# blinkx plc

## Annual Report and Financial Statements for the Year Ended 31 March 2013

Company number: 06223359

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# CEO's Report

**Dear blinkx Shareholders,**

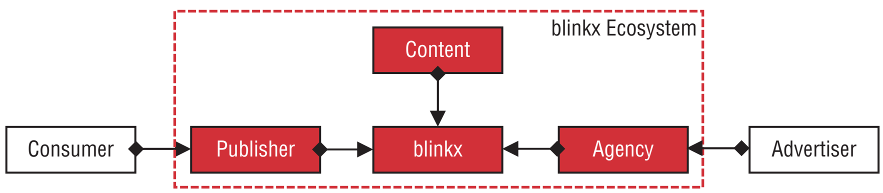
Financial year 2013 was an exceptional year for blinkx. We outperformed the online advertising sector and generated record revenues, profits and cash flow. Through organic growth, selective acquisitions and our unique technology, we have created a growing, video-enabled ecosystem of audience partners, content providers and advertisers. We mobile-enabled our technology, realigned resources and evolved the leadership team, transforming the company into a growth engine with strong operational and financial discipline. We ended the year confident in the sector, energized by our growth opportunities, and led by a capable, experienced and well-integrated team.

**Sector Overview**

Mobility, video, big data and social networking are rapidly transforming the digital landscape. Broadband proliferation, the ubiquity of connected devices and the rapid migration of video content online have revolutionized the advertising industry. An ever growing audience is consuming a broader range of content over the Internet, wherever and whenever convenient. Brand marketers are following these consumers online, and as a result, the online sector has become the fastest growing among all advertising channels. Within the online advertising sector, video is a growth catalyst, with spend surging over 45% from $2.0 Billion to $2.9 Billion in the US in 2012. This year, the industry also benefited from an increase in advertising spends due to two special events – the Summer Olympics and the US Presidential year elections. The market momentum underscores the vitality of the sector, which is quickly capturing incremental instead of experimental budgets.

**Business Model**

blinkx is a technology driven media company with unique strengths in online video. We generate over 95% of our revenues from advertising, by connecting consumers and advertisers online through professionally generated content.




We generate potential advertising opportunities by matching relevant content with ads that we either sell directly to agencies or source from third parties. Our growth strategy has evolved from operating solely within owned and operated blinkx sites, to packaging and syndicating our technology, content and ads to a large stable of web publishers. As a result, we can access millions of users whenever and wherever they are browsing and share any revenues we generate with the content and audience providers. Our advertising offerings fall into two broad categories – Premium, where revenues are generated from one or more high value ad units such as video, rich media, social, text or mobile; and Conventional, where revenues are generated from high volume display or banner ad units. As indicated in our KPIs which are included in the Directors Report, we continue to expand our Ecosystem. This year we brought on board several marquee brands, such as Kiplinger, Fox Sports, Sony, Popbox, Clorox, Kellogg, Nike, and Disney, among others.

**Product, Technology**

Since inception, blinkx has invested almost $60 million in research, development and infrastructure to build and enhance blinkx CORE, (COncept Recognition Engine) its patented video and advertising engine. blinkx CORE solves the challenges inherent in processing, managing and monetizing all forms of rich media. It uses speech recognition, visual and text analysis to enable blinkx to deeply understand the content and context of video. blinkx's search and discovery capabilities are powered by CORE, as is our advertising platform, AdHoc, which uses the technology to match relevant ads with content and audiences. This delivers enhanced video search results for the consumer and a brand safe environment for the advertiser. During the year, we launched the next generation of our flagship video search and discovery technology at blinkx.com. With an eye to the growing mobile market, the new site was built from the ground up for use on connected devices, with a simple, elegant user interface that is touch-optimized for video discovery and offers easy personalization tools and integration with social networks. The upgraded search and discovery functionality is currently being rolled out to our syndication partners and affiliates to extend our reach.

**Operations Review**
I am pleased to report that this year, we also successfully completed a majority of the integration efforts following our acquisitions in FY2012. Through the process, we built a talented team that is culturally aligned, performance-driven and shareholder-oriented. By integrating the sales, services, product and technology organizations, we created a broad product set and delivery capability. The acquisitions brought us access to vast number of text and display oriented sites and the potential to convert conventional to premium ads on these properties. This massive scale and access to billions of potential advertising interactions have significantly broadened the scope of our advertising products and boosted our reach to tens of millions of unique users per month. Today, however, we monetize only a fraction of the total ad interactions that we are now able to access. This represents a captive, well-understood, organic growth opportunity for the company, which we plan to monetize by adding additional advertisers, content and audience partners. During the past year, we also transitioned the CEO and CFO roles and expanded the leadership team with key marketing, product and technology hires. Finally, we streamlined the business and ended the year with a staff of 255, down from 275 in the previous year.

**Financial Review**
Since our IPO in 2007, we have nearly doubled revenues each year. By anticipating market transitions, making strategic investments and aligning resources behind key initiatives, we broke through the $100 million revenue mark in FY2012 and again in the second half of FY2013. Key highlights for the current period as of this writing include:

- Revenue increased by 73% to $198.0 million, from $114.4 million in FY2012
- Adjusted* EBITDA increased by 111% to $30.2 million, from $14.3 million in FY2012
- Adjusted* profit before tax increased to $24.6 million, from $10.7 million in FY2012
- Basic earnings per share increased to 4.8 cents, a 336% from 1.1 cents in FY2012
- Cash at year-end was $55.9 million, a 45% increase from $38.4 million in FY2012
- Market capitalization increased from a low of approximately $190 million to over $700 million

We grew profits faster than revenues due to a lower expense rate, driven by swift integration of the acquisitions, disciplined decision-making and effective execution of key priorities. The rapid revenue growth and operational gearing enabled us to expand our adjusted* EBITDA margins to over 15%, a proxy we use to measure operating cash flow. We strengthened our balance sheet, which remains debt free, by focusing on cash conversion and aim to build a durable and substantial enterprise over the long term.

**Outlook and Opportunities**
At an estimated $3 billion in spend, online video advertising constitutes less than 5% of the $65 billion attributed to TV advertising spend in the US last year. Yet, the trends are clear and compelling. Major brands are embracing online video, and advertising spend for this medium is on the rise. Over time, we expect that online video budgets will complement and may even cannibalize TV advertising spend. We believe blinkx is well positioned to capitalize on this disruptive opportunity. Our growth strategy is to expand our ecosystem to include new form factors, such as tablets and smartphones. We operate in a highly competitive and evolving sector, hold less than 10% of our market value in cash and are still in the growth phase as a company. Therefore, we feel that re-investment of capital into the business, rather than dividends or stock repurchases, is the best use of capital to build shareholder value at this time as we have many more opportunities than capital. Investments in technology, products, sales and marketing that augment our scale, scope and reach, as well as acquisitions that fill a product gap, build on our foundational priorities, possess favorable economics and have low execution and integration risk, would be the best uses of capital in the foreseeable future.

**Looking Ahead**
These are exciting times to be a part of blinkx. Our vision is to lead the evolution to a seamless four screen video experience for consumers and advertisers, across PCs, Tablets, Smartphones and Connected TVs. Our goal is to deliver increasingly profitable, sustainable and predictable revenue growth over the long term, through innovation and disciplined execution. We operate in a rapidly evolving sector, in which the capacity to anticipate and respond to challenges and opportunities is essential. This is the defining element of our DNA as a company and team. We are pleased with our progress this year and remain focused on creating enduring value for our advertisers, partners, employees and shareholders. Let me also take this opportunity to express my gratitude for your support, and hope that you share the excitement we feel about our performance and prospects.

