blinkx plc

Annual Report and Financial Statements for the Period Ended 31 March 2012

Company number: 06223359

Table of Contents

President's Report	1
Board of Directors	2
Directors' Report	4
Corporate Governance	10
Directors' Responsibilities Statement	11
Independent Auditor's Report to the Members of blinkx plc	12
Consolidated Income Statement	14
Consolidated Statement of Comprehensive Income	15
Consolidated Balance Sheet	16
Consolidated Statement of Changes in Equity	17
Consolidated Cash Flow Statement	18
Notes to the Consolidated Financial Statements	19
Company Balance Sheet	44
Company Statement of Changes in Equity	45
Company Cash Flow Statement	46
Notes to the Company Only Financial Statements	47
Shareholder Information and Advisors	52

President's Report

Dear Investor,

I am pleased to report that we have continued to see strong momentum in the online video market this year. In addition, we have experienced unexpected growth in new and related arenas, such as the soaring popularity of smartphones and tablet devices, including the iPad. The proliferation of these powerful connected devices and high-speed broadband networks has catalyzed consumer appetite for Web video. comScore reported that in March of this year, 181 million people in the US watched nearly 37 billion videos online. We expect that advertisers will continue to follow these audiences by allocating more of their spend to digital channels over the coming years.

Over the past 12 months, the blinkx group has claimed an aggressive share of this thriving market, with revenue surpassing the $100 million mark, an increase of more than 73% over the prior year. In this fast-moving industry, blinkx outperformed the online video advertising market by over 80%, which grew at a healthy rate of over 40% annually.

Fiscal Year 2012 financial highlights included:

- Revenues increased by 73% to $114.4m, from $66.1 in FY2011
- Adjusted* profit from operations increased by 28% to $10.5m compared with $8.2m for FY2011
- Adjusted* profit for the year of $12.7m, compared with $9.8m for FY2011
- Profit for the year of $3.9m, compared with $7.6m for FY2011
- Cash balance of $38.4m compared to $52.8m at 31 March 2011, following acquisitions

Since my last report, we have continued to augment our global audience through a growing number of distribution points, signing agreements with leaders like AOL, and also through the expansion of our cross-platform distribution initiatives, partnering with industry leaders like Sony, Samsung, Roku and Aurasma. Moving forward, we see an attractive opportunity to increase our reach to new frontiers on the Web, enhancing long-tail, text-based content with video. The acquisitions of Burst Media and PVMG have brought us access to vast networks of text-oriented sites – and the potential to deliver video content and advertising to over 2,000 new publishers.

Through organic growth and selective acquisitions, and our unique technological capabilities, we have created a huge and growing video-enabled ecosystem of audience, content providers, advertising networks and advertisers. Our forward strategy and growth is based on further monetizing this opportunity.

The vast majority of our revenues are driven by advertising - sold both directly and through third parties - which exploits less than 10% of the total ad interactions that we now have the option to fill as a result of the recent Burst and PVMG acquisitions. Therefore, over 90% of the traffic available remains an under-leveraged economic opportunity. We see the exploitation of this as a very tangible and exciting opportunity against a backdrop where we expect to see continued growth in online advertising over the medium term.

In conclusion, the quality and scale of blinkx's audience, combined with the unrivalled capabilities of our technology and advertising platform, AdHoc, and the calibre of our ever growing number of content partners, have enabled us to win new and repeat advertising customers such as Kellogg's, Shell and Microsoft, even in a somewhat tentative economic climate. In addition, we have enhanced the leadership team through the appointment of S. Brian Mukherjee first as Chief Operating Officer and subsequently as Chief Executive Officer, and Frank Pao as General Counsel and Executive Vice President, Business Affairs, talented executives who have deep sector experience and successful track records. I will continue to remain on the Board and be responsible for the Company's technology and product vision, as well as exploring new opportunities for growth while maintaining my relationships with advertisers, partners and investors. We remain confident in our position in the market and the progress we have made this year, and are excited about the opportunities that lie before us.

Suranga Chandratillake
President and Chief Strategy Officer
blinkx
2 August 2012

* Before acquisition and exceptional costs.

Board of Directors

The Directors of blinkx are as follows

Name	Age	Position
Anthony Bettencourt	51	Non-executive Chairman
Suranga Chandratillake	34	President and Chief Strategy Officer
Dr. Michael Lynch	47	Non-executive Director
Subhransu ("Brian") Mukherjee	45	Chief Executive Officer
Mark Opzoomer	55	Non-executive Director

Anthony Bettencourt, Non-executive Chairman

Anthony Bettencourt is currently the non-executive chairman of blinkx plc. Anthony is the CEO, President and Chairman of Coverity, the San Francisco based world leader in Developer Testing. Previously, Anthony served as Chief Executive Officer of Autonomy Interwoven and Autonomy ZANTAZ. Prior to that, he was the Chief Executive Officer of Verity, Inc, where he was responsible for growing the business from $15m in annual revenues to more than $140m from 1995 to 2006, resulting in Verity's agreeing to be acquired for more than $500m at the end of 2005. In 2005, he was awarded the prestigious Ernst & Young Entrepreneur of the Year award for software and technology in the Silicon Valley. Anthony serves as a judge for the Tech Awards and a mentor for Santa Clara University's Global Social Benefit Incubator program. He serves on the board of directors of Proof Point and Versant. Anthony earned a B.A. in English from Santa Clara University in 2006.

Suranga Chandratillake, President and Chief Strategy Officer

A technology entrepreneur with over a decade of experience in next-generation search, Suranga Chandratillake FREng, founded blinkx in 2004 and launched the company in 2005. After early success, Suranga took the company public on the AIM market of the London Stock Exchange in May 2007. Prior to founding blinkx, Suranga was U.S. Chief Technology Officer of Autonomy, responsible for growing Autonomy's research and development division in the United States. Before joining Autonomy, Suranga held a variety of roles in technology, sales and marketing at Morgan Stanley, netdecisions and anondesign. Suranga received his MA in Computer Science from the University of Cambridge.

A highly regarded expert on the convergence of the Web and TV, including the future of television, interactive TV and online advertising, Suranga is often invited to speak at leading industry events including Financial Times' Digital Media Conference, Cannes Lions International Advertising Festival and Monaco Media Forum. Named a Young Global Leader Honoree in 2009 by the World Economic Forum, Suranga has also been recognised as one of the top 10 leaders in Science and Innovation by The Observer's Future 500 list, and one of Digital Media Wire's "25 Executives to Watch in Digital Entertainment". Suranga is a fellow of the Royal Academy of Engineering.

On 19 July 2012, Suranga stepped down as Chief Executive Officer and assumed the role of President and Chief Strategy Officer of blinkx.

Dr Michael Lynch, Non-executive Director

Michael Lynch OBE, FREng, is the co-founder of Autonomy, a market-leading software company which was purchased by Hewlett Packard in 2011 for $11 billion. A pioneer in its industry, Autonomy's unique meaning-based technology is able to make sense of and process unstructured, 'human information,' and draw real business value from that meaning. Under Michael, Autonomy became the leader in analyzing unstructured, or human-friendly, information, extracting meaning from data in whatever format it is in, whether email, voicemail, social media, text messages or web pages. Autonomy was borne out of research at Cambridge University, where Michael studied information sciences, received a Ph.D. and held a research fellowship in adaptive pattern recognition. Michael is regarded as Britain's most successful technology entrepreneur and has won numerous awards, including the European Business Leaders Awards' Innovator of the Year 2008 and Management Today's Entrepreneur of the Year 2009. He was awarded an OBE for Services to Enterprise in 2009. Michael is a fellow of the Royal Academy of Engineering, a government advisor in the area of science policy, an honorary fellow of Christ's College Cambridge and a non-executive director of the BBC and the British Library.

Subhransu ("Brian") Mukherjee, Chief Executive Officer

On 19 July 2012, Subhransu ("Brian") Mukherjee was appointed to the Board as CEO. Brian brings over 12 years of executive management and operating experience at public and private companies in the technology and media sectors to the CEO role. Brian joined blinkx in 2011 through the acquisition of PVMG, where he was the President, CEO and a Director. Prior to PVMG, Brian was at Miva, Inc. (NASDAQ:MIVA), where he ran the Media Division globally. Before Miva, Brian led the acquisition of and ran the Contract Management Solutions Group at Selectica (NASDAQ: SLTC). During his career, Brian has also held Executive positions in Silicon Valley-based Internet, Mobile and Services startups, where he was responsible for raising capital, acquiring companies, building high performance teams and expanding partnerships to accelerate revenue and profitability growth. Brian started his career as an Engineer and a Management Consultant and holds BE and MS degrees in Engineering. He also holds an MBA from the University of Chicago.

Mark Opzoomer, Non-executive Director

Mark Opzoomer has extensive knowledge of Internet, communications and media markets in many different countries and 24 years of corporate operating and deal-making experience. He is currently co-founder of Zattikka plc, a social, browser and mobile games publisher. Mark was previously non-executive director, then CEO of Rambler Media Limited, Moscow, 2005 through 2009. He was the Managing Director and Regional Vice President of Yahoo! Europe from July 2001 to December 2003, where he successfully restored growth and profitability. Prior to joining Yahoo! Europe, Mark was Deputy Chief Executive of Hodder Headline plc, an LSE -listed book publishing company, and previously Commercial and Finance Director of Sega Europe Ltd and Commercial Director of Virgin Communications Ltd. Since 2003, Mark has been a private consultant, non-executive director on the boards of several companies which currently include Entertainment One Limited and Forward Internet Group and is a founding partner of Bond Capital Partners. Mark was a director of Autonomy from June 2003 to October 2004. Mark is a chartered accountant, has an MBA (IMD Lausanne), and has also completed the London and Wharton business school programme for public company directors.

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31 March 2012. The Corporate Governance statement set out on page 10 forms part of this report.

Principal activity

The principal activity of the Group comprises the provision of video search and advertising services on the internet. The Company's principal activity is that of a holding company.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 28 to the financial statements.

Review of Developments and 2012 results

Results of the Group shown in the consolidated income statement, beginning on page 14. Revenue for the year was $114.4 m (2011: $66.1m), net profit before acquisition and exceptional costs was $12.7m (2011: $9.8m) and net profit was $3.9m (2011: $7.6m).

