group recognised bad debt losses on trade receivables in the amount EUR 1,022,691.22, primarily due to an agreement between ITV Global Entertainment Ltd and Zinkia Entertainment, S.A., the parent company of the Group, whereunder Zinkia became the exclusive world-wide distributor of Pocoyó rights and licenses. Under this agreement, all derivative amounts were liquidated and in addition to generating a balance in Zinkia's favour, some amounts were settled in such a way that it caused the recognition of losses on certain rights already on the books. The agreement was made public as a Relevant Event reported to the CNMV and MAB on April, 11th of this year. No bad debts on trade receivables were recognised in the same period last year.

11. Cash and other cash equivalents

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

Euros	**06/30/2011**	**12/31/2010**
Cash	1,462,099.75	409,566.88
Cash equivalent	5,790.74	-
Total	**1,467,890.49**	**409,566.88**

These reserves are freely available for distribution.

12. Equity

Share capital

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

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

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

Shareholder	**% Interest**
Jomaca 98, S.L.	71,56%
Stock market	15,17%
Others	10,94%
Treasury shares	2,33%
Total	**100,00%**

The parent company is governed by the terms of the Capital Companies Act which establishes a minimum capital of EUR 60,101.21 for public limited companies.

The main capital management objectives of the Zinkia Entertainment Group are to ensure the long and short term financial stability of the Group, the positive evolution of its shares, the proper financing of its investments and the reduction of debt levels. This capital management policy is designed to optimise the financial structure by creating value for shareholders through access to financial markets at competitive costs that allow the Group to cover the financing needs of its

business plan and investments which cannot be covered through self-funding. The table below shows the leveraging, understood as the ratio between financial debt and net equity:

Euros	**06/30/2011**	**12/31/2010**
Non-current financial liabilities	5,396,530.31	3,672,294.40
Current financial liabilities	2,526,966.42	2,459,120.63
Cash and cash equivalents	- 1,467,890.49	- 409,566.88
Net Debt	**6,455,606.24**	**5,721,848.15**
Equity of the parent	9,351,999.62	9,456,987.80
Equity of the parent	**9,351,999.62**	**9,456,987.80**
Leverage	**69.03%**	**60.50%**

Share premium account

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

Legal reserve

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

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

The legal reserve at June, 30th and December 30th 2010 totalled EUR 237,262.07.

Other reserves

These include the reserves of the parent company which stood at EUR 905,908.17 and EUR 604,602.33 at June, 30th and December 31st respectively, and those of the subsidiaries which totalled EUR 29,290.66 and EUR 3,917.48 on the same dates.

Treasury shares

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

The changes under the heading of "Treasury Stock" on the Consolidated Interim Statement of financial position during the first half of 2011 are as follows:

Euros	**Number of shares**	**Euros**
Balance at January, 1st 2011	206,314	347,303
Additions	458,963	755,379
Disposals	- 94,851	- 154,959
Balance at June, 30th 2011	**570,426**	**947,723**

The changes during the same period the year before were as follows:

Euros	Number of shares	Euros
Balance at January,1st 2010	158,394	319,736
Additions	75,177	139,393
Disposals	- 73,385	- 147,912
Balance at June, 30th 2010	**160,186**	**311,217**

The treasury stock in the Company's possession at June, 30th represented approximately 2.33% (0.65% at June, 30th 2010) of the share capital with a nominal value of EUR 57.043 (EUR 16,018.60 at June, 30th 2010) and an average acquisition price of EUR 1.65 per share (EUR 1.94/share at June, 30th 2010). The average sale price of the Company's treasury stock at June, 30th 2010 was EUR 1.63 per share.

Dividends

The Group did not pay any dividends in the first half of 2011 nor does it intend to do so. The same is true for the first half of 2010.

Minority interests

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

13. Deferred income

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

The details are as follows:

Granting Entity	Euros	Purpose	Grant date
Education, Audiovisual and Culture Agency	150,000	Pre-production of 3 audiovisual works	06/11/2007

The value of the grant is EUR 79,748 due a difference between the initially approved amount and the final amount of the grant and due to the tax effects as a result of applying a tax rate of 25%.

14. Financial liabilities

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

Euros	06/30/2011		12/31/2010	
	Current	Non-current	Current	Non-current
Debentures and bonds	138,096.87	1,676,837.06	30,488.92	1,594,540.03
Bank loans	1,465,120.49	983,899.70	1,354,164.55	1,697,500.93
Other payables to banks	515,553.65	-	722,652.95	-
Derivative	-	14,324.55	-	33,784.44
Participating loans	376,808.42	125,000.00	351,814.21	250,000.00
Other borrowings	31,386.99	2,596,469.00	-	96,469.00
Total	**2,526,966.42**	**5,396,530.31**	**2,459,120.63**	**3,672,294.40**

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

The conditions of the issue are as follows:

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

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

Euros Maturity	06/30/2011	12/31/2010
2011	1,411,189.12	2,459,120.63
2012	1,810,204.14	1,553,973.68
2013	2,172,881.09	2,089,098.34
2014	2,529,222.38	29,222.38
Total	**7,923,496.73**	**6,131,415.03**

During the first half of 2011, the parent company took out a loan in the amount of EUR 2,500,000.00 which matures in 2014, as reported in the Relevant Event sent to the CNMV and MAB.