Subhransu ("Brian") Mukherjee
Chief Executive Officer
10 June 2013

** Adjusted for acquisition and exceptional charges of $3.3m (2012:$4.7m), amortization of purchased intangibles of $5.4m (2012: $4.1m) and other income of $0.8m (2012:nil)*

# Board of Directors

## The Directors of blinkx are as follows:

| Name | Age | Position |
|---|---|---|
| Anthony Bettencourt | 52 | Non-executive Chairman |
| Suranga Chandratillake | 35 | Executive Director |
| Dr. Michael Lynch | 48 | Non-executive Director |
| Subhransu ("Brian") Mukherjee | 46 | Executive Director |
| Mark Opzoomer | 56 | 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. Anthony earned a B.A. in English from Santa Clara University in 2006.

### Suranga Chandratillake, 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 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 born 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 British Library.

## Subhransu ("Brian") Mukherjee, Chief Executive Officer

On 19 July 2012, Brian was appointed to the Board of blinkx plc as CEO and Executive Director. Brian brings over 14 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 companies, 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 25 years of corporate operating and deal-making experience. He is currently CEO of Zattikka plc, an AIM listed online games entertainment publisher. Mark was previously non-executive director, then CEO, of Rambler Media Limited, Moscow, from 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 (LSE), advisor to Difference Capital Financial, Inc. (TSE) 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).

# 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 2013. The Corporate Governance statement set out on page 11 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 30 to the financial statements.

## Review of Developments and 2013 Results

Results of the Group are shown in the consolidated income statement, beginning on page 16. Revenue for the year was $198.0m (2012: $114.4m), net profit before acquisition and exceptional costs and other income was $25.3m (2012: $12.7m) and net profit was $17.4m (2012: $3.9m).

The business demonstrated strong underlying growth, stability and efficiency, which was accelerated by the ahead-of-schedule integration of the recent acquisitions. The scale, scope and reach of these acquisitions enabled the company to serve a greater number of advertisements to a wider audience at robust monetization rates which helped drive growth. Powerful tailwinds are driving the growth of online advertising overall and of video advertising in particular. These include widespread broadband adoption, the proliferation of connected devices and the rapid migration and consumption of video content online. In addition, the industry and blinkx benefited from increased advertising spend allocated to two high-profile events this year, namely the summer Olympics and the US political campaigns in a presidential election cycle. The market momentum underscores the vitality of the sector and the blinkx business model. Based on our capabilities and the fundamentals of the industry, we remain confident in our prospects and opportunities.

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

## Future Developments

The Group's stated objective is to establish the Group and its technology as the leader in the search, discovery, monetization and distribution of online content. 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.

## Enhanced Business Review

The Directors' Report should be read in conjunction with the CEO'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** | | |
|---|---|---|---|---|---|
| | **2013** | **2012** | | **2013** | **2012** |
| Revenue | $198.0 m | $114.4 m | Headcount at 31 March | 255 | 275 |
| Net profit before acquisition and exceptional costs and other income | $ 25.3 m | $ 12.7 m | Publisher partners | 4,540 | 2,919 |
| Net profit | $ 17.4 m | $ 3.9 m | Advertising partners | 1,081 | 970 |
| Net cash generated by operating activities | $ 22.0 m | $ 8.8 m | Content partners | 906 | 804 |
| Cash and cash equivalents | $ 55.9 m | $ 38.4 m | | | |
| Research & development spend | $ 19.2 m | $ 15.8 m | | | |
| Net assets | $145.0 m | $124.6 m | | | |

Research and development expenditure included costs associated with the enhancement and development of the Group's products of which $16.7m (2012: $12.7m) was expensed and $2.5m (2012: $3.1m) was 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.

We have expanded our network of third party relationships this year. Growing our ecosystem of Publishers, Content Partners and Advertisers is integral to our business model and has clearly contributed to the strong financial position at the end of the year and performance during the year. This year, we brought on board several leading marquee partners and advertisers, including Kiplinger, Fox Sports, Sony, Popbox, Clorox, Kellogg, Nike, Disney, Gap and Mattel, among others. Note that only Advertisers that generated a minimum of $5,000 in annual revenue are included in the table above.

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 in page 7 and page 8 of the Directors' Report.

## Dividends

The Directors do not recommend the payment of a dividend (2012: $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. Foreign currency risks are managed through natural hedges with currency bank accounts.

The Group has not faced any material exposure to price risk, liquidity risk or cash flow risk that would affect the ultimate objectives of the business. See note 24.

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 805,708 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 23.

There are shares reserved to be issued relating to former Burst shareholders, as part of the consideration, who have not yet submitted the paperwork to effect the exchange of Burst shares for blinkx shares.

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.

## Directors

Director who served throughout the year to 31 March 2013 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 of the Company on 19 July 2012.

## Re-election of Directors

The Articles of Association require at least one third of the Directors to be subject to re-election at each Annual General Meeting.

## Appointment of Director

The 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.

## Directors’ Responsibilities Statement

A statement of Directors’ responsibilities is set out on page 13.

## 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 2013 were equivalent to 51 days’ purchases (2012: 46 days).

## Principal 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. 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 only one customer represents a significant percentage of revenue (10.7% in fiscal year 2013, not applicable in fiscal year 2012).* |
| » *Being unable to hire and retain adequately qualified personnel could negatively impact 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.* |
| » *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 ISPs 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.* |
| » *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 in developing its own intellectual property (including filing patents) around the Autonomy IDOL foundation.* |

## Principal Risks and Uncertainties (continued)

| Risks | Mitigation |
|---|---|
| *» Our success depends on our relationships with our partners, including our ability to attract new partners and retain existing partners on favorable terms, and the quality and quantity of content, audience, traffic and ads supplied by our partners.* | *» The Group has established infrastructure and significant institutional experience in sourcing, managing and maintaining partnerships. The Group relies on proprietary technology and staff to evaluate and monitor the content, audience, traffic and ads provided by our partners. Personnel within the Group are dedicated to maintaining and growing partner relationships aligned with the Company's objectives.* |
| *» The Group operates in an industry that is highly dynamic and is constantly evolving, including standards and criteria for performance measurement. If standards and practices of our industry change and evolve such that they differ significantly from our current infrastructure and capabilities, then our business may be negatively impacted.* | *» The Group continuously makes investment in product, technology and personnel to keep abreast of evolving standards and practices so that the Group can anticipate and respond appropriately in the event of significant changes to industry standards and practices.* |
| *» If the integration of prior or future acquisitions are not as successful as expected 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 would undertake a comprehensive integration program which would be 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, particularly if the Group makes additional acquisitions in the future.* | *» The Group manages costs on an ongoing basis based on actual and forecasted revenues to help drive towards profitability goals.* |
| *» 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 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 24 of the financial statements.

## Substantial Shareholdings

On 31 March 2013, the Company had been notified of the following voting rights as a shareholder of the Company.

| | Number shares | % |
|---|---|---|
| Autonomy Corporation plc | 45,684,416 | 12.61% |
| BlackRock Inc. | 37,728,575 | 10.41% |
| Michael Lynch | 21,902,712 | 6.04% |

During the period between 31 March 2013 and 17 May 2013, the Company received notification of the following voting rights as a shareholder of the Company.

| | Number shares | % |
|---|---|---|
| BlackRock Inc. | 36,475,605 | 10.03% |

## 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:

| | 2013 $ | 2012 $ |
|---|---|---|
| Salaries, fees, bonuses and benefits in kind | 1,137,000 | 562,000 |
| Gains on exercise of share options | 13,362 | 851,045 |
| Total Directors' remuneration | $1,150,362 | $1,413,045 |

Directors' emoluments and compensation was as follows:

| Name of Director | Fees/Basic Salary $ | Annual Bonuses $ | 2013 Total $ | 2012 Total $ |
|---|---|---|---|---|
| Anthony Bettencourt | 57,000 | - | 57,000 | 55,000 |
| Suranga Chandratillake | 261,000 | 150,000 | 411,000 | 397,000 |
| Michael Lynch | 57,000 | - | 57,000 | 55,000 |
| Subhransu ("Brian") Mukherjee | 300,000 | 255,000 | 555,000 | n/a |
| Mark Opzoomer | 57,000 | - | 57,000 | 55,000 |
| Aggregate emoluments | 732,000 | 405,000 | 1,137,000 | 562,000 |

The non-executive directors' fees are £50,000 per annum as of 1 March 2013 (2012: £35,000). The increase shown in the above table of the dollar equivalent is a result of exchange rates.