The group acquired 100% of the issued share capital of Burst Media Corporation on 9 May 2011 ("Burst") and 100% of the issued share capital of Prime Visability Media Group ("PVMG") on 9 November 2011. Details are provided in Note 24.

The Enhanced Business Review below provides further comments on the developments and the results for the year.

Enhanced Business Review

The Directors' Report should be read in conjunction with the President's Report, as set out on page 1, which gives details of the Group's performance during the year and expected future developments. A summary of the Group's key performance indicators is provided below:

Financial			**Non Financial**		
	2012	**2011**		**2012**	**2011**
Revenue	$114.4m	$66.1m	Headcount at 31 March	275 ees	113 ees
Gross margin %	53%	65%			
Net profit before acquisition and exceptional costs	$12.7m	$9.8m			
Net profit	$3.9m	$7.6m			
Net cash generated by operating activities	$8.8m	$8.4m			
Cash and cash equivalents	$38.4m	$52.8m			
Research & development spend	$15.8m	$9.4m			
Net assets	$124.6m	$65.4m			

Research and development expenditure included costs associated with the enhancement and development of the group's products which have been both expensed and capitalised.

Key Performance Indicators

Financial and non-financial key performance indicators ("KPIs") are addressed in the table above. These KPIs are reviewed by the management and the Board of Directors on a regular basis.

The Directors have in place a process of regularly reviewing risks to the business and monitoring associated controls, actions and contingency plans. A summary of the Group's principal risks and uncertainties is provided at page 6 and page 7 of the Directors' Report.

Dividends

The Directors do not recommend the payment of a dividend (2011: $nil). The Group's current policy, which is kept under regular review, is to retain future earnings for the development and expansion of the business.

Financial Instruments

In relation to the use of financial instruments, the Directors' objectives are to minimise risk whilst achieving maximum return on liquid assets. The Directors are averse to principal loss and manage the safety and preservation of the Group's invested funds by limiting default and market risks by investing with highly rated financial institutions. The Group's investment portfolio is comprised entirely of cash and cash equivalents. The Group does not use derivative financial instruments.

The Group has not faced any material exposure to price risk, credit risk, liquidity risk or cash flow risk that would affect the ultimate objectives of the business. See note 23.

Further information about the Group's assets and liabilities is provided in the notes to the financial statements.

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, including the issue of 27,196,619 shares, are shown in note 19. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 22.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Future Developments

The Group's stated objective is to establish the Group and its technology as the leader in the search, discovery, monetisation and distribution of online television and video. To achieve this goal the Group intends to continue to develop the technology and release new products in these areas and increase market penetration by signing new customers and expanding its relationship with existing customers.

Directors

Director who served throughout the year to 31 March 2012 and to the date of this report were: Anthony Bettencourt; Michael Lynch; Mark Opzoomer; and Suranga Chandratillake. In addition Subhransu ("Brian") Mukherjee was appointed as a Director to the Company on 19 July 2012.

Re-election of Directors

The Company's articles of association require at least one third of the Directors to be subject to re-election at each Annual General Meeting. Anthony Bettencourt will stand for re-election at the next Annual General Meeting.

Appointment of Director

The Company's articles of association require that any Director appointed by the Board shall hold office only until the dissolution of the Annual General Meeting of the Company next following such appointment. Subhransu "Brian" Mukherjee will stand for appointment at the next Annual General Meeting.

Directors' responsibilities statement

A statement of Directors' responsibilities is set out on page 11.

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Supplier payment policy

The Group's policy is to establish terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Trade creditors of the Group at 31 March 2012 were equivalent to 46 days' purchases (2011: 28 days). The increase relates to the acquired business in the year. The Group is working to integrate its credit team into the acquired businesses.

Critical risks and uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's long-term performance and could cause results to differ materially from expected and historical results. The risks to which the business is exposed are summarised below and the key sources of uncertainties are detailed in Note 4.

Risks	Mitigation
»Our business depends on our core technology and we will continue to develop both the technology and its applications in the consumer space. Technology which significantly competes with our technology or any material claims against our technology would present a material risk to the Group.	*»Management continually reviews the competitive landscape and newly developing technology in the sector. In addition in the course of developing the Group's patent portfolio, advisers to the group monitor competitive filings.*
»If there is a negative change in economic and market conditions, this could impact on the growth of the business.	*»The Group has a prudent approach on expenditure with a significant amount of discretionary expenditure that could be reduced in poor economic conditions. In addition the Group has significant financial reserves.*
»Being unable to retain key customers could have a negative impact on the business.	*»The Group's customer base is highly diversified and no one customer represents a significant percentage of revenue.*
»Being unable to hire and retain adequately qualified personnel could negatively impact on the continued growth and development of the business.	*»The Group operates in several geographic regions and is able to adjust its targeted hiring to different regions and has successfully hired highly qualified personnel in different locations.*
»The adoption of some form of net neutrality legislation where Internet Service Providers may slow or restrict access to certain content, applications or services that in relation to rich media content results in additional charges for users or impacts users' ability to access this type of content.	*»The Group's rich media business is a video search engine and, as a result, the majority of streams that occur as a result of user activity are hosted and streamed by other, third party, video content owners. Any net neutrality payments would thus primarily be the burden of those third parties and not the Group itself. Where the Group does host and stream content itself, it does so only on fully monetizeable content that can carry advertisements—the cost of any net neutrality payments could thus be off-set by these advertising revenues in a manner similar to typical 'rich media format charges' made to advertisers by other online advertising companies.*

Risks	Mitigation
»A high percentage of internet traffic flows through a limited number of companies like Google and Facebook and changes they make can have an impact on video consumption and traffic which blinkx monetises.	*»The Group has relationships with a large number of content and syndication partners and no one partner represents a material portion of the Group's business.*
»Interruptions of services from our bandwidth providers, data centres, electricity providers and service providers may disrupt our business.	*»The Group's systems operate on co-location facilities in several geographic regions each with their own service providers; bandwidth is provided by multiple IPSs in each physical location; data centres provide redundant power with battery and generator back-up in each physical location; and functions are distributed across the data centres to minimise disruption in the event a data centre goes offline.*
»Unauthorised personnel may obtain access to our systems and download information that is not in the public domain.	*»The Group reduces this risk by employing a number of technologies and methods to secure data which include firewalls, complex password protection, encryption of sensitive data, anti-virus and malware scanning, data transmission encryption, access to data logged, restricted physical access to hardware and host data and external testing to ensure Payment Card Industry compliance.*
»We have a perpetual license from Autonomy for consumer applications of its IDOL technology platform that was exclusive through 22 May 2012. Failure to build competitive advantage and create additional barriers to entry through our own development of our own intellectual property during this period could result in other companies licensing Autonomy's technology for consumer applications and developing technology and product offerings which could compete with blinkx and impact our overall market position.	*»The Group has built significant competitive advantage during the exclusivity period and has built significant competitive advantage in developing its own intellectual property (including filing patents) around the Autonomy IDOL foundation.*
»If the integration of Burst and PVMG is not as successful as envisaged as at the time of the acquisitions customer and publisher relationships may be damaged and growth of the business may be slower than planned.	*»Personnel within the Group have undertaken a comprehensive integration program which is closely monitored to ensure integration objectives are met and that the acquisitions achieve expectations.*
»We have a history of losses and only recently turned profitable, and there are no assurances we will remain profitable. While we expect to report higher revenues in FY2013 following our acquisitions of Burst and PVMG, there are no assurances that such additional revenues will fully offset the additional costs and result in profitable operations of the combined companies in future periods.	*»The Group manages costs on an ongoing basis based on actual and forecasted revenues to help drive towards profitability goals while the acquisitions provide the Group with an opportunity to leverage a broader and more diversified business.*
»Our success depends on our relationships with our partners, including our ability to attract new partners and retain existing partners on favorable terms.	*»The Group has established infrastructure and significant institutional experience in sourcing, managing and maintaining partnerships while personnel within the Group are dedicated to maintaining and growing partner relationships aligned with the Company's objectives.*
»We compete with many companies, some of whom are more established and better capitalized than we are. If we are not able to respond to the rapid technological change and evolving formats characteristic of our industry or if we are unable to compete effectively, we may experience reduced demand for our products and services.	*»Through our products and services, the Group strives to maintain a unique offering in the marketplace. Management reviews the competitive landscape and changing formats and technology on an ongoing basis to develop strategies to address competitive threats.*
»If we are not able to meet the current or future requirements of advertisers and customers, or prices charged to advertisers and customers decline, our revenues may be adversely affected.	*»Personnel within the Group are dedicated to monitoring advertiser and customer needs on an ongoing basis and plan for changing requirements through the development of products and services.*
»Internet businesses face uncertainty related to future government regulation of the Internet through the application of new or existing federal, state and international laws. Due to the rapid growth and widespread use of the Internet, legislatures at the national and state level have enacted or may enact various laws and regulations, including issues related to content, advertising, distribution and consumer privacy.	*»Personnel within the Group in conjunction with the Group's legal advisors follow new and proposed legislation in order to respond to changing regulations that affect our business as appropriate.*

The processes to identify and manage the key risks to the success of the Group are an integral part of the internal control environment. Further information on the financial risks faced by the Group can be found in note 23 of the financial statements.

Substantial shareholdings

On 2 August 2012, the Company had been notified of the following voting rights as a shareholder of the Company.

	Number shares	%
Autonomy Corporation Plc	45,684,416	12.63
Black Rock inc	39,056,738	10.80
FMR LLC	35,805,289	9.90
Michael Lynch	21,902,712	6.06
Oppenheimer Funds Inc	18,780,433	5.19

Charitable and political donations

The Group did not make any charitable or political donations during the year or preceding year.

Directors' remuneration – audited

The total amount of Directors' remuneration was as follows:

	2012 $	2011 $
Salaries, fees, bonuses and benefits in kind	562,000	602,000
Gains on exercise of share options	851,045	373,000
Total Directors' remuneration	$1,413,045	$975,000

Directors' emoluments and compensation was as follows:

Name of director	Fees/Basic Salary $	Annual bonuses $	2012 total $	2011 total $
Anthony Bettencourt	55,000	-	55,000	54,000
Suranga Chandratillake	270,000	127,000	397,000	440,000
Michael Lynch	55,000	-	55,000	54,000
Mark Opzoomer	55,000	-	55,000	54,000
Aggregate emoluments	435,000	127,000	562,000	602,000

The non-executive directors fees are at £35,000 per annum (2011: £35,000). The increase shown in the above table of the US dollar equivalent is a result of exchange rate movement.