At June, 30th Group companies had unused lines of credit totalling EUR 25,047.37. At the end of 2010, the unused lines of credit totalled EUR 102,347.05.

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

The average weighted rate of reference of the Group’s financial liabilities at June, 30th was 6.91%. At the end of 2010, the rate was 5.04%.

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

Euros	06/30/2011		12/31/2010	
	Euros	%	Euros	%
Fixed rate	5,857,378.19	74%	3,379,216.60	55%
Variable rate	2,066,118.54	26%	2,752,198.43	45%
Total	**7,923,496.73**	**100%**	**6,131,415.03**	**100%**

15. Derivative financial instruments

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

The notional principal on outstanding interest rate swaps was EUR 700,000 at December, 31st 2011 and EUR 1,200,000 at December, 31st 2010.

At 06.30.11, fixed interest rates varied between 3.80% and 6.40%. The floating interest rate was 12M Euribor. Gains/ losses recognised in equity under "Reserves" for interest rate swaps at June, 30th will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

16. Deferred taxes, income tax and other taxes

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

Euros	12/31/2010	Additions	Removed at 06/30/11	06/30/11
Tax credits for tax-loss carryforwards	1,555,931.59	-	178,921.25	1,377,010.34
Other tax credits	2,373,073.94	-	-	2,373,073.94
Deferred tax assets	**3,929,005.53**	-	**178,921.25**	**3,750,084.28**
Temporary differences- grants	26,582.75	-	-	26,582.75
Temporary differences - amortisation	13,092.26	-	-	13,092.26
Deferred tax liabilities	**39,675.01**	-	-	**39,675.01**

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

Euros	06/30/2011	06/30/2010
Consolidated profit before taxes	**683,743.92**	**- 1,334,503.94**
Non-deductible expenses and non-computable income	38,415.29	32,754.31
Adjusted accounting profit	**722,159.21**	**- 1,301,749.63**
Deferred tax		- 446,324.05
Application of tax credit to offset tax loss carryforwards	178,921.25	
Income tax expense	**178,921.25**	**- 446,324.05**

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

Euros	06/30/2011	12/31/2010
Deferred tax assets	3,750,084.28	3,929,005.53
Corporate income tax assets	14,092.05	14,092.05
Other tax receivable	390,158.95	184,385.04
Tax receivables	**4,154,335.28**	**4,127,482.62**
Deferred tax liabilities	39,675.01	39,675.01
Corporate income tax payable	-	10,510.42
Other tax payable	448,484.26	330,764.14
Tax payables	**488,159.27**	**380,949.57**

17. Trade and other payables

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

Euros	06/30/2011	12/31/2010
Suppliers of services provided	2,221,927.20	1,283,000.37
Suppliers of fixed assets	254,968.16	251,934.25
Other	152.02	- 1,531.70
Total	**2,477,047.38**	**1,533,402.92**

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

Pursuant to the terms of the third additional provision of Law 15/2010 of July, 5th on the "Right to Information", at the end of the first half of the year the parent company and its Spanish subsidiaries had outstanding balances payable to suppliers which exceeded the legally-established payment deadline in the amount of EUR 21,860.85.

18. Balances and transactions with related parties

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

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

Euros	06/30/2011		12/31/2010	
	Receivables	Payables	Receivables	Payables
Advances to creditors				
Jomaca 98, S.L.	-	-	13,620.00	-
Short-term loans				
Jomaca 98, S.L.	434,592.00		380,876.00	
Total	**434,592.00**	-	**394,496.00**	-

The related-party transactions during the first half of 2011 were as follows:

Euros	06/30/2011		12/31/2010	
	Expenses	Incomes	Expenses	Incomes
Jomaca 98, S.L.	293,661.00	3,716.00	53,084.74	4,458.44
Total	**293,661.00**	**3,716.00**	**53,084.74**	**4,458.44**

19. Income and expense

Net sales

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

Euros	06/30/2011	06/30/2010
Trademark licences	1,438,556.57	1,216,916.49
Interactive contents	566,314.07	158,950.04
Other	13,989.15	21,828.26
Total	**2,018,859.79**	**1,397,694.79**

There are no clients who account for a significant portion of the turnover.

Other operating revenues

The amounts shown under the heading of “Other operating revenues” includes the capitalisation of the costs incurred to produce the Group’s audiovisual projects.