Directors who held office at 31 March 2013 had the following interests in the ordinary shares of the company:

| Name of Director | 31 March 2013 |
|---|---|
| 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, during the year. Vesting and exercise of options is subject to continued employment.

| | At 31 March 2012 Number | Granted Number | Exercised Number | At 31 March 2013 Number |
|---|---|---|---|---|
| Suranga Chandratillake | 4,476,057 | 350,000 | - | 4,826,057 |
| Michael Lynch | 35,248 | - | (35,248) | - |
| Subhransu ("Brian") Mukherjee | 80,000 | 2,500,000 | - | 2,580,000 |

Refer to note 23 for details of the share option schemes.

None of the Directors has 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

Subhransu ("Brian") Mukherjee
Chief Executive Officer
10 June 2013

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

# Corporate Governance

The Board of Directors ("the Board") of blinkx values good corporate governance and is committed to ensuring that high standards are maintained. Whilst companies whose shares are listed on AIM are not formally required to comply with the provisions set out in the UK Corporate Governance Code ("the Code"), the Board attempts to apply the provisions of the code in certain areas where it considers it appropriate to do so, given both the Group's size and resources available to the Group. As such, we report below on how we have complied with the main provisions of the code.

## Role of the Board

The Board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed, set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance and set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met.

Monitoring the level of risk and ensuring appropriate response to identified risks are key objectives, involving the support of the whole board. We are focused on driving the levels of challenge around risk and risk management as the business evolves. The principal risks and uncertainties are set out on pages 7 and 8. Whilst it is recognised that the Group is subject to a number of risks greater than this list, we disclose those that are of most concern to the business at this point in time.

## Division of Responsibilities

There is a clear division of responsibility at the head of the company between the running of the board, which is delegated to the Chairman, Anthony Bettencourt and the executive responsibility for the running of the Company's business, which is delegated to the Chief Executive Officer, S. Brian Mukherjee.

At 31 March 2013 the Board comprised of five 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, but are responsible for scrutinizing the performance of management in meeting agreed goals and objectives, and monitoring the reporting of performance. All Board members are considered to be able to allocate sufficient time to the Company to discharge their responsibilities as directors effectively.

The Board meets at regular scheduled intervals and follows a formal agenda; it also meets as and when required. No one individual has unfettered powers of decision.

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

## The Chairman

The Chairman is responsible for leadership of the board, ensuring its effectiveness, setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. In addition, the Chairman is responsible for ensuring that the directors receive accurate, timely and clear information to ensure effective communication with shareholders.

## Board Committees

The Group has an Audit Committee, a Nominations Committee and a Remuneration Committee, each consisting of at least two non-executive Directors. Each committee has written terms of delegated responsibilities which will be available for review at the end of the AGM. A summary of each committee's role is set out below.

The Board and its committees are considered to have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

## Audit Committee

The audit committee is primarily responsible for monitoring and reviewing:

- » The integrity of the Company's financial statements, including a review of the significant financial reporting issues and judgements contained in them;
- » The effectiveness of the Company's internal control and risk management systems;
- » The effectiveness of the Company's internal audit and risk function;

- The Company's relationship with the external auditor, including its independence and management's response to any major external audit recommendations.

## Nomination Committee

The role of the nomination committee is primarily to:

- Review the structure, size, and composition of the Board, including skills, knowledge, experience and diversity;
- Consider succession planning for Directors and other senior executives;
- Identify and nominate for Board approval candidates to fill Board vacancies; and
- Keep under review leadership needs of the Company, both executive and non-executive, with a view to ensuring continued ability of the Company to compete effectively in the marketplace.
- Any new Directors are appointed by the Board in accordance with the Company's Articles of Association.

## Remuneration Committee

The role of the remuneration committee is primarily to:

- Determine and agree the framework and broad policy for the remuneration of the Directors and senior executives;
- Review the ongoing appropriateness and relevance of the Company's remuneration policy including in relation to retention and development;
- Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes; and
- Determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards.
- No director is involved in determining his or her own remuneration.

## Information and Support

The Board is supplied with information in a quality form and in a timely manner to enable it to discharge its duties.

The Board also reviews arrangements under which employees are able to raise concerns in confidence about possible improprieties in matters of financial reporting or other areas.

## Whistleblowing Procedures

The Group operates a whistleblowing policy which provides for all employees to raise concerns about any unethical business practices, fraud, misconduct or wrongdoing to senior management in strict confidence. They can do so without fear of recrimination and the Audit Committee receives any such confidential reports. There were no whistleblowing reports throughout fiscal year 2013 and none up to the date of this report.

## 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.

Furthermore, the Board makes constructive use of the AGM to communicate with investors and encourage their participation.

## Auditor's Independence

Deloitte LLP (or its predecessor firms), was first appointed as auditor to blinkx plc 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. In keeping with this standard, Mr Stuart Henderson, Deloitte partner was appointed to oversee the blinkx audit during fiscal year 2013. The Audit Committee reviews and approves the level of non-audit fees, and review the procedures the auditor has in place to maintain and safeguard auditor independence and objectivity.

# 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

Subhransu (“Brian”) Mukherjee
Chief Executive Officer
10 June 2013

# 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 2013 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 39. 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 2013 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.

Stuart Henderson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
10 June 2013

# Consolidated Income Statement for the Year Ended 31 March 2013

| | Note | Year ended 31 March 2013 $'000 | Year ended 31 March 2012 (reclassified**) $'000 |
|---|---|---|---|
| Revenue: continuing operations | | 197,957 | 114,397 |
| Cost of revenue | 26 | (97,006) | (46,604) |
| Research and development | | (15,050) | (10,526) |
| Sales and marketing | 26 | (51,112) | (39,774) |
| Administrative expenses | | (10,208) | (7,047) |
| Total cost and expenses | | (173,376) | (103,951) |
| Profit from operations before acquisition and exceptional costs* | | 24,581 | 10,446 |
| Amortisation of purchased intangibles | | | |
| Research and development | | (1,629) | (1,708) |
| Sales and marketing | | (3,749) | (2,353) |
| | | (5,378) | (4,061) |
| Acquisition and exceptional costs | 27 | (3,276) | (4,745) |
| Profit from operations | | 15,927 | 1,640 |
| Other income | | 757 | - |
| Net investment revenue | | 38 | 286 |
| Profit before taxation | | 16,722 | 1,926 |
| Tax | 10 | 634 | 1,962 |
| Profit for the year attributable to equity holders of the parent before acquisition and exceptional costs and other income*** | | 25,253 | 12,694 |
| Profit for the year attributable to equity holders of the parent | | 17,356 | 3,888 |

| **Earnings per share** | **Note** | **Cents** | **Cents** |
|---|---|---|---|
| **Adjusted basic*** | 11 | **6.98** | **3.60** |
| **Basic** | 11 | **4.80** | **1.10** |
| **Adjusted diluted*** | 11 | **6.84** | **3.52** |
| **Diluted** | 11 | **4.70** | **1.08** |

**Adjusted for acquisition and exceptional charges of $3.3m (2012: $4.7m) and amortisation of purchased intangibles of $5.4m (2012: $4.1m)*