Directors who held office at 31 March 2012 had the following interests in the ordinary shares of the company:

Name of director	31 March 2012
Anthony Bettencourt	50,000
Michael Lynch	21,902,712
Mark Opzoomer	175,000

Details of share options granted to the Directors are set out below. No Directors' share options were cancelled or lapsed, or changed, during the year. Vesting and exercise of options is subject to continued employment.

	At 31 March 2011 Number	Granted Number	Exercised Number	At 31 March 2012 Number
Suranga Chandratillake	4,859,314	-	383,257	4,476,057
Michael Lynch	35,248	-	-	35,248

None of the Directors have pension, retirement or similar entitlement. No payment or awards were made to former Directors during the year.

It is not anticipated that there will be any significant changes to the Directors' remuneration in the current year.

Going concern

The directors have considered the financial resources of the Group and the risks associated with doing business in the current economic climate environment and believe the Group is well placed to manage these risks successfully. In doing this the board has prepared a business plan and cash flow forecast setting out key business assumptions, including the rate of revenue growth, margins and cost control. The directors have considered these assumptions to be reasonable and that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

» so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
» the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the Annual General Meeting.

On behalf of the Board

Suranga Chandratillake
President and Chief Strategy Officer
2 August 2012

Registered office: 2nd Floor, Ibex House, 42-47 Minories, London, EC3N 1DX, United Kingdom
Registered number: 06223359

Corporate Governance

Whilst companies whose shares are listed on AIM are not formally required to comply with the provisions set out in the 2010 Corporate Governance Code ("the Code"), the Board of Directors attempts to support the Code and complies in some areas where it considers it appropriate to do so, given both the size and resources available to the Group. The Board is committed to ensuring that high standards of corporate governance are maintained.

There is a clear division of responsibility between the Chairman and the Chief Executive Officer. At 31 March 2012 the Board comprised four Directors, three of whom were Non-Executive Directors. The Non-Executive Directors do not have any day to day involvement in the running of the business. The Board is responsible for overall strategy, the policy and decision making framework in which this strategy is implemented, approval of budgets, monitoring performance, and risk management. The Board meets at regular scheduled intervals and follows a formal agenda; it also meets as and when required.

The Directors may take independent professional advice at the Group's expense.

Board Committees

The Group has an Audit Committee, a Nominations Committee and a Remuneration Committee, each consisting of all non-executive Directors. Each committee has written terms of delegated responsibilities.

Relationships with Shareholders

The Board understands the need for clear communications with its shareholders. In addition to presentations after publication of results and the Annual General Meeting, meetings are held with fund managers, analysts, and institutional investors. Information is posted on the Group's web site, www.blinkx.com, which contains a comprehensive Investor Relations section.

Auditor's independence

Deloitte LLP (or its predecessor firms), one of the "Big 4" firms, was first appointed as auditor to blinkx plc companies in 2007. There are no contractual restrictions on the Group with regard to their appointment. In accordance with professional standards, the partner responsible for the audit will be rotated every 5 years. The directors review and approve the level of non audit fees.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the CEO's report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Suranga Chandratillake
President and Chief Strategy Officer
2 August 2012

Independent Auditor's Report to the Members of blinkx plc

We have audited the financial statements of blinkx plc for the year ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity the Consolidated and Company Cash Flow Statements and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- » adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- » the parent company financial statements are not in agreement with the accounting records and returns; or
- » certain disclosures of directors' remuneration specified by law are not made; or
- » we have not received all the information and explanations we require for our audit.

Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

- » the directors' statement, contained within the directors' report, in relation to going concern;
- » the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- » certain elements of the report to shareholders by the Board on directors' remuneration.

Richard Knights (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
13 August 2012

Consolidated Income Statement for the year ended 31 March 2012

	Note	Year ended 31 March 2012	Year ended 31 March 2011
		$'000	$'000
Revenue: continuing operations	5	114,397	66,102
Cost of revenue		(53,904)	(22,946)
Gross profit		60,493	43,156
Operating expenses			
Research and development		(10,526)	(7,638)
Sales and marketing		(32,474)	(24,163)
Administrative expenses		(7,047)	(3,174)
Profit from operations before acquisition and exceptional costs*		10,446	8,181
Amortisation of purchased intangibles			
Research and development		(1,708)	(600)
Sales and marketing		(2,353)	(356)
		(4,061)	(956)
Acquisition and exceptional costs	24	(4,745)	(1,175)
Profit from operations		1,640	6,050
Net investment revenue	9	286	90
Profit before taxation		1,926	6,140
Tax	10	1,962	1,492
Profit for the year attributable to equity holders of the parent before acquisition and exceptional costs*		12,694	9,763
Profit for the year attributable to equity holders of the parent	6	3,888	7,632

Earnings per share (cents)	**Notes**	**Cents**	**Cents**
Adjusted basic*	11	**3.60**	**3.05**
Basic	11	**1.10**	**2.39**
Adjusted diluted*	11	**3.52**	**2.99**
Diluted	11	**1.08**	**2.33**

*adjusted for acquisition and exceptional costs of $4.7m and the amortisation of purchased intangibles of $4.1m. This relates to the acquisition of Burst Media Corporation ("Burst") and Prime Visibility Media Group ("PVMG") completed on 9 May 2011 and 9 November 2011 respectively (2010: $1.2m acquisition and exceptional costs; $0.9m amortization of purchased intangibles).

Consolidated Statement of Comprehensive Income for the year ended 31 March 2012

	Note	Year ended 31 March 2012	Year ended 31 March 2011
		$'000	$'000
Profit for the year	6	3,888	7,632
Exchange difference on translation of foreign operations		(295)	871
Total comprehensive income for the year, net of related tax effects		3,593	8,503

Consolidated Balance Sheet at 31 March 2012

	Note	As at 31 March 2012	As at 31 March 2011
		$'000	$'000
ASSETS			
Non-current assets			
Goodwill	12	48,878	2,417
Intangible assets	13	29,651	3,829
Property, plant and equipment	14	2,275	731
Other receivables	16	250	250
Deferred tax asset	17	7,076	1,680
		88,130	8,907
Current assets			
Trade receivables	16	21,950	8,896
Other receivables	16	3,803	2,326
Cash and cash equivalents	16	38,406	52,809
		64,159	64,031
Total assets		152,289	72,938
LIABILITIES			
Current liabilities			
Trade and other payables	18	(25,465)	(7,327)
Non-current liabilities			
Deferred tax liability	17	(1,732)	-
Other payables	18	(474)	(197)
Total liabilities		(27,671)	(7,524)
Net assets		124,618	65,414
Shareholders' equity			
Share capital	19	6,837	6,398
Share premium account	20	101,552	86,443
Shares to be issued		754	-
Stock compensation reserve		11,938	9,968
Currency translation reserve		(7,837)	(7,542)
Merger reserve		33,089	(4,323)
Retained loss		(21,715)	(25,530)
Total equity		124,618	65,414

The financial statements of blinkx plc (registered number 06223359) were approved by the Board of Directors and authorised for issue on 2 August 2012. They were signed on its behalf by:

Suranga Chandratillake
President and Chief Strategy Officer

Consolidated Statement of Changes in Equity for the year ended 31 March 2012

$'000	Ordinary share Capital	Share premium account	Shares to be issued	Stock compensation reserve	Sub-total
Balance as at 1 April 2010	5,964	56,345	-	9,280	71,589
Net profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Issue of shares, net of costs	434	30,098	-	-	30,532
Share based payments	-	-	-	688	688
Tax movement on share options	-	-	-	-	-
Balance as at 31 March 2011	6,398	86,443	-	9,968	102,809
Net profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Issue of shares, net of costs	439	15,109	-	-	15,548
Shares to be issued (Note 24)	-	-	754	-	754
Share based payment – acquisition related (Note 24)	-	-	-	446	446
Share based payments (Note 22)	-	-	-	1,524	1,524
Tax movement on share options	-	-	-	-	-
Balance as at 31 March 2012	6,837	101,552	754	11,938	121,081
	(Note 19)	(Note 20)			

($'000)	Sub-total Forwarded	Currency translation reserve	Merger reserve	Retained Loss	Total
Balance as at 1 April 2010	71,589	(8,413)	(4,323)	(33,350)	25,503
Net profit for the year	-	-	-	7,632	7,632
Other comprehensive income	-	871	-	-	871
Total comprehensive income for the year	-	871	-	7,632	8,503
Issue of shares, net of costs	30,532	-	-	-	30,532
Share based payments	688	-	-	-	688
Tax movement on share options (Note 17)	-	-	-	188	188
Balance as at 31 March 2011	102,809	(7,542)	(4,323)	(25,530)	65,414
Net profit for the year	-	-	-	3,888	3,888
Other comprehensive income	-	(295)	-	-	(295)
Total comprehensive income for the year	-	(295)	-	3,888	3,593
Issue of shares, net of costs	15,548	-	37,412	-	52,960
Shares to be issued (Note 24)	754	-	-	-	754
Share based payment – acquisition related (Note 24)	446				446
Share based payments (Note 22)	1,524	-	-	-	1,524
Tax movement on share options (Note 17)	-	-	-	(73)	(73)
Balance as at 31 March 2012	121,081	(7,837)	33,089	(21,715)	124,618

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Note	Year ended 31 March 2012	Year ended 31 March 2011
		$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations		1,640	6,050
Adjustments for:			
Depreciation and amortization		6,379	2,011
Share based payments		1,524	688
Foreign exchange (gains) / losses		(453)	42
Operating cash flows before movements in working capital		9,090	8,791
Changes in operating assets and liabilities:			
Increase in trade and other receivables		(642)	(2,718)
Increase in trade and other payables		356	1,919
Cash generated by operations		8,804	7,992
Income taxes received		-	443
Net cash generated by operating activities		8,804	8,435
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		286	90
Purchase of property, plant and equipment and intangible assets		(5,950)	(1,591)
Acquisition, net of cash acquired		(33,406)	-
Net cash used in investing activities		(39,070)	(1,501)
CASHFLOWS FROM FINANCING ACTIVITIES			
Net payments on finance lease, net		(148)	(24)
Proceeds from issuance of shares, net of costs		15,264	30,532
Net cash generated by financing activities		15,116	30,508
Net (decrease) / increase in cash and cash equivalents		(15,150)	37,442
Beginning cash and cash equivalents		52,809	14,579
Effect of foreign exchange on cash and cash equivalents		747	788
Ending cash and cash equivalents	16	38,406	52,809

Notes to the Consolidated Financial Statements year ended 31 March 2012

1. General information

blinkx plc is a Company incorporated in England and Wales under the Companies Act. The address of the registered office is 2nd Floor, Ibex House, 42-47 Minories, London, EC3N 1DX, United Kingdom. The nature of the Group's operations and its principal activities are set out on page 4.