In the first half of the year the Group recognised income under "Other operating income” on the Consolidated Interim Income Statement due primarily to an agreement between ITV Global Entertainment Ltd and Zinkia Entertainment, S.A., the parent company of the Group, whereunder Zinkia became the exclusive world-wide distributor of Pocoyó rights and licenses. Under this agreement, all derivative amounts were liquidated and in addition to generating a balance in Zinkia's favour, some amounts were settled in such a way that it caused the recognition of losses on certain rights already on the books. The agreement was made public as a Relevant Event reported to the CNMV and MAB on April, 11st of this year. During the same period of time the year before, the only amounts capitalised were those relative to the projects underway at the time.

Raw materials and consumables

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

Staff expenses

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

Euros	06/30/2011	06/30/2010
Wages and salaries	1,216,922.18	1,229,610.71
Compensations	61,087.75	11,342.17
Employer social security costs	320,823.87	360,665.61
Other expenses	104,430.31	92,138.50
Total	**1,703,264.11**	**1,693,756.99**

The average number of people employed by the Group during the period covered by the Interim Financial Statements was 74.45 in 2011 and 79.07 in 2010, of whom 26.95 and 21.3, respectively, are women.

The breakdown by professional category is as follows:

CATEGORY	Average number of employees	
	06/30/2011	06/30/2010
5-YR DEGREE HOLDER	33.63	28.00
3-YR DEGREE HOLDER	4.00	7.00
SR. MANAGER	7.00	5.00
MANAGER 1	1.83	3.00
MANAGER 2	1.00	1.00
OFFICIAL 1	12.76	14.27
OFFICIAL 2	5.00	8.00
ASSISTANT	1.73	1.50
PROGRAMMER	2.00	3.00
OPERATOR	4.00	6.80
OFFICIAL 1	1.50	1.50
Total	**74.45**	**79.07**

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

External services

The composition of this caption is as follows:

Euros	06/30/2011	06/30/2010
Operating leases	147,427.25	144,122.32
Independent professional services	1,300,948.51	886,482.05
Other expenses	642,222.47	394,177.63
Impairment losses on commercial transactions	1,001,960.22	-
Total	**3,092,558.45**	**1,424,782.00**

Depreciation and provisions

The composition of this caption is as follows:

Euros	**06/30/2011**	**06/30/2010**
Intangible asset depreciation charge	810,459.97	849,072.50
Property, plant and equipment depreciation charge	16,126.14	16,525.00
Grants related to assets transferred to income for the year	-	-
Total	**826,586.11**	**865,597.50**

Financial income and expense

Euros	**06/30/2011**	**06/30/2010**
Finance income due to credits to related parties	3,716.10	4,458.44
Other	9,169.41	11,278.56
Finance Income	**12,885.51**	**15,737.00**
Finance and similar costs	379,706.98	107,506.00
Exchange profit/losses	42,843.91	- 22,783.00
Finance Cost	**422,550.89**	**84,723.00**
Net financial expense	**- 409,665.38**	**- 68,986.00**

20. Contingencies and guarantees

During the first half of 2011, the Group had no identified contingent liabilities.

The parent company has two guarantees in the amount of EUR 1,000,000 and EUR 2,000,000 to guarantee loans in the same amounts.

21. Director and senior management compensation

Remuneration of the members of the Board of Directors

During the first half of 2011, the members of the Board of Directors received no remuneration for sitting on the Board.

No contributions were made to pension plans or funds for former or current members of the parent company’s Board of Directors. No such obligations were incurred during the year.

The members of the parent company’s Board of Directors have received no remuneration in respect of profit sharing or premiums. They received no shares or stock options during the year and nor have they exercised any options and nor do they have any options to be exercised.

Compensation and loans to senior management personnel

In 2010, the Company's senior management staff were paid a total of EUR 649,006.64 while in 2009 that same senior management staff received a total of EUR 301,776.75 in remuneration.

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

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

To this end it is noted that the positions held by the members of the Board of Directors on the governing bodies of other group companies are as follows: José María Castillejo Oriol is the Director of the company Sonocrew, S.L. and is also a member of the Board of Directors of Cake Entertainment Ltd, a Group company. These positions in Group companies are unremunerated.

22. Environmental information

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

In fiscal year 2011, there were no major environmental expenditures.

23. Earnings per share

Basic earnings per share

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

Euros	**06/30/2011**	**06/30/2010**
Profit Attributable to the equity holders of the parent	500,868.93	- 1,334,503.94
Average number of shares during the year	24,445,677	24,445,677
Average number of treasury shares held	- 388,370	- 159,290
Average number of shares outstanding	24,057,307	24,286,387
Basic earning per share (euros)	**0.02**	**- 0.05**

Diluted earnings per share

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

24. Auditors' fees

The professional fees charged by Garrido Auditores, S.L. for auditing and other services for the parent company of the Group totalled EUR 6,604.00 in the first half of 2011.