*** Income statement includes reclassification of certain cost of revenue and sales and marketing expenses as detailed in note 26*

****Adjusted for acquisition and exceptional charges of $3.3m (2012: $4.7m), amortisation of purchased intangibles of $5.4m (2012: $4.1m) and other income of $0.8m (2012: nil)*

# Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2013

| | Year ended 31 March 2013 $'000 | Year ended 31 March 2012 $'000 |
|---|---|---|
| Profit for the year | 17,356 | 3,888 |
| Exchange difference on translation of foreign operations | (1,456) | (295) |
| **Total comprehensive income for the year, net of related tax effects** | **15,900** | **3,593** |

# Consolidated Balance Sheet at 31 March 2013

| | Note | As at 31 March 2013 $'000 | As at 31 March 2012 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 12 | 49,080 | 48,878 |
| Intangible assets | 13 | 24,678 | 29,651 |
| Property, plant and equipment | 14 | 2,103 | 2,275 |
| Other receivables | 16 | 100 | 250 |
| Deferred tax asset | 17 | 10,983 | 7,076 |
| | | 86,944 | 88,130 |
| **Current assets** | | | |
| Trade receivables | 16 | 29,902 | 21,950 |
| Other receivables | 16 | 5,657 | 3,803 |
| Cash and cash equivalents | 16 | 55,861 | 38,406 |
| | | 91,420 | 64,159 |
| **Total assets** | | **178,364** | **152,289** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | (32,822) | (25,465) |
| **Non-current liabilities** | | | |
| Deferred tax liability | 17 | - | (1,732) |
| Other payables | 18 | (551) | (474) |
| **Total liabilities** | | **(33,373)** | **(27,671)** |
| **Net assets** | | **144,991** | **124,618** |
| **Shareholders' equity** | | | |
| Share capital | 19 | 6,850 | 6,837 |
| Share premium account | 20 | 101,975 | 101,552 |
| Shares to be issued | 21 | 750 | 754 |
| Stock compensation reserve | | 13,975 | 11,938 |
| Currency translation reserve | | (9,293) | (7,837) |
| Merger reserve | | 33,089 | 33,089 |
| Retained loss | | (2,355) | (21,715) |
| **Total equity** | | **144,991** | **124,618** |

The financial statements of blinkx plc (registered number 06223359) were approved by the Board of Directors and authorised for issue on 10 June 2013. They were signed on its behalf by:

Subhransu ("Brian") Mukherjee
Chief Executive Officer

# Consolidated Statement of Changes in Equity for the Year Ended 31 March 2013

| | Note | Ordinary Share Capital $'000 | Share Premium Account $'000 | Shares to be Issued $'000 | Stock Compensation Reserve $'000 | Currency Translation Reserve $'000 | Merger Reserve $'000 | Retained Loss $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April 2011** | | **6,398** | **86,443** | **-** | **9,968** | **(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 | | 439 | 15,109 | - | - | - | 37,412 | - | 52,960 |
| Shares to be issued | | - | - | 754 | - | - | - | - | 754 |
| Share based payment – acquisition related | | - | - | - | 446 | - | - | - | 446 |
| Share based payments | 23 | - | - | - | 1,524 | - | - | - | 1,524 |
| Tax movement on share options | | - | - | - | - | - | - | (73) | (73) |
| **Balance as at 31 March 2012** | | **6,837** | **101,552** | **754** | **11,938** | **(7,837)** | **33,089** | **(21,715)** | **124,618** |
| Net profit for the year | | - | - | - | - | - | - | 17,356 | 17,356 |
| Other comprehensive income | | - | - | - | - | (1,456) | - | - | (1,456) |
| Total comprehensive income for the year | | - | - | - | - | (1,456) | - | 17,356 | 15,900 |
| Issue of shares, net of costs | | 13 | 423 | (4) | - | - | - | - | 432 |
| Share based payments | 23 | - | - | - | 2,037 | - | - | - | 2,037 |
| Tax movement on share options | | - | - | - | - | - | - | 2,004 | 2,004 |
| **Balance as at 31 March 2013** | | **6,850** | **101,975** | **750** | **13,975** | **(9,293)** | **33,089** | **(2,355)** | **144,991** |
| | | (Note 19) | (Note 20) | (Note 21) | | | | | |

# Consolidated Cash Flow Statement for the Year Ended 31 March 2013

| | Note | Year Ended 31 March 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit from operations** | | 15,927 | 1,640 |
| Adjustments for: | | | |
| Depreciation and amortization | 6 | 8,947 | 6,379 |
| Share based payments | 23 | 2,037 | 1,524 |
| Non-cash acquisition and exceptional costs | | 2,676 | - |
| Foreign exchange gain | | (178) | (453) |
| **Operating cash flows before movements in working capital** | | **29,409** | **9,090** |
| **Changes in operating assets and liabilities:** | | | |
| Increase in trade and other receivables | | (9,534) | (642) |
| Increase in trade and other payables | | 6,944 | 356 |
| **Net cash generated by operations** | | **26,819** | **8,804** |
| Income taxes paid | | (4,833) | - |
| **Net cash generated by operating activities** | | **21,986** | **8,804** |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | |
| Interest received | | 38 | 286 |
| Purchase of property, plant and equipment and intangibles | 13, 14 | (3,989) | (5,950) |
| Acquisitions, net of cash acquired | | 250 | (33,406) |
| **Net cash used by investment activities** | | **(3,701)** | **(39,070)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net payments on finance lease | | (171) | (148) |
| Proceeds from issuance of shares | | 432 | 15,264 |
| **Net cash generated by financing activities** | | **261** | **15,116** |
| Net increase / (decrease) in cash and cash equivalents | | 18,546 | (15,150) |
| Beginning cash and cash equivalents | | 38,406 | 52,809 |
| Effect of foreign exchange on cash and cash equivalents | | (1,091) | 747 |
| **Ending cash and cash equivalents** | 16 | **55,861** | **38,406** |

# Notes to the Consolidated Financial Statements
# Year Ended 31 March 2013

## 1. General Information
blinkx plc is a Company incorporated in England and Wales under the Companies Act 2006. 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 5.

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
In the current year, the following new and revised Standards and Interpretations have been adopted:

Amendments to IAS 1 Presentation of financial statements (amended June 2011)

IFRS 7 (amended Disclosures – Offsetting Financial Assets and Financial Liabilities

Adoption of this standard did not have any significant impact on the financial position or performance of the Group, or result in changes in accounting policy or additional disclosure. 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) | Government Loans |
| IFRS 9 | Financial Instruments |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 10, IFRS 12 and IAS 27 (amended) | Investment Entities |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| IAS 19 (amended) | Employee Benefits |
| IAS 27 (revised) | Separate Financial Statements |
| IAS 28 (revised) | Investments in Associates and Joint Ventures |
| IAS 32 (amended) | Offsetting Financial Assets and Financial Liabilities |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Annual improvements to IFRSs | |

The adoption of IFRS 9 which the Group plans to adopt for the year beginning 1 April 2013 will impact both the measurement and disclosures of financial instruments.

The adoption of IFRS 13 which the Group plans to adopt for the year beginning 1 April 2013 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

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 10.

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 and 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 reach based metrics that include Cost per Mille (CPM) and Cost per View (CPV) and performance based metrics, that include Cost per Click (CPC), Cost per Install (CPI) 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 reach metrics, revenue is recognised by multiplying an agreed amount per impression or view with the volumes of these units delivered. When sales values are based on performance metrics, revenue is recognized by multiplying an agreed upon amount per click, install or action with the volumes of these units delivered. In both cases, the Group's customers, the Group's internal reporting system or an authoritative third party based on the contractual terms, report the recognised revenue.