The Company's functional currency is sterling as that is the currency of the primary economic environment in which the Company operates. The presentational currency of the Group is US dollars as that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with policies set out in note 3.

2. Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements, but with the exception of the amendment to IFRS 1, may impact the accounting for future transactions and arrangements.

Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	The amendment provides a limited exemption for first-time adopters from providing comparative fair-value hierarchy disclosures under IFRS 7.
IAS 24 (2009) *Related Party Disclosures*	The revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirements*	The amendments now enable recognition of an asset in the form of prepaid minimum funding contributions.
Improvements to IFRSs 2010	Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact on the Group.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (amended)	Disclosures – Transfers of Financial Assets
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Improvements to IFRSs (May 2010)

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2013 will impact both the measurement and disclosures of Financial Instruments. The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors Report on page 9.

b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

c) GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at costs less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss as is not subsequently reversed.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount is less than the carrying amount, the impairment loss is allocated to reduce the carrying amount of goodwill. An impairment loss recognised for goodwill is not reversed in a subsequent period.

d) REVENUE RECOGNITION

The Group earns its revenue from providing online video search and advertising services.

The Group's business is based on the principle of facilitating free access to content via an advertising-supported distribution model and its revenues are derived from advertising on the internet. The Group applies its technology across a set of standard and inter-related products to connect its audience with contextually relevant advertising in a variety of formats. Advertisers select from these formats which are priced on different pricing schemes that include both impression-based, Clicks per Mille (CPM), and performance-based, Cost per Click (CPC) and Cost per Action (CPA) options.

Contracts containing multiple deliverables are split into their constituent parts and each deliverable's fair value is separately determined and recognised accordingly.

The policies for each of the Group's key revenue streams in relation to services is set out below:

Advertising revenue

When sales values are based on the volume of impressions (cost per mille), revenue is based on an agreed amount per impression and the number of impressions displayed. This revenue is recognised as the volumes are reported either by the Group's customers, the Group's internal reporting system or an authoritative third party, based on the contractual terms. When sales values are based on volume of clicks (pay per click), revenue is based upon an agreed amount per click that the end user makes after viewing the advertisement and the number of clicks made by the users. The revenue is recognised as volumes of clicks are reported by the Group's customers or an authoritative third party based on the contractual terms.

Share of advertising revenues
Where customers use the blinkx technology to retrieve their own content, contractual arrangements may provide for the Group to receive a share of the customer's advertising revenues. The amount of revenue is dependent upon the amount paid per clip or per advert shown. This revenue is recognised as reported by the Group's customers.

Media buying revenues
Revenue from media buying services may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client.

E-commerce revenues
The Group generates revenues from e-commerce partners when an e-commerce transaction is referred to the partner from another vendor. Revenues are recognised upon completion of the transaction.

Upfront licence payment and related revenues
In certain cases customers will enter into a licence agreement to licence the right to use the blinkx technology. The revenue is in the form of an up-front non-refundable payment with all future advertising revenues accruing directly to the customer.

Revenues from software licence agreements are recognised where there is persuasive evidence of an agreement with a customer (a signed contract and/or binding purchase order), delivery of the software has taken place, the price is agreed and collectability is probable.

Revenue from subscription based services is recognised rateably over the contract term beginning on the commencement date of each contract.

Revenues from customer support services are recognised rateably over the term of the support period. If customer support services are included free or at a discount in a licence agreement, these amounts are allocated out of the licence fee at their fair market value based on the value established by independent sale of the customer support services to customers.

Investment revenue
Investment revenues include bank interest and income from short term deposits.

e) LEASING
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f) FOREIGN CURRENCIES
Transactions in currencies other than the functional currency of the entity concerned are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the presentational currency, US dollars, at the rates prevailing on the balance sheet date. The Group has selected US dollars as its presentational currency as that is the currency of the principal economic environment in which the Group operates.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the

period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign denominated operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

g) TAXATION

The tax expense will represent the sum of the tax currently payable and deferred tax.

The tax currently payable or receivable is based on taxable loss/profit for the year. Taxable loss/profit differs from net loss/profit as reported in the income statement because it will exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits are available against which deductible temporary differences can be utilised. Such assets and liabilities will not be recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits are available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax will also be dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

h) PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements, fixtures, fittings and computer equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures, fittings, office and computer equipment	Over 3–5 years
Leasehold improvements	Over shorter of economic life or lease term

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

i) INTERNALLY-GENERATED INTANGIBLE ASSETS – RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:
» an asset is created that can be identified (such as software or new processes);
» it is probable that the asset created will generate future economic benefits;
» the development cost of the asset can be measured reliably; and
» the product from which the asset arises meets the Group's criteria for technical feasibility.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, which is considered to be 3 years starting when the associated technology is available for use. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

j) OTHER INTANGIBLE ASSETS EXCLUDING GOODWILL

Other intangible assets excluding goodwill are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, on the following bases:

Tradenames, patents and trademarks	3 - 10 years
Software licences	3 years
Purchased technology	3 - 4 years
Relationships with publishers and customers	3 - 11 years

The Group acquired certain intangible assets in the current financial year with longer useful lives (as estimated by the qualified third party valuation firm) than similarly classified assets already in the accounts.

k) IMPAIRMENT OF ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Group will review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.
An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into the account risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

m) RESTRUCTURINGS

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

n) ONEROUS CONTRACTS

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

o) SHARE-BASED PAYMENTS
The Group has applied the requirements of IFRS 2 Share-based Payments.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by use of an appropriate valuation model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the affect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

p) PROFIT / (LOSS) FROM OPERATIONS
Profit / (loss) from operations are stated before investment income, finance costs and tax.

q) RETIREMENT BENEFITS
Payments to a defined contribution scheme are charged as an expense as they fall due.

r) FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
All financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments
The Group does not use derivative financial instruments.

s) BUSINESS COMBINATIONS
The group has adopted IFRS3 (revised 2008) "Business Combinations". Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

» deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*
» liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
» assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Acquisition costs are as defined in IFRS3 and are written off as incurred. Exceptional costs are defined as non recurring costs incurred outside of the Group's normal operations.

4. Critical accounting judgments and key sources of estimation uncertainty

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The following are the critical judgments apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

REVENUE RECOGNITION
In making its judgment with regard to revenue recognition, the Directors have considered the detailed criteria for the recognition of revenue for the provision of services set out in IAS 18 'Revenue' and the policy in note 3, in particular regarding whether the debt is collectable.

DEBTOR PROVISIONING
There is a policy in relation to doubtful debt provision and the Directors have exercised judgment in relation to this.

CAPITALISATION OF RESEARCH AND DEVELOPMENT COSTS
In making judgments in relation to research and development costs, the Directors have considered the detailed criteria for the capitalisation of research and development set out in IAS 38 'Intangible assets'.

GOING CONCERN
In adopting the going concern basis for the preparation of the annual accounts, the Directors have exercised judgment with respect to the adequacy of resources to continue in operational existence for the foreseeable future.

IDENTIFICATION AND VALUATION OF ACQUIRED INTANGIBLES
In making judgements in relation to the identification, valuation and useful economic life of acquired intangibles, the Directors based their assessment on a valuation report prepared by an expert third party.

KEY SOURCES OF ESTIMATION UNCERTAINTY
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

TRADE RECEIVABLES
The Directors consider that the carrying amount of trade receivables approximates their fair value. A provision has been made for estimated unrecoverable amounts based on information available to management. Changes in collectability of trade receivables may impact the level of provision required.

SHARE OPTION CHARGE
In calculating the share option charge the Directors have considered the expected life of the option, the volatility of the Company's share price, the risk free rate and anticipated rate of leavers.

SUBSIDIARY INVESTMENTS
The Company's initial valuation of its investments in its subsidiary undertakings are based on cost and subsequent capital contributions. The Directors have considered the criteria in IAS 36, Impairment of Assets, in assessing the carrying value.

IMPAIRMENT OF GOODWILL
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit (CGU) to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows of the CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was $48,878,000 (2011:$2,417,000).

DEFERRED TAX ASSET
In determining the level of recognition of the deferred tax assets the directors have considered the level of future benefits that are expected to be received in the foreseeable future.

5. Segmental analysis

blinkx plc is organized internally along function lines with each line reporting to the Group's chief operating decision maker, the Chief Executive Officer. The primary function lines include: finance; operations, marketing, sales, technology and development. Each of these functions supports the overall business activities, however they do not engage in activities from which they earn revenues or incur expenditure in their operations with each other. No discrete financial information is produced for these functional lines. The Group's chief operating decision maker is ultimately responsible for entity-wide resource allocation decisions and evaluates the performance of

the Group on a group wide basis and any elements within it on a combination of information from the executives in charge of the different functional lines and Group financial information. The company integrates acquired businesses and products into the blinkx business model such that separate management financial data on these entities is not maintained post acquisition. Acquired businesses immediately benefit from the primary function lines noted above and their products and services are enhanced by the inclusion of blinkx technology, functionality and the Group's wider sales channels to the market.