The Company also paid fees in the amount of EUR 18,753.47 to Garrido Asesores Externos, S.L.

25. Events after the Financial Statement date

Between July, 1st 2011 and the date of these Consolidated Interim Financial Statements, there were no events that could have a significant effect on them.

Signed Consolidated Interim Financial Statements

These Annual Accounts are signed by the members of the Board of Directors, with the exception of Miguel Valladares García and Mariano Martín Mampaso, who were out of the country on personal and professional business at the time and thus could not sign the Annual Accounts at the time of the Board of Directors meeting held in Madrid on August, 30th 2011.

ZINKIA ENTERTAINMENT, S.A. AND SUBSIDIARIES
CONSOLIDATED DIRECTORS' REPORT FOR THE FIRST HALF OF 2011

Business Performance and Company Situation

The Group reported turnover of EUR 2,018,860 in the first six months of the year compared to EUR 1,397,695 for the same period last year, which represents a 44% increase. This is the first year in which the company Cake Entertainment Ltd., 51% of whose capital was acquired by the group in June, has been included in the scope of consolidation. Since that time, Cake has contributed EUR 450,645 to the Group's turnover.

The consolidated operating income went from negative to EUR 1,698,161 to positive EUR 673,481 through June, 30th.

In April of this year, the parent company reached an agreement with ITV Global Entertainment Ltd. which brought the economic and commercial relations between the two companies to an end. As a result of the agreement, Zinkia is now the exclusive, world-wide distributor of Pocoyó rights and licenses. This agreement is a very important milestone in terms of Pocoyó commercial operations. Before the agreement, the results obtained by ITV were not as satisfactory as we had hoped. Now, Zinkia can implement world-wide strategies that will allow it to achieve the objectives set out in the Company's business plans. It will also allow us to diversify the income sources geographically, which will in turn enable us to be less dependent on certain geographical areas in the coming years. The fact that Cake has joined the group will bring about important synergies and help us to distribute not only the audiovisual contents of Pocoyó but the rest of the Group's international projects as well.

While the Group's operating costs in the first six months of 2011 were up 46% compared to the same period last year, they are in keeping with income and both personnel costs and general expenses came in below budget.

The Group's financial position is evenly balances, with consolidated net financial debt of EUR 6,455,606 at June, 30th compared to equity of EUR 9,352,000, which is equal to leveraging of 69%.

Related- party transactions

Related party transactions during the first six months of 2011 did not have a significant effect on the Group's results or financial situation.

Events after the date of these Consolidated Interim Financial Statements

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

Outlook for the Company

While it is still largely uncertain which way the world economy is going, in 2011 and thereafter we expect a considerable increase in the Group's business due to the synergies created with the addition of Cake and the territorial expansions planned for the Group's projects.

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

Research & Development.

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

Financial Risk Hedging

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

Acquisition of treasury shares

Pursuant to the terms of article 262 of the Revised Text of the Capital Companies Act and considering the contents of Title IV, Chapter VI of the law, in the first half of the year the parent Company acquired 458,963 shares of treasury stock under a liquidity contract signed with Banesto Bolsa, S.V.B., S.A., which acts as the liquidity agent for Zinkia following our inclusion in the Mercado Alternativo Bursátil to fulfil the commitments acquired in the EUR 2.5 million financing operation signed in February of this year. Also during the first half of the year, the Company disposed of 94,851 treasury shares, incurring losses of EUR 22,305 on these transactions which were carried as a reduction in equity on the consolidated interim statement of financial position. At June, 30th the Company possessed 570,426 shares with a par value of EUR 57,043, which accounted for 2.33% of share capital.

DECLARATION OF RESPONSIBILITY FOR THE
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The members of the Board of Directors of ZINKIA ENTERTAINMENT, S.A. listed below declare that, to the best of their knowledge, the interim financial information for the Zinkia Entertainment Group which includes the Consolidated Interim Financial Statements of ZINKIA ENTERTAINMENT, S.A. and subsidiaries as at the end of the first half of 2011, formulated by the Board of Directors at the meeting held on August, 30th 2011 and prepared according to the applicable accounting principles, offer a true image of the equity, financial situation and results of the ZINKIA ENTERTAINMENT Group and that the consolidated Directors' Report includes an accurate analysis of the Group's business results and position, along with a description of the principal risks and uncertainties faced by the Group.

Madrid, August, 30th 2011

José María Castillejo Oriol

Alberto Delgado Gavela

Juan José Güemes Barrios

Mariano Martín Mampaso

Miguel Valladares García

Alejandro F. Ballestero de Diego

JOMACA 98, S.L. – Íñigo Mencos Valdés