*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 ad 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. Revenue arising is recognised rateably over the term of an agreement.

*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.

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

e) CLASSIFICATION OF EXPENSES

*Cost of revenues*
Cost of revenues consists primarily of traffic acquisition costs (“TAC”) that are directly attributable to revenue generated by blinkx. These amounts are primarily based on the revenue share arrangements with our audience and content partners.

*Research and development*
Research and development expenses consist primarily of compensation and related costs for personnel responsible for the research and development of new and existing products and services, in addition to co-locations and facilities charges. Where required development expenditures are capitalised in accordance with the Group’s standard internal capitalised development policy. All research costs are expensed when incurred.

*Sales and marketing*
Sales and marketing expenses consist primarily of compensation and related costs for personnel engaged in customer service, sales, and sales support functions, as well as advertising and promotional expenditures that are not directly attributable to revenue, in addition to facilities charges.

*General and administrative*
General and administrative expenses consist primarily of compensation and related costs for personnel and facilities, and include costs related to our facilities, finance, human resources, information technology, and legal organizations, and fees for professional services. Professional services are principally comprised of outside legal, audit, information technology consulting, and outsourcing services.

f) 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.

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.

g) 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 recognized 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.

h) TAXATION

The tax expense represents 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 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.

### i) 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.

### j) 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.

### k) 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 - 5 years |
| Relationships with publishers and customers | 3 - 11 years |

### l) 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.

#### m) 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.

#### n) 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.

#### o) 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.

#### p) 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.

#### q) PROFIT FROM OPERATIONS
Profit from operations is stated before investment income, finance costs and tax.

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

#### s) 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 uncollectable, 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.

t) 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 JUDGMENTS 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.

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 judgments in relation to the identification, valuation and useful economic life of acquired intangibles, the Directors base their assessment on valuation reports prepared by an expert third party at the time of an acquisition.

#### 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 AND DEBTOR PROVISIONING

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 $49,080,000 (2012: $48,878,000).

#### DEFERRED TAX ASSET

In determining the level of recognition of the deferred tax assets the directors have considered the level of future taxable profits that are expected to be received in the foreseeable future.

## 5. Segmental Analysis

blinkx plc is organised internally along functional 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. 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 is one customer which accounts for 10.7% of total revenue or $21,195,000 in the current year (2012: not applicable).

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 2013 $'000 | Year Ended 31 March 2013 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Rendering of services | | 197,957 | 114,397 |
| Investment revenue | 9 | 56 | 306 |
| Total revenues | | 198,013 | 114,703 |

## 6. Profit for the Year

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

| | Year Ended 31 March 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|
| Net foreign exchange gains | (178) | (453) |
| Operating lease payments | 2,315 | 1,661 |
| Research and development costs | 12,667 | 9,143 |
| Depreciation of property, plant and equipment: (see note 14) | | |
| - Owned | 1,086 | 878 |
| - Leased | 114 | 66 |
| Amortisation of intangibles: (see note 13) | | |
| - Relationships with customers & publishers (included in Sales and marketing) | 3,136 | 1,981 |
| - Purchased technology (included in Research and development) | 1,629 | 1,708 |
| - Capitalised development costs (included in Research and development) | 1,368 | 373 |
| - Trade names, trademarks and patents (included in Sales and marketing) | 613 | 363 |
| - Software licenses (included in Research and development) | 1,015 | 1,010 |
| Acquisition and exceptional costs (see note 27) | 3,276 | 4,745 |
| Staff costs (see note 8) | 37,975 | 25,109 |
| Impairment loss recognised on trade receivables | 377 | 496 |

## 7. Auditor's Remuneration

The analysis of auditor's remuneration is as follows:

| | Year Ended 31 March 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 262 | 410 |
| 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 | 43 | 24 |
| **Total audit fees** | **305** | **434** |
| Other services pursuant to legislation | 109 | 200 |
| Tax services | 179 | 318 |
| Corporate finance services | - | 383 |
| **Total non audit fees** | **288** | **901** |

Other non-audit services included interim accounts review, transfer pricing, post-acquisition restructuring and R&D tax credit advice.

## 8. Staff Costs

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

| | Year Ended 31 March 2013 | Year Ended 31 March 2012 |
|---|---|---|
| Sales and marketing | 173 | 155 |
| Research and development | 60 | 53 |
| Administration and operations | 32 | 26 |
| **Total** | **265** | **234** |

| | Year Ended 31 March 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|
| Wages and salaries | 35,017 | 24,236 |
| Social security costs | 2,184 | 1,755 |
| Other pension costs | 23 | 16 |
| | 37,224 | 26,007 |
| Other employee benefits and costs | 3,243 | 2,149 |
| Costs allocated to internally generated assets | (2,492) | (3,047) |
| **Included in profit from operations** | **37,975** | **25,109** |

Information on directors' remuneration can be found in the Directors' Report on page 9. 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 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|
| Interest receivable on cash and cash equivalents | 56 | 306 |
| Interest on obligations under finance leases | (18) | (20) |
| **Total** | **38** | **286** |

## 10. Tax

| | Note | Year Ended 31 March 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|---|
| Current tax | | 3,201 | 2,415 |
| Deferred tax | 17 | (3,835) | (4,377) |
| **Total** | | **(634)** | **(1,962)** |

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.

In December 2012, the UK Government also proposed to further reduce the standard rate of UK corporation tax to 21% effective 1 April 2014, but this change has not been substantively enacted.

In March 2013, the UK Government also proposed to further reduce the standard rate of UK corporation tax to 20% effective 1 April 2015, 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 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|
| Profit before tax | 16,722 | 1,926 |
| Tax at UK corporation rate of 24% (2012: 26%) | 4,013 | 501 |
| Adjustment for overseas tax rate | 1,252 | 275 |
| Tax effect of expense not deductible in determining taxable profit | 98 | 230 |
| Adjustment arising from change in rate of UK corporation tax | (48) | 47 |
| Reduced tax in subsidiaries operating in other jurisdictions | (1,116) | - |
| Research and development tax credits | (956) | (1,190) |
| Deferred tax not recognised / utilisation of tax losses | (3,415) | (2,292) |
| Prior year adjustment | (462) | 467 |
| **Tax credit** | **(634)** | **(1,962)** |

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. The excess amount of $2,004,000 tax benefit in respect of share options was recognised in equity. The total net deferred tax asset recognised by the Group was $10,983,000 in the current year (2012: $7,076,000). 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 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|
| **Profit** | | |
| Profit used in calculation of basic and diluted earnings per share | 17,356 | 3,888 |
| Profit used in calculation of adjusted* basic earnings per share | 25,253 | 12,694 |
| | **shares** | **shares** |
| **Number of shares** | | |
| Weighted average number of shares for the purpose of basic and adjusted* basic earnings per share | 361,955,834 | 352,653,116 |
| Weighted average number of shares for the purpose of diluted and adjusted* diluted earnings per share | 369,116,636 | 360,300,309 |

The difference between the weighted average number of ordinary shares used for the basic earnings per share and the diluted earnings per share is 7,160,802 (31 March 2012: 7,647,193), being the effect of all potentially dilutive ordinary shares, derived by the number of share options granted to employees and shares to be issued to Burst shareholders where the exercise price is more than the average market price.