The Group operates a global internet business and its commercial activity is not generated from distinguishable geographic origins. Although the Group has operations in several geographic locations, no discrete financial performance information is maintained on a regional basis because of the globally distributed nature of the revenues and high degree of functional integration among the different geographic locations. Consequently, decisions around the allocation of resources are not determined on a regional basis and the chief operating decision maker does not assess the Group's performance on a geographic basis.

The Group's business is based on the principle of facilitating free access to content via an advertising-supported distribution model and its revenues are derived from advertising on the internet. The Group applies its technology across a set of standard and inter-related products to connect its audience with contextually relevant advertising. Advertisers select from several product types which are priced on different pricing schemes. Each of the products generates revenues from a mix of the various pricing methodologies. There is considerable overlap among the products and advertisers and it is not meaningful to separate the revenues by primary pricing scheme or product. Consequently, separate financial information is not reviewed by the chief operating decision maker for the various products to assess their performance or for the purpose of resource allocation decisions.

As a consequence of the above factors the Group has one operating and reportable segment in accordance with IFRS 8 "Operating Segments".

IFRS 8 also requires information on any customer which is 10% or more of the combined revenue. There are no customers which are greater than 10% of total revenue in the current year (2011: no customers over 10% of total revenue).

Geographical analysis of the Group's revenues, including analysis between the Group's country of domicile and other countries, is not disclosed under IFRS 8 as the information is not readily available and the cost to develop it is considered to be excessive.

As required under IAS 18, Revenue, an analysis of the Group's revenue is as follows:

	Note	Year ended 31 March 2012 $'000	Year ended 31 March 2011 $'000
Continuing operations			
Rendering of services		114,397	66,102
Investment revenue	9	306	96
Total revenues		114,703	66,198

6. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Year ended 31 March 2012 $'000	Year ended 31 March 2011 $'000
Net foreign exchange (gains) / losses	(453)	44
Research and development costs	9,143	6,948
Depreciation of property, plant and equipment:		
-Owned	878	349
-Leased	66	16
Amortisation of intangibles:		
- Relationships with customers & publishers (included in Sales and marketing)	1,991	253
- Purchased technology (included in Research and development)	1,708	600
- Capitalised development costs (included in Research and development)	373	-
- Trade names, trademarks and patents (included in Sales and marketing)	363	103
- Software licenses (included in Research and development)	1,010	690
Staff costs (see note 8)	25,109	12,674
Impairment loss recognised on trade receivables	496	235

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 31 March 2012 $'000	Year ended 31 March 2011 $'000
Fees payable to the company's auditor for the audit of the company's annual accounts	173	129
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries pursuant to legislation	20	13
Total audit fees	193	142
Other services pursuant to legislation	71	69
Tax services	345	178
Corporate finance services	562	176
Total non audit fees	978	423

Non-audit services included interim accounts review, tax, transfer pricing, post-acquisition restructuring and R&D tax credit advice, Due Diligence and acquisition related services.

8. Staff costs

The average monthly number of employees (including executive Directors) was:

	Year ended 31 March 2012 Number	Year ended 31 March 2011 Number
Sales and marketing	155	66
Research and development	53	32
Administration and operations	26	12
	234	110

	Year ended 31 March 2012 $'000	Year ended 31 March 2011 $'000
Wages and salaries	24,236	11,903
Social security costs	1,755	897
Other pension costs	16	11
	26,007	12,811
Other employee benefits and costs	2,149	1,007
Costs allocated to internally generated assets	(3,047)	(1,144)
Included in profit from operations	25,109	12,674

Information on directors' remuneration can be found in the Directors' Report on page 8. The directors are considered to be the Group's key management personnel for the purposes of IAS 24 Related Party Disclosures.

9. Net investment revenue

	Year ended 31 March 2012 $'000	Year ended 31 March 2011 $'000
Interest receivable on cash and cash equivalents	306	96
Interest on obligations under finance leases	(20)	(6)
	286	90

10. Tax

	Year ended 31 March 2012 $'000	Year ended 31 March 2011 $'000
Current tax	2,415	-
Deferred tax (Note 17)	(4,377)	(1,492)
	(1,962)	(1,492)

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax 24% effective 1 April 2012, and to 23% effective 1 April 2013. These rates became substantively enacted in March 2012 and July 2012 respectively.

The UK Government also proposed to further reduce the standard rate of UK corporation tax to 22% effective 1 April 2014, but this change has not been substantively enacted.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The credit for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 March 2012 $'000	%	Year ended 31 March 2011 $'000	%
Profit before tax	1,926		6,140	
Tax at UK corporation rate of 26% (2011: 28%)	501	26%	1,719	28%
Adjustment for overseas tax rate	275	14%	128	2%
Tax effect of expense not deductible in determining taxable profit / loss	30	16%	408	7%
Adjustment arising from change in rate of UK corporation tax	47	2%	-	-
Capital allowances in deficit of depreciation	-	-	90	1%
Tax impact of share option	-	-	(873)	(14)%
Research and development tax credits	(1,190)	(62)%	(576)	(9)%
Deferred tax not recognized / utilisation of tax losses	(2,292)	(119)%	(2,048)	(33)%
Items taken to equity	(73)	(4)%	-	-
Prior year adjustment	467	24%	(340)	(6)%
Tax credit and effective rate for the year	(1,962)	(102)%	(1,492)	(24)%

Under IAS 12 Income Taxes the amount of tax benefit that can be recognised in the income statement in respect of share options is limited by reference of IFRS2 charge. Any excess amount of tax benefit in respect of share options is recognised in equity. The total net deferred tax asset recognised by the Group was $7,076,000 in the current year (2011: $1,680,000). See note 17.

11. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following information:

	Year ended 31 March 2012	Year ended 31 March 2011
	$'000	$'000
Profit		
Profit used in calculation of basic and diluted earnings per share	3,888	7,632
Profit used in calculation of adjusted basic earnings per share	12,694	9,763
Number of shares		
Weighted average number of shares for the purpose of basic and adjusted basic earnings per share	352,653,116	319,619,035
Weighted average number of shares for the purpose of diluted and adjusted diluted earnings per share	360,300,309	327,069,369

The difference between the weighted average number of ordinary shares used for the basic earnings per share and the diluted earnings per share is 7,647,194 (31 March 2011: 7,450,334), being the effect of all potentially dilutive ordinary shares, derived by the number of share options granted to employees where the exercise price is more than the average market price.

12. Goodwill

	$'000
Cost	
At 1 April 2010	2,417
Movement in year	-
At 31 March 2011	2,417
Recognised on acquisition of subsidiaries	46,461
At 31 March 2012	48,878
Accumulated impairment losses	
At 1 April 2010, 31 March 2011 and 31 March 2012	-
Carrying amount	
At 31 March 2012	48,878
At 31 March 2011	2,417

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The carrying amount of goodwill has been allocated as follows:

	$'000
Burst	25,000
PVMG	21,461
Blinkx	2,417
	48,878

The recoverable amounts of the Cash Generating Units ("CGUs") have been aggregated into three CGU's according to the entities from which they originated as a result of business acquisitions. The recoverable amounts of the CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding growth rates, costs and discount rates. Management has based the growth rates and cost assumptions individually by CGU based on industry analyst forecasts and are consistent with rates achieved by comparable companies. Costs are assumed to decline as a percentage of sales throughout the forecast period, which is consistent with historic results. A pre-tax discount rate of 11% for all CGUs has been applied to the cash flows, which is a similar rate to that used by industry analysts. The Group has prepared sensitivity analysis with varying growth and discount rates. There is no reasonably probable change to any of the key assumptions which would cause an impairment of the goodwill. The Group's impairment model covers a five year forecast period based on actual forecasts prepared and is then extended to perpetuity through application of a terminal growth rate. Growth rates of between 5% and 21% have been used representing management's best estimate of each CGU's circumstances. These rates do not exceed the average long-term growth rate for the relevant markets. The directors consider five years to be an appropriate period to consider in respect of detailed cash flow forecasts but note that it might reasonably extend beyond this period.

Based on all of the above the directors have concluded that no impairment of goodwill is indicated.

13. Other intangible assets

	Relationships with customers & publishers	Purchased technology	Capitalised development costs	Tradenames, trademarks & patents	Software licences	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 April 2010	2,000	1,800	512	535	2,019	6,866
Additions	-	-	1,149	94	38	1,281
Exchange differences	-	-	23	-	92	115
At 31 March 2011	2,000	1,800	1,684	629	2,149	8,262
Additions	-	-	3,148	39	1,609	4,797
Acquired on acquisition of subsidiaries	15,200	7,400	-	2,850	1,032	26,482
Exchange differences	(1)	(2)	(5)	(1)	(7)	(16)
At 31 March 2012	17,199	9,198	4,827	3,517	4,784	39,525
Amortisation						
At 1 April 2010	(1,338)	(573)	-	(96)	(733)	(2,740)
Amortisation	(253)	(600)	-	(103)	(690)	(1,646)
Exchange differences	-	-	-	-	(47)	(47)
At 31 March 2011	(1,591)	(1,173)	-	(199)	(1,470)	(4,433)
Amortisation	(1,991)	(1,708)	(373)	(363)	(1,010)	(5,445)
Exchange differences	-	-	-	-	4	4
At 31 March 2012	(3,582)	(2,881)	(373)	(562)	(2,476)	(9,874)
Net book value						
At 31 March 2012	13,617	6,317	4,454	2,954	2,309	29,651
At 31 March 2011	409	627	1,684	430	679	3,829

Software licences predominantly relate to software used in research and development.

14. Property, plant and equipment

	Computer equipment $'000	Fixtures and fittings and office equipment $'000	Leasehold improvements $'000	Total $'000
Cost				
At 1 April 2010	1,371	38	83	1,492
Additions	442	6	53	501
Exchange differences	11	-	-	11
At 31 March 2011	1,824	44	136	2,004
Additions	669	263	228	1,160
Acquisition of subsidiaries	473	725	130	1,328
Exchange differences	(1)	-	-	(1)
At 31 March 2012	2,965	1,032	494	4,491
Depreciation				
At 1 April 2010	(875)	(12)	(13)	(900)
Depreciation	(336)	(10)	(19)	(365)
Exchange differences	(8)	-	-	(8)
At 31 March 2011	(1,219)	(22)	(32)	(1,273)
Depreciation	(684)	(185)	(75)	(944)
Exchange differences	1	-	-	1
At 31 March 2012	(1,902)	(207)	(107)	(2,216)
Net book value				
At 31 March 2012	1,063	825	387	2,275
At 31 March 2011	605	22	104	731

The net book value of computer equipment includes an amount of $116,000 (2011: $182,000) held under finance leases. The obligations under finance leases are secured by the lessors' rights over the leased assets.

15. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 28 to the Company's separate financial statements.

16. Other financial assets

a) TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Current assets		
Trade receivables	23,588	10,427
Accrued revenues	1,046	220
Sales and doubtful debts allowance	(2,684)	(1,751)
Net trade receivables	21,950	8,896
Other receivables and prepayments	3,803	2,326
Non current assets		
Other receivables	250	250

Trade receivables disclosed above are classified as loans and receivables and therefore measured at amortised cost. The average credit period taken on sales of goods is 61 days (2011: 42 days).

The Group has credit risk with respect to trade receivables due from its customers. The Group has an increasing number of customers as the business grows which will assist in reducing credit risk through diversity. Allowance is made for bad and doubtful debts based on management's assessment of the risk taking into account the ageing profile, experience and circumstance. In cases where collectability is uncertain at the time of invoicing a sales allowance is offset against the receivable and no revenue is recognised. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Included within the Group's trade receivables balance are debtors with a carrying valuing of $35,000 (2011: $nil) which are past due and impaired between 0-90 days and $2,253,000 (2011: $1,328,000) in excess of 90 days which are past due and impaired. Debtors with a carrying value of $7,554,000 (2011: $2,523,000) between 0-90 days and $1,104,000 (2011: $1,023,000) in excess of 90 days was past due but not impaired. The remaining balance of $12,641,000 (2011: $5,553,000) is not yet due and not impaired.

The Group's allowance for doubtful debt amounts to $2,684,000 (2011: $1,751,000). The charge for the year was $496,000 (2011: $235,000). No interest has been charged for overdue debts in the period.

Movement in the allowance for doubtful debts:

	2012 $'000	2011 $'000
Balance at the beginning of the period	1,751	1,625
Amounts provided in the year (net of amounts written off)	236	126
Allowance related to beginning balances of acquired subsidiaries	697	-
Balance at the end of the period	2,684	1,751

The Directors have considered the credit quality of assets neither past due nor impaired and do not consider further credit provision is required in excess of the allowance for doubtful debts.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of one month or less. The carrying amount of these assets approximates their fair value.

c) CREDIT RISK

The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily with cash and cash equivalents. This credit risk is limited because counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group carries out credit checks on its customers and has in place credit control systems to minimise the credit risk to the Group whilst maintaining healthy commercial relationships. The Group had no other significant concentration of credit risk in the current or prior year.

17. Deferred tax

Deferred tax is calculated in full on temporary difference under the liability method using a tax rate of 24% (2011: 26%)

a) RECOGNISED DEFERRED TAX ASSETS
Deferred tax assets have been recognised in respect of tax losses and other deductible temporary differences where it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Assets 2012	**Assets 2011**	**Liabilities 2012**	**Liabilities 2011**	**Net 2012**	**Net 2011**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment and intangible assets	(172)	-	7,963	-	7,791	-
Tax credit and loss carry forward	(10,351)	(1,077)	-	-	(10,351)	(1,077)
Share based payments	(719)	(533)	-	-	(719)	(533)
Other deductible temporary differences	(2,077)	(70)	12	-	(2,065)	(70)
Deferred tax (assets) / liabilities	(13,319)	(1,680)	7,975	-	(5,344)	(1,680)
Offset tax	6,243	-	(6,243)	-	-	-
Net deferred tax (assets) / liabilities	(7,076)	(1,680)	1,732	-	(5,344)	(1,680)

At the balance sheet date, the Group has unused UK, US Federal and US State losses of $75.1m (2011 - $21.8m) available to offset against future profits. A deferred tax asset has been recognized in respect of $10.3m (2011 - $1.7m) of such losses. No deferred tax asset has been recognized in respect of the remaining $3.5m (2011 - $6.3m) due to the unpredictability of future profit streams.

b) UNRECOGNISED DEFERRED TAX ASSETS

	2012	**2011**
	$'000	**$'000**
Unrecognised temporary differences	(606)	(6,387)

c) MOVEMENT IN TEMPORARY DIFFERENCES IN THE YEAR

	Balance at 1 April 2011	**Recognised in income**	**Recognized in goodwill**	**Recognised in equity**	**Balance at 31 March 2012**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment and intangible assets	-	3,097	4,694	-	7,791
Tax credit and losses carry forward	(1,077)	(3,484)	(5,790)	-	(10,351)
Share based payments	(533)	(259)	-	73	(719)
Other deductible temporary differences	(70)	(3,731)	1,736	-	(2,065)
	(1,680)	(4,377)	640	73	(5,344)

The amount of credit that can be recognised in relation to share options in the income statement is limited under IAS 12 and any remaining credit is taken to equity.

d) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax 24% effective 1 April 2012, and to 23% 1 April 2013. These rates became substantively enacted in March 2012 and July 2012, respectively.

The UK Government also proposed to further reduce the standard rate of UK corporation tax to 22% effective 1 April 2014, but this change has not been substantively enacted.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

18. Other financial liabilities

TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Current liabilities		
Trade payables	14,037	2,992
Deferred revenue	1,630	947
Other accrued liabilities (including the amount of finance leases due within 12 months)	9,798	3,388
	25,465	7,327
Non current liabilities	474	197

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 46 days (2011: 28 days). No interest has been charged by suppliers in respect of overdue amounts in the year. Non current liabilities includes deferred rent of $379,000 (2011: $90,000) and obligations under financing leases of $95,000 (2011: $106,000).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

OBLIGATIONS UNDER FINANCE LEASES

	2012 $'000	2011 $'000
Amounts payable under finance leases:		
Within one year	172	90
In second to fifth years inclusive	95	76
	267	166
Less: Amounts due for settlement within 12 months (shown under current liabilities)	172	90
Amounts due for settlement after 12 months	95	76

It is the Group’s policy to lease certain of its computer equipment under finance lease. The average lease terms is 3 years. For the year ended 31 March 2012, the average effective borrowing rate was 9.7% (2011: 8.6%).

Lease obligations are denominated in dollars. There is no material difference between the minimum lease payment and their present values.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment period.

	Less than 3 months	3- 12 months	1 – 5 years	Total
	$'000	$'000	$'000	$'000
Finance lease liability	50	122	95	267

19. Share capital

	2012	2011
	$'000	$'000
Issued and fully paid		
361,601,901 ordinary shares of 1 pence each	6,837	6,398
(2011: 334,405,282 ordinary shares of 1 pence each)		

The Company has one class of ordinary share which carry no right to fixed income.

27,196,619 shares were issued in the year. Of this 17,440,167 related to the shares issued as part consideration for the acquisition of Burst Media Corporation; 7,000,000 related to the placing in November 2011 to finance the acquisition of PVMG; and 2,756,452 related to the exercise of employee share options.

20. Share premium account

	Share premium
	$'000
Balance at 31 March 2010	56,345
Premium arising on issue of equity shares, net of costs	30,098
Balance at 31 March 2011	86,443
Premium arising on issue of equity shares, net of costs	15,109
Balance at 31 March 2012	101,552

Transaction costs accounted for as a deduction to the share premium account total $692,000 (2011: $1,423,000).

21. Operating lease arrangements

	2012	2011
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	1,661	702

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2012	2011
	$'000	$'000
Within one year	2,219	724
In the second to fifth years inclusive	6,021	1,154
	8,240	1,878

Operating lease payments represents rental payable by the Group for certain of its office properties, computer equipment and software. Lease terms range from three to five years.

22. Share based payments
Equity-settled share option schemes

On the demerger from Autonomy Corporation plc the Company established the following share options schemes;
» the blinkx 2007 Enterprise Management Incentive Plan (the 'blinkx EMI Scheme')
» the blinkx US Share Option Plan (the 'blinkx US Plan')
» the blinkx Autonomy Employee Discretionary Share Option Scheme 2007 (the 'Autonomy Discretionary Scheme')
» the blinkx Autonomy Employee US Share Option Plan (the 'Autonomy US Plan')

The blinkx EMI Scheme and the blinkx US Plan allow for the grant of options over ordinary shares to employees of the Company and its subsidiaries. At the time of demerger two special grants were made under these plans. The first allowed a fully vested grant at nominal value and the second was a grant at nominal value but with a 3 year vesting period. Since then grants have been made at market value and with a 3 or 4 year vesting period with options vesting in varying sized tranches over that period (apart from replacement options granted to Burst Media employees on acquisition which were granted at market value but followed original vesting pattern). No option may be granted for a term in excess of 10 years. Vested options are exercisable following termination of employment for a period ranging from 40 to 90 days.

The Autonomy Discretionary Scheme and the Autonomy US Plan allowed a one time grant of blinkx options to certain Autonomy employees who at the time of the demerger had vested Autonomy options. Options granted under this plan were granted at market price and vest over a period of 3 years.

Share based compensation charges have been charged in the income statement within the following functional areas:

	Year ended 31 March 2012	Year ended 31 March 2011
	$'000	$'000
Sales and marketing	975	334
Research and development	315	249
Administrative expenses	234	105
	1,524	688

The following table summarises options outstanding at 31 March 2012 relating to the blinkx EMI scheme and the blinkx US plan. All option exercise prices are quoted in sterling.

	2012	2012	2011	2011
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding balance at beginning of year	11,815,513	0.19	11,562,556	0.06
Granted during the year	7,131,397	0.97	3,665,000	0.45
Exercised during the year	(1,801,106)	0.15	(3,184,645)	0.04
Lapsed during the year	(892,741)	0.85	(227,398)	0.18
Outstanding balance at end of year	16,253,063	0.50	11,815,513	0.19
Exercisable at end of year	8,474,949	0.22	7,413,686	0.07

Options were granted on 9 May 2011, 20 June 2011, 3 July 2011, 4 August 2011, 18 November 2011, 8 February 2012 and 28 February 2012. The weighted average of the fair market value of the options granted in the year was £0.97per share (2011: £0.45 per share).