** Adjusted for acquisition and exceptional charges of $3.3m (2012: $4.7m), amortisation of purchased intangibles of $5.4m (2012: $4.1m) and other income of $0.8m (2012: nil)*

## 12. Goodwill

| | $'000 |
|---|---|
| **Cost** | |
| At 1 April 2011 | 2,417 |
| Recognised on acquisition of subsidiaries | 46,461 |
| At 31 March 2012 | 48,878 |
| Recognised on acquisition of subsidiaries | 202 |
| At 31 March 2013 | 49,080 |
| **Accumulated impairment losses** | |
| At 1 April 2010, 31 March 2011 and 31 March 2012 | - |
| **Carrying amount** | |
| At 31 March 2013 | 49,080 |
| At 31 March 2012 | 48,878 |

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 between the CGUs according to the entities from which they originated as a result of a business acquisition as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Burst | 25,000 | 25,000 |
| PVMG | 21,663 | 21,461 |
| blinkx | 2,417 | 2,417 |
| | 49,080 | 48,878 |

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in direct and indirect costs during the forecast period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity using a terminal growth rate of 2% (2012: 2%) for all CGUs. This rate is based on an estimated long term growth rate for the industry and countries in which blinkx operates, and does not exceed the average long-term growth rate for the relevant markets based on the historical Consumer Price Index in the United States.

The rate used to discount the forecast cash flows is 12% (2012: 11%) for all CGUs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The assumptions for growth rates and expected changes in direct and indirect costs, are based on past experience of each CGUs trading performance and are consistent with industry analyst expectations. The assumptions used differ between CGUs, reflecting the differences in products, customers and suppliers between each CGU. The compound annual growth rates of the assumptions applied over the forecast period for each CGU are as follows:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Revenue Growth Rate | Gross Margin Growth Rate | Operating Expenses Growth Rate | Revenue Growth Rate | Gross Margin Growth Rate | Operating Expenses Growth Rate |
| Burst | 15.1% | 15.0% | 4.8% | 15.6% | 11.8% | 7.7% |
| PVMG | 7.8% | 7.3% | 1.3% | 7.3% | 11.0% | -1.7% |
| blinkx | 27.8% | 24.0% | 16.3% | 10.0% | 9.8% | 8.0% |

The Group has conducted a sensitivity analysis on each key assumption on the impairment test of each CGUs carrying value. There is no reasonably possible change in the key assumptions that would result in the carrying amount of the goodwill attached to those CGU's with significant goodwill to exceed the recoverable amount.

## 13. Other Intangible Assets

| | Relationships with Customers & Publishers $'000 | Purchased Technology $'000 | Internally Generated Intangible Assets $'000 | Tradenames, Trademarks & Patents $'000 | Software Licences $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2011 | 2,000 | 1,800 | 1,684 | 629 | 2,149 | 8,262 |
| Additions | - | - | 3,148 | 39 | 1,609 | 4,796 |
| Acquired on acquisitions of subsidiaries | 15,200 | 7,400 | - | 2,850 | 1,032 | 26,482 |
| Exchange differences | (1) | (2) | (5) | (1) | (6) | (15) |
| At 31 March 2012 | 17,199 | 9,198 | 4,827 | 3,517 | 4,784 | 39,525 |
| Additions | - | - | 2,741 | 21 | 190 | 2,952 |
| Exchange differences | (20) | (31) | (234) | (24) | (84) | (393) |
| At 31 March 2013 | 17,179 | 9,167 | 7,334 | 3,514 | 4,890 | 42,084 |
| **Amortisation** | | | | | | |
| At 1 April 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) |
| Amortisation | (3,136) | (1,629) | (1,368) | (613) | (1,015) | (7,761) |
| Exchange differences | 24 | 31 | 19 | 6 | 149 | 229 |
| At 31 March 2013 | (6,694) | (4,479) | (1,722) | (1,169) | (3,342) | (17,406) |
| **Net book value** | | | | | | |
| At 31 March 2013 | **10,485** | **4,688** | **5,612** | **2,345** | **1,548** | **24,678** |
| At 31 March 2012 | **13,617** | **6,317** | **4,454** | **2,955** | **2,308** | **29,651** |

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 2011 | 1,824 | 44 | 136 | 2,004 |
| Additions | 663 | 263 | 228 | 1,154 |
| Acquired on acquisitions of subsidiaries | 473 | 725 | 130 | 1,328 |
| Exchange differences | 5 | - | - | 5 |
| At 31 March 2012 | 2,965 | 1,032 | 494 | 4,491 |
| Additions | 664 | 321 | 52 | 1,037 |
| Exchange differences | (15) | (5) | - | (20) |
| At 31 March 2013 | 3,614 | 1,348 | 546 | 5,508 |
| **Depreciation** | | | | |
| At 1 April 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) |
| Depreciation | (738) | (327) | (135) | (1,200) |
| Exchange differences | 11 | - | - | 11 |
| At 31 March 2013 | (2,629) | (534) | (242) | (3,405) |
| **Net book value** | | | | |
| At 31 March 2013 | **985** | **814** | **304** | **2,103** |
| At 31 March 2012 | **1,063** | **825** | **387** | **2,275** |

The net book value of computer equipment includes an amount of $87,000 (2012: $116,000) 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 30 to the Company's separate financial statements.

## 16. Other Financial Assets

a) TRADE AND OTHER RECEIVABLES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current assets** | | |
| Trade receivables | 30,342 | 23,588 |
| Accrued revenues | 326 | 1,046 |
| Sales and doubtful debts allowance | (766) | (2,684) |
| Net trade receivables | 29,902 | 21,950 |
| Other receivables and prepayments | 5,657 | 3,803 |
| **Non current assets** | | |
| Other receivables | 100 | 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 54 days (2012: 69 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 $40,000 (2012: $35,000 ) which are past due and impaired between 0-90 days and $729,000 (2012: $2,253,000) in excess of 90 days which are past due and impaired. Debtors with a carrying value of $9,595,000 (2012: $7,554,000) between 0-90 days and $2,034,000 (2012: $1,104,000) in excess of 90 days was past due but not impaired. The remaining balance of $17,950,000 (2012: $12,641,000) is not yet due and not impaired.

The Group's allowance for doubtful debt amounts to $766,000 (2012: $2,684,000). The charge for the year was $377,000 (2012: $496,000). No interest has been charged for overdue debts in the period.

Movement in the allowance for doubtful debts:

| | Year Ended 31 March 2013 $'000 | Year Ended 31 March 2012 $'000 |
|---|---|---|
| **Balance at beginning of the period** | 2,684 | 1,751 |
| Amounts provided in the year (net of amounts written off) | (1,918) | 236 |
| Allowance related to beginning balances of acquired subsidiaries | - | 697 |
| **Balance at end of the period** | 766 | 2,684 |

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 23% (2012: 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 2013 $'000 | Assets 2012 $'000 | Liabilities 2013 $'000 | Liabilities 2012 $'000 | Net 2013 $'000 | Net 2012 $'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | (132) | (172) | 5,616 | 7,963 | 5,484 | 7,791 |
| Tax credit and loss carry forward | (10,901) | (10,351) | - | - | (10,901) | (10,351) |
| Share based payments | (3,530) | (719) | - | - | (3,530) | (719) |
| Other deductible temporary differences | (2,036) | (2,077) | - | 12 | (2,036) | (2,065) |
| Deferred tax (assets) / liabilities | (16,599) | (13,319) | 5,616 | 7,975 | (10,983) | (5,344) |
| Offset tax | 5,616 | 6,243 | (5,616) | (6,243) | - | - |
| Net deferred tax (assets) / liabilities | (10,983) | (7,076) | - | 1,732 | (10,983) | (5,344) |

There is an unrecognised deferred tax asset of $0.8m (2012: $4.1m) which has not been recognised due to the insufficient certainty that taxable profits will be available against which this asset could be used.

b) MOVEMENT IN TEMPORARY DIFFERENCES IN THE YEAR

| | Balance at 1 April 2012 $'000 | Recognised in Income $'000 | Recognised in Goodwill $'000 | Recognised in Equity $'000 | Balance at 31 March 2013 $'000 |
|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | 7,791 | (2,509) | 202 | - | 5,484 |
| Tax credit and losses carry forward | (10,351) | (470) | | (80) | (10,901) |
| Share based payments | (719) | (885) | - | (1,926) | (3,530) |
| Other deductible temporary differences | (2,065) | 29 | - | - | (2,036) |
| Total | (5,344) | (3,835) | 202 | (2,006) | (10,983) |

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.

c) 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.