The inputs into the Black-Scholes model are as follows:

	2012	2011
Weighted average share price	97p	45p
Weighted average exercise price	97p	45p
Expected volatility	83-85%	84-88%
Expected life	3-4 years	3-4 years
Risk free rate	3.50%	3.50%
Expected dividend	-	-

Expected volatility was determined by calculating the historical volatility of the Group's share price since IPO. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The following table summarises options outstanding at 31 March 2012 in relation to the Autonomy Discretionary Share Scheme and Autonomy US Plan options

	2012	2012	2011	2011
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding balance at beginning of year	2,460,916	0.45	3,271,203	0.45
Exercised during the year	(955,346)	0.45	(799,184)	0.45
Lapsed during the year	(113,743)	0.45	(11,103)	0.45
Outstanding balance at end of year	1,391,827	0.45	2,460,916	0.45
Exercisable at end of year	1,391,827	0.45	2,460,916	0.45

The weighted average share price at the date of exercise for share options exercised during the period was £1.30 (2011: £0.90). The options outstanding at 31 March 2012 had a weighted average exercise price of £0.45 (2011: £0.45). The weighted average remaining contractual life of the options was 5 years (2011: 6 years).

No options were granted during the current or prior year.

23. Financial Instruments

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group are able to continue as going concerns while maximizing the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from 2011.

GEARING RATIO

The Board of Directors reviews the capital structure on a regular basis and as part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group currently does not currently carry any long or short term borrowings.

EXTERNALLY IMPOSED CAPITAL REQUIREMENT

The Group is not subject to externally imposed capital requirements.

SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

CLASSES OF FINANCIAL INSTRUMENTS

	2012	2011
	$'000	$'000
Financial assets		
Cash and cash equivalents	38,406	52,809
Amounts due from customers (loans and receivables)	23,588	10,427
Financial liabilities		
Trade payables (amortised cost)	(14,037)	(2,992)

The fair value of all of the Group's financial instruments are derived from inputs other than unadjusted quoted prices that are observable for the asset or liability, either directly or indirectly. The carrying amount of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair values. Therefore there is no difference between the carrying value and fair value of the above financial assets and liabilities.

FINANCIAL RISK MANAGEMENT

The Group's financial function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include:

Market risk (including currency risk) - The Group does not enter into or trade financial instruments, including derivative financial instruments, for any purpose.

Credit risk - The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. Before accepting any new customer, the Group uses an external credit rating system to assess the potential customer's credit quality. All customers have credit limits set by credit managers and are subject to standard terms of payment.

Liquidity risk.-The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreeeable needs and to invest cash safely and profitably. The Group reviews its cash flow requirements on a monthly basis.

MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as it undertakes certain transactions denominated in foreign currencies. The Group's presentational currency is US dollars and the Company's functional currency is sterling. The Group operates subsidiaries in the U.S., U.K. and Canada and as a result cash is held predominantly in sterling and U.S. dollars. The Group holds its funds in several different financial institutions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2012 Liabilities $'000	2011 Liabilities $'000	2012 Assets $'000	2011 Assets $'000
US Dollar	1,554	68	24,884	11,760

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to movements in pound sterling and US dollar.

The following table details the Group's sensitivity to a 20% increase and decrease (2011: 20%) in the functional currency of the entity against the relevant foreign currencies. 20% is the sensitivity rate used (2011: 20%) when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 20% change (2011: 20%) in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below in 2012 indicates an increase in profit and other equity where the Sterling strengthens 20% against the relevant currency. For a 20% weakening of the Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2012 $'000	2011 $'000
Profit and loss		
cash and cash equivalents	4,579	2,350
amounts due from customers	397	2
trade payables	311	14
Other equity		
Currency translation reserves	23,322	22,523

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with counterparties that are considered to be creditworthy by management, having completed various credit checks.

The Group's principal financial assets are cash and cash equivalents, trade and other receivables.

The Group's credit risk is primarily with cash and cash equivalents. This credit risk is limited because counterparties are a number of different banks with high credit ratings assigned by international credit-rating agencies. Details regarding the management of credit risk in relation to trade receivables is dealt with in note 16. Other than noted here the Group has no other significant concentration of credit risk at either balance sheet date.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

LIQUIDITY RISK MANAGEMENT

The Group manages liquidity risk by maintaining adequate reserves, diversifying its cash accounts across several banking institutions and constantly monitoring forecast and actual cash flows.

24. Acquisition of subsidiaries

BURST MEDIA CORPORATION

On 9 May 2011 the Group acquired 100% of the issued share capital of Burst Media Corporation, an online media and technology company based in Massachusetts, USA. This will allow the group to expand the reach of its video search and advertising offering across Burst Media Corporation's extensive network of independent publishers.

The provisional fair values of net assets acquired amounted to a total of $15.4 million. This comprises $13.9 million for intangibles, $9.1 million for other assets, $2.0 million cash, $7.2 million trade and other payables and $2.4 million of deferred tax liability. The book value was unchanged for all the acquired items except in relation to the purchase of intangibles and the associated deferred tax liability. Goodwill of $25.0 million was recognised on the acquisition based on the value of the expanded distribution enabled by Burst's network of publishers and third party relationships. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of trade and other receivables is $8.2m which includes trade receivables with a fair value of $7.7m and a gross contractual value of $8.2m of which $0.5m is expected to be uncollectible.

These balances reflect an increase in provisional goodwill of $0.6 million from the amount disclosed in the interim report. This has principally arisen due to a revision in the value of the intangibles acquired, as a result of circumstances which existed at the date of acquisition.

The Group incurred a $446,000 charge relating to the conversion of Burst Option holders converting into blinkx shares. The purchase consideration comprised equity of $29.3 million, $0.5 million cash and $1.4 million of costs associated with the acquisition and amounts owing to Burst Media Corporation shareholders. As a result of movement in the share price between announcing the agreement and completion, there was a fair value adjustment on the equity consideration of $9.2 million bringing the overall equity to $38.5 million and total fair value of consideration to $40.4 million. At 31 March 2012 shares to be issued reserve totaled $754,000. The shares to be issued reserve relates to shares which are expected to be issued to Burst Shareholders as part of the consideration, who have not yet submitted the paperwork to effect the exchange of Burst shares for blinkx shares.

PRIME VISIBILITY MEDIA GROUP

On 9 November 2011 the group acquired 100% of the issued share capital of Prime Visibility Media Group Inc, an online advertising network and digital advertising agency headquartered in New York, USA. The integration of the blinkx video search engine with PVMG's text search platform will enable the group to tap into a new audience of intent-driven consumers and deliver TV-style brand advertising to them.

The provisional fair value at time of purchase of net assets acquired amounted to a total of $13.4 million. This comprises $12.6 million for intangibles, $5.7 million for other assets, $1.7 million for deferred tax asset, $0.7 million cash, $7.3 million trade and other payables. The book value was unchanged for all the acquired items except in relation to the purchase of intangibles and the associated deferred tax liability. The company recognised goodwill of $21.4 million. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of trade and other receivables is $9.0 million which includes trade receivables with a fair value of $4.6 million and a gross contractual value of $4.8 million of which $0.2 million is expected to be uncollectible.

The fair value of the $36 million consideration paid comprises of: cash paid of $31 million; deferred consideration provisionally determined of $3.8 million; and prepaid post acquisition remuneration of $1.2 million.

The $3.8 million of deferred consideration provisionally determined relates to amounts paid into escrow in relation to the final working capital position. To the extent that any of these monies are not ultimately paid over to the vendor they will revert to blinkx. In accordance with IFRS3, blinkx will finalise the position on the amount of deferred consideration payable and update the proceeds on or before the conclusion of the measurement period.

The prepaid post acquisition remuneration relates to payments of incentives to employees of PVMG which are due on the one year anniversary of the acquisition. In accordance with the requirements of IFRS3, the charge will be reflected in next year's income statement.

The Group engaged an independent valuer to assess and determine the acquired intangibles and goodwill balances for both acquisitions.

Following their acquisition by blinkx, the businesses of Burst and PVMG have benefitted from selling and billing a combination of blinkx-sourced products as well as their own. Their incorporation into the blinkx group has created a vertically integrated video advertising business in which the parts are not practicably divisible from the whole. The acquired entities have been integrated to such an extent that substantially all of the revenues in FY2012 are attributable to blinkx, having been driven immediately post-acquisition through the Group's expanded operating and distribution footprint and making it impracticable to separate the contribution of the individual entities, with the exception of $2.1 million of revenues attributable to Burst's legacy revenue streams and $2.1 million of revenues from PVMG's legacy revenue streams. If the acquisitions of Burst and PVMG had been completed on the first day of the financial year, Group revenues for the period would have been $138.6 million.

Similarly, the Group's core products have been integrated and development / support activities have been merged to such an extent that the costs recognized in the accounts of the acquired entities do not accurately represent the underlying activities attributable to those operations. Consequently, it is impracticable to separately identify the profit derived from the acquired businesses as required under IFRS 3 as the information is not available.

Acquisition and other integration and related costs of $4.7 million have been separately identified on the face of the income statement. These charges included severance, professional services, onerous facility and marketing expenses. Further acquisition / integration related costs have been incurred since the balance sheet date.

25. Events after the balance sheet date

On 19 July 2012, Suranga assumed the role of President and Chief Strategy Officer of blinkx and will remain on the Board in an executive capacity.

On 19 July 2012, Subhransu ("Brian") Mukherjee was appointed as CEO, and joined the Board, of blinkx.

26. Related party transactions

For the purposes of IAS 24 Related Party Disclosures, the directors are considered to be the Group's key management personnel. Their remuneration is disclosed within the Directors' Report on page 8. There were no other related party transactions in either the current year or prior year.

Company Balance Sheet As At 31 March 2012

	Note	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Non-current assets			
Investment in subsidiaries	28	169,011	100,785
Current assets			
Amounts due from subsidiary undertakings	29	321	29,379
Other receivables		770	49
Cash and cash equivalents	29	11,982	16,901
		13,073	46,329
Current liabilities			
Trade and other payables	30	(800)	(913)
Amounts due to subsidiary undertakings	30	(1,793)	-
		(2,593)	(913)
Net assets		179,491	146,201
EQUITY			
Capital and reserves			
Share capital	32	3,616	3,344
Share premium account	33	57,721	48,130
Stock compensation reserve		3,392	2,161
Shares to be issued reserve		462	-
Merger reserve		119,359	96,432
Retained earnings	34	(5,059)	(3,866)
Total Equity		179,491	146,201

The financial statements of blinkx plc (registered number 06223359) were approved by the Board of Directors and authorised for issue on 2 August 2012. They were signed on its behalf by:

Suranga Chandratillake
President and Chief Strategy Officer
2 August 2012

Company Statement of Changes in Equity Year Ended 31 March 2012

	Ordinary share capital £'000	Share premium account £'000	Shares to be issued reserve £'000	Stock compensation reserve £'000	Sub-total £'000
Balance as at 1 April 2010	3,072	29,300	-	1,719	34,091
Loss for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	-	-
Issue of shares, net of expenses	272	18,830	-	-	19,102
Capital contribution	-	-	-	442	442
Balance as at 31 March 2011	3,344	48,130	-	2,161	53,635
Loss for the year	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	-	-
Issue of shares, net of expenses	272	9,591	-	-	9,863
Shares to be issued	-	-	462	-	462
Capital contribution	-	-	-	1,231	1,231
Balance as at 31 March 2012	3,616	57,721	462	3,392	65,191

	Sub total £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 April 2010	34,091	96,432	(2,780)	127,743
Loss for the year	-	-	(1,086)	(1,086)
Other comprehensive income for the year				
Total Comprehensive income for the year	-	-	(1,086)	(1,086)
Issue of shares, net of expenses	19,102	-	-	19,102
Capital contribution	442	-	-	442
Balance as at 31 March 2011	53,635	96,432	(3,866)	146,201
Loss for the year	-	-	(1,193)	(1,193)
Other comprehensive income for the year	-	-	-	-
Total Comprehensive income for the year	-	-	(1,193)	(1,193)
Issue of shares, net of expenses	9,863	22,927	-	32,790
Shares to be issued	462	-	-	462
Capital contribution	1,231	-	-	1,231
Balance at 31 March 2012	65,191	119,359	(5,059)	179,491

Company Cash Flow Statement
Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Net cash generated by / (used in) operating activities	35	9,056	(9,046)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of preference shares in subsidiary		-	18,604
Acquisition of subsidiaries, net of cash acquired		(23,663)	
Interest received		46	45
Net cash (used in) / generated by investing activities		(23,617)	18,649
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		9,642	498
Net cash generated by financing activities		9,642	498
Net (decrease) / increase in cash and cash equivalents		(4,919)	10,101
Beginning cash and cash equivalents		16,901	6,800
Ending cash and cash equivalents		11,982	16,901

Notes to the Company Only Financial Statements

27. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union. The Company has no employees other than the three non-executive Directors. Their remuneration is shown in the Group remuneration report.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

These Company financial statements are presented in sterling as that is the currency of the primary economic environment in which the Company operates.

As permitted by section 408 of the Companies Act 2006 the income statement of the parent Company is not presented as part of these accounts. The parent Company's loss for the financial year amounted to £1,193,000 (2011: loss £1,086,000). The Company's profit or loss for each year is the same as its total comprehensive income for each year.

28. Subsidiaries

Cost and net book value	**£'000**
At 1 April 2010	100,343
Capital contribution	442
At 31 March 2011	100,785
Investment in subsidiaries	66,995
Capital contribution	1,231
At 31 March 2012	169,011

The capital contribution is in respect of equity settled share based payments made to employees of the Company's subsidiaries for which the Company receives no reimbursement.

The principal subsidiary companies within the Group's operation at 31 March 2012 are as follows:

	Place of incorporation (or registration) and operation	**Percentage owned**
blinkx UK Limited	England & Wales	100%
blinkx, Inc	USA	100%
Burst Media Corporation	USA	100%
Prime Visability Media Group, Inc	USA	100%
blinkx (Canada), Inc	Canada	100%

Operating subsidiaries of the above companies have been excluded to the extent such subsidiaries' operations are consolidated in the interim operating companies' operations and results. These include operating subsidiaries in the UK, US and Canada.

29. Financial assets

LOANS DUE FROM OTHER GROUP ENTITIES
At the balance sheet date there are receivables from fellow Group companies amounts of £321,000 (2011: £29,379,000). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances. (2011: none)

CASH AND CASH EQUIVALENTS
These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

The carrying amount of these assets approximates their fair value.

30. Financial liabilities

LOANS DUE TO OTHER GROUP ENTITIES
At the balance sheet date there are payables to fellow Group companies amounts of £277,000 (2011: £nil). The carrying amount of these liabilities approximates their fair value.

TRADE AND OTHER PAYABLES
Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 48 days (2011: 40 days).

The carrying amount of trade payables approximates to their fair value.

31. Deferred tax

No deferred tax assets or liabilities have been recognised by the Company in the year. At the balance sheet date there is an unrecognised deferred tax asset of £379,000 (2011: £175,000).

32. Share capital

	2012	2011
	£'000	£'000
Issued		
361,601,901 ordinary shares of 1 pence each	3,616	3,344
(2011: 334,405,282 ordinary shares of 1 pence each)		

The Company has one class of ordinary share which carry no right to fixed income.

27,196,619 shares were issued in the year. Of this 17,440,167 related to the shares issued as part consideration for the acquisition of Burst Media Corporation, 7,000,000 related to the placing in November 2011 to finance the acquisition of PVMG and 2,756,452 related to the exercise of employee share options.

33. Share premium account

	£'000
Balance at 31 March 2010	29,300
Premium arising on issue of equity shares	18,830
Balances at 31 March 2011	48,130
Premium arising on issue of equity shares	9,591
Balances at 31 March 2012	57,721

34. Retained earnings

	£'000
Balance at 31 March 2010	(2,780)
Net loss for the year	(1,086)
Balance at 31 March 2011	(3,866)
Net loss for the year	(1,193)
Balance at 31 March 2012	(5,059)

35. Notes to the cash flow statement

	Year ended 31 March 2012 £'000	**Year ended 31 March 2011 £'000**
CASH FLOW FROM OPERATING ACTIVITIES		
Loss from operations	(1,239)	(1,131)
Foreign exchange gains	(428)	(281)
Operating cash flow before movements in working capital	(1,667)	(1,412)
Decrease / (increase) in amounts due from group undertakings	11,663	(8,359)
(Increase) / decrease in receivables	(827)	2
(Decrease) / increase in payables	(113)	723
Cash generated by / (used in) operations	9,056	(9,046)

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

36. Financial instruments

The policies of the Group are discussed in note 3 to the consolidated financial statements. The tables below provide financial instrument disclosures for the Company.

CATEGORIES OF FINANCIAL INSTRUMENT

	2012 £'000	2011 £'000
Financial assets		
Cash and cash equivalents	11,982	16,901
Other receivables (loans and receivables)	770	49
Amounts due from group undertakings (loans and receivables)	321	29,379
	13,073	46,329
Financial liabilities		
Trade payables (amortised cost)	166	132
Amounts due to group undertakings (amortised cost)	277	-
	443	132

There is no difference between the carrying value and fair value of the above financial assets and liabilities. The fair value of all the Company's financial instruments are derived from inputs other than unadjusted quoted prices that are observable for the asset of liability, either directly or indirectly.

FOREIGN CURRENCY RISK MANAGEMENT

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2012 Liabilities £'000	2011 Liabilities £'000	2012 Assets £'000	2011 Assets £'000
US Dollar	166	37	12,713	34,869

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to movements in US dollar. The Company has maintained its sensitivity at 20% in 2012 (2011: 20%).

The following table details the Company's sensitivity to a 20% increase and decrease (2011: 20%) in the functional currency of the entity against the relevant foreign currencies. 20% is the sensitivity rate (2011: 20%) used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 20% change (2011: 20%) in foreign currency rates. The sensitivity analysis includes loans to foreign operations where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below for 2012 indicates an increase in profit and other equity where the Sterling strengthens 20% against the relevant currency. For a 20% weakening of the Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	2012 £'000	2011 £'000
Profit and loss		
Cash and cash equivalents	2,396	1,458
Trade payables	33	7
Inter company loans	(15)	5,515

The movements above arise where the Company has financial assets or liabilities in currencies other than sterling. There are no foreign currency balances included within other equity. There has not been any significant change in the Company's sensitivity to foreign currency during the period.

37. Related parties

Transactions relate to funding and recharges and are conducted on an arm's length basis. The amount owed by subsidiary undertakings is £44,000 (2011: £29,379,000). The amount owed to subsidiary undertaking is £nil (2011: £nil).

For the purposes of IAS 24 Related Party Disclosures, the directors are considered to be the Company's key management personnel. Their remuneration is disclosed within the Directors' Report on page 8.

Shareholder Information and Advisors

Registrars and blinkx Shareholder Services

All Administrative inquiries regarding shareholdings such as questions about lost share certificates should be directed to the company's registrars as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY
UK
Tel: +44 870 707 1593
email: web.queries@computershare.co.uk

Stock Exchanges

blinkx's ordinary shares are listed on the London Stock Exchange (AIM) under the symbol "BLNX." blinkx does not maintain listings on any other stock exchanges.

Shareholder Communications

Topics featured in this Annual Report can be found via the blinkx home page on the Internet (http://www.blinkx.com). Financial results, news on blinkx products, services and other activities can also be found via that address.

Advisors / Auditor	AIM Nominated Advisor and Broker	Investor Relations
Deloitte LLP	Citigroup Global Markets	FTI Consulting, inc
City House	Citigroup Centre	Holborn Gate
126-130 Hills Road	Canada Square	26 Southampton Buildings
Cambridge, CB2 1RY	Canary Wharf	London, WC2A 1PB
United Kingdom	London, E14 5LB	United Kingdom
	United Kingdom	

Corporate Legal Advisors		Registered Office
Bird & Bird LLP	Pillsbury Winthrop Shaw	2nd Floor
15 Fetter Lane	Pittman LLP	Ibex House
London, EC4A 1JP	2475 Hanover Street	42-47 Minories
United Kingdom	Palo Alto, CA 94304	London, EC3N 1DX
	USA	United Kingdom

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