In December 2012, the UK Government also proposed to further reduce the standard rate of UK corporation tax to 21% effective 1 April 2014, but this change has not been substantively enacted.

In March 2013, the UK Government also proposed to further reduce the standard rate of UK corporation tax to 20% effective 1 April 2015, 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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 18,325 | 14,037 |
| Deferred revenue | 630 | 1,630 |
| Onerous lease provision | 512 | - |
| Other accrued liabilities (including the amount of finance leases due within 12 months) | 13,355 | 9,798 |
| | 32,822 | 25,465 |
| **Non current liabilities** | 551 | 474 |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 51 days (2011: 46 days). No interest has been charged by suppliers in respect of overdue amounts in the year. Non current liabilities includes deferred rent of $538,000 (2012: $379,000) and obligations under financing leases of $14,000 (2011: $95,000).

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

OBLIGATIONS UNDER FINANCE LEASES

| | Year ended 31-March 2013 $'000 | Year ended 31-March 2012 $'000 |
|---|---|---|
| **Amounts payable under finance leases:** | | |
| Within one year | 82 | 172 |
| In second to fifth years inclusive | 14 | 95 |
| | 96 | 267 |
| Less: Amounts due for settlement within 12 months (shown under current liabilities) | 82 | 172 |
| Amounts due for settlement after 12 months | 14 | 95 |

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 2013, the average effective borrowing rate was 9.9% (2011: 9.7%).

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 $'000 | 3-12 Months $'000 | 1-5 Years $'000 | Total $'000 |
|---|---|---|---|---|
| Finance lease liability | 50 | 122 | 95 | 267 |

## 19. Share Capital

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| **Issued and fully paid** | | |
| 362,407,609 ordinary shares of 1 pence each | 6,850 | 6,837 |
| (2012: 361,601,901 ordinary shares of 1 pence each) | | |

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

During the current year 805,708 shares were issued, of which 804,071 shares were issued related to exercise of employee share options and 1,637 related to consideration for the acquisition of Burst Media Corporation (2012: 27,196,619 shares were issued, of which 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<br>$'000 |
|---|---|
| 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 |
| Premium arising on issue of equity shares, net of costs | 423 |
| Balance at 31 March 2013 | 101,975 |

Transaction costs accounted for as a deduction to the share premium account total was nil for the current year (2012: $692,000).

## 21. Shares to be Issued

The shares to be issued reserve relates to shares which are expected to be issued to former Burst shareholders, as part of the consideration, who have not yet submitted the paperwork to effect the exchange of Burst shares for blinkx shares.

## 22. Operating Lease Arrangements

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year | 2,315 | 1,661 |

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:

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| Within one year | 2,332 | 2,219 |
| In the second to fifth years inclusive | 8,354 | 8,435 |
| More than 5 years | 1,988 | 3,134 |
| | 12,674 | 13,788 |

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.

## 23. 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. Vesting criteria is based on continued employment with the Company.

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 2013 $'000** | **Year Ended 31 March 2012 $'000** |
|---|---|---|
| Sales and marketing | 1,105 | 975 |
| Research and development | 668 | 315 |
| Administrative expenses | 264 | 234 |
| | 2,037 | 1,524 |

The following table summarises options outstanding at 31 March 2013 relating to the blinkx EMI scheme and the blinkx US plan. All option exercise prices are quoted in sterling.

| | **Number** | **2013 Weighted Average Exercise Price £** | **Number** | **2012 Weighted Average Exercise Price £** |
|---|---|---|---|---|
| Outstanding balance at beginning of year | 16,253,063 | 0.50 | 11,815,513 | 0.19 |
| Granted during the year | 7,072,143 | 0.65 | 7,131,397 | 0.97 |
| Exercised during the year | (467,080) | 0.26 | (1,801,106) | 0.15 |
| Lapsed during the year | (2,615,846) | 0.90 | (892,741) | 0.85 |
| Outstanding balance at end of year | 20,242,280 | 0.50 | 16,253,063 | 0.50 |
| Exercisable at end of year | 11,317,570 | 0.33 | 8,474,949 | 0.22 |

Options were granted on 10 June 2012, 4 September 2012, 16 November 2012 and 19 February 2013. The weighted average of the fair market value of the options granted in the year was £0.65 per share (2012: £0.97 per share).

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

| | 2013 | 2012 |
|---|---|---|
| Weighted average share price | 65p | 97p |
| Weighted average exercise price | 65p | 97p |
| Expected volatility | 83-96% | 83-85% |
| Expected life | 3-4 years | 3-4 years |
| Risk free rate | 3.5% | 3.5% |
| 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 2013 in relation to the Autonomy Discretionary Share Scheme and Autonomy US Plan options

| | Number | 2013 Weighted Average Exercise Price £ | Number | 2012 Weighted Average Exercise Price £ |
|---|---|---|---|---|
| Outstanding balance at beginning of year | 1,391,827 | 0.45 | 2,460,916 | 0.45 |
| Exercised during the year | (336,991) | 0.45 | (955,346) | 0.45 |
| Lapsed during the year | (22,330) | 0.45 | (113,743) | 0.45 |
| Outstanding balance at end of year | 1,032,506 | 0.45 | 1,391,827 | 0.45 |
| Exercisable at end of year | 1,032,506 | 0.45 | 1,391,827 | 0.45 |

The weighted average share price at the date of exercise for share options exercised during the period was 45p (2012: £0.45p). The options outstanding at 31 March 2013 had a weighted average exercise price of £0.45 (2012: £0.45). The weighted average remaining contractual life of the options was 4 years (2012: 5 years).

No options were granted during the current or prior year.

## 24. 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 maximising 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 2012.

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 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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 55,861 | 38,406 |
| Amounts due from customers (loans and receivables) | 29,902 | 23,588 |
| **Financial liabilities** | | |
| Trade payables (amortised cost) | (18,325) | (14,037) |

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's customer base is highly diversified and only one customer represents a significant percentage of revenue (10.7% in fiscal year 2013). 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 foreseeable 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:

| | 2013 Liabilities $'000 | 2012 Liabilities $'000 | 2013 Assets $'000 | 2012 Assets $'000 |
|---|---|---|---|---|
| Sterling | 968 | 1,554 | 25,089 | 24,884 |

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 (2012: 20%) in the functional currency of the entity against the relevant foreign currencies. 20% is the sensitivity rate used (2012: 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 (2012: 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 2013 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.

| | 2013<br>$'000 | 2012<br>$'000 |
|---|---|---|
| Cash and cash equivalents | 4,480 | 4,579 |
| Amounts due from customers | 644 | 397 |
| Trade payables | 194 | 311 |
| Other equity | | |
| Currency translation reserves | 17,819 | 23,322 |

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.

## 25. Acquisition of Subsidiaries

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.

Fair values of purchased assets and liabilities:

| | Provisional FV @ Date of Purchase<br>$ million | Adjustment to FV @ March 2013<br>$ million | Final Fair Value<br>$ million |
|---|---|---|---|
| Intangibles | 12.6 | - | 12.6 |
| Other assets | 5.7 | - | 5.7 |
| Deferred tax asset | 1.7 | (0.2) | 1.5 |
| Cash | 0.7 | - | 0.7 |
| Trade & other payables | (7.3) | - | (7.3) |
| Total identifiable assets | 13.4 | (0.2) | 13.2 |
| Goodwill | 21.4 | 0.2 | 21.6 |
| Total consideration | 36.0* | - | 36.0* |

**The fair value of the $36.0 million consideration paid comprises cash paid of $31 million; deferred consideration provisionally determined of $3.8 million; and prepaid post acquisition remuneration of $1.2 million.*

The $0.2 million adjustment to fair values relates to a deferred tax asset valuation adjustment.

The measurement period relating to the PVMG acquisition is now complete so no further purchase adjustments will be posted to the fair values.

## 26. Standardisation of Expense Classifications on Integration

As part of the process of integrating those companies acquired in fiscal year 2012, the company has been aligning its accounting policies to ensure consistent expense classifications across the expanded Group. Certain prior year marketing and advertising expenses totaling $7.3 million have been reclassified according to blinkx accounting policies from Cost of revenues to the Sales and Marketing functional line. This expense reclassification does not impact revenue, operating profits, basic earnings per share or diluted earnings per share as previously reported.

| | **Year Ended 31 March 2012 (As previously reported) $'000** | **Reclassification $'000** | **Year Ended 31 March 2012 (reclassified) $'000** |
|---|---|---|---|
| Cost of revenue | (53,904) | 7,300 | (46,604) |
| Sales and marketing | (32,474) | (7,300) | (39,774) |

## 27. Acquisition and Exceptional Costs

Acquisition and exceptional charges of $3.3 million (2012: $4.7m) have been separately identified on the face of the income statement. These charges included post acquisition remuneration, one time write down of a prepaid distribution charge, onerous facility cost, severance and professional services.

## 28. 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 9. There were no other related party transactions in either the current year or prior year.

# Company Balance Sheet as at 31 March 2013

| | Note | As at 31 March 2013 £'000 | As at 31 March 2012 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 30 | 170,317 | 169,011 |
| **Current assets** | | | |
| Amounts due from subsidiary undertakings | 31 | 2,590 | 321 |
| Other receivables | | 32 | 770 |
| Cash and cash equivalents | 31 | 10,307 | 11,982 |
| | | 12,929 | 13,073 |
| **Current liabilities** | | | |
| Trade and other payables | 32 | (158) | (800) |
| Amounts due to subsidiary undertakings | 32 | (1,944) | (1,793) |
| Total liabilities | | (2,102) | (2,593) |
| **Net assets** | | **181,144** | **179,491** |
| **Capital and reserves** | | | |
| Share capital | 34 | 3,624 | 3,616 |
| Share premium account | 35 | 57,989 | 57,721 |
| Stock compensation reserve | | 4,698 | 3,392 |
| Shares to be issued reserve | | 460 | 462 |
| Merger reserve | | 119,359 | 119,359 |
| Retained loss | 36 | (4,986) | (5,059) |
| **Total equity** | | **181,144** | **179,491** |

The financial statements of blinkx plc (registered number 06223359) were approved by the Board of Directors and authorised for issue on 10 June 2013. They were signed on its behalf by:

Subhransu ("Brian") Mukherjee
Chief Executive Officer

# Company Statement of Changes in Equity
# Year Ended 31 March 2013

| | Note | Ordinary Share Capital £'000 | Share Premium Account £'000 | Shares to be Issued Reserve £'000 | Stock Compensation Reserve £'000 | Merger Reserve £'000 | Retained Loss £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April 2011** | | **3,344** | **48,130** | **-** | **2,161** | **96,432** | **(3,866)** | **146,201** |
| Net profit for the year | | - | - | - | - | - | (1,193) | (1,193) |
| Other comprehensive income | | - | - | - | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - | - | (1,193) | (1,193) |
| Issue of shares, net of costs | | 272 | 9,591 | - | - | 22,927 | - | 32,790 |
| Shares to be issued | 21 | - | - | 462 | - | - | - | 462 |
| Capital contribution | | - | - | - | 1,231 | - | - | 1,231 |
| **Balance as at 31 March 2012** | | **3,616** | **57,721** | **462** | **3,392** | **119,359** | **(5,059)** | **179,491** |
| Net loss for the year | | - | - | - | - | - | 73 | 73 |
| Total comprehensive income for the year | | - | - | - | - | - | 73 | 73 |
| Issue of shares, net of costs | 19 | 8 | 268 | (2) | - | - | - | 274 |
| Capital contribution | | - | - | - | 1,306 | - | - | 1,306 |
| **Balance as at 31 March 2013** | | **3,624** | **57,989** | **460** | **4,698** | **119,359** | **(4,986)** | **181,144** |

# Company Cash Flow Statement
# Year Ended 31 March 2013

| | Note | Year Ended 31 March 2013 £'000 | Year Ended 31 March 2012 £'000 |
|---|---|---|---|
| **Net cash (used in) / generated by operating activities** | **37** | (1,949) | 9,056 |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | |
| Acquisitions of subsidiaries, net of cash acquired | | - | (23,663) |
| Interest received | | - | 46 |
| **Net cash generated by / (used by) investment activities** | | **-** | **(23,617)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of shares | | 274 | 9,642 |
| **Net cash generated by financing activities** | | **274** | **9,642** |
| Net decrease in cash and cash equivalents | | (1,675) | (4,919) |
| Beginning cash and cash equivalents | | 11,982 | 16,901 |
| **Ending cash and cash equivalents** | | **10,307** | **11,982** |

# Notes to the Company Only Financial Statements

## 29. 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 profit for the financial year amounted to £73,000 (2012: loss £1,193,000). The Company's profit or loss for each year is the same as its total comprehensive income for each year.

## 30. Subsidiaries

| **Cost and net book value** | **£'000** |
|---|---|
| At 1 April 2011 | 100,785 |
| Investment in subsidiaries | 66,995 |
| Capital contribution | 1,231 |
| At 31 March 2012 | 169,011 |
| Capital contribution | 1,306 |
| At 31 March 2013 | 170,317 |

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 2013 are as follows:

| | **Place of Incorporation (or Registration) and Operation** | **Percentage Owned** |
|---|---|---|
| blinkx UK Limited | England & Wales | 100% |
| blinkx UK Holding Limited | 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 operating companies' operations and results. These include operating subsidiaries in the UK, US and Canada.

## 31. Financial Assets

LOANS DUE FROM OTHER GROUP ENTITIES

At the balance sheet date there are receivables from fellow Group companies amounting to £2,590,000 (2012: £321,000). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances (2012: 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.

## 32. Financial Liabilities

LOANS DUE TO OTHER GROUP ENTITIES

At the balance sheet date there are payables to fellow Group companies amounting to £1,944,000 (2012: £277,000). The carrying amount of these liabilities approximates to 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 11 days (2012: 48 days).

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

## 33. 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 £nil (2012: £379,000).

## 34. Share Capital

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| **Issued and fully paid** | | |
| 362,407,609 ordinary shares of 1 pence each | 3,624 | 3,616 |
| (2012: 361,601,901 ordinary shares of 1 pence each) | | |

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

During the current year 805,708 shares were issued, of which 804,071 shares were issued related to exercise of employee share options and 1,637 related to consideration for the acquisition of Burst Media Corporation (2012: 27,196,619 shares were issued, of which 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).

## 35. Share Premium Account

| | Share Premium<br>£'000 |
|---|---|
| Balance at 31 March 2011 | 48,130 |
| Premium arising on issue of equity shares, net of costs | 9,591 |
| Balance at 31 March 2012 | 57,721 |
| Premium arising on issue of equity shares, net of costs | 268 |
| Balance at 31 March 2013 | 57,989 |

## 36. Retained Earnings

| | £'000 |
|---|---|
| Balance at 31 March 2011 | (3,866) |
| Net loss for the year | (1,193) |
| Balance at 31 March 2012 | (5,059) |
| Net profit for the year | 73 |
| Balance at 31 March 2013 | (4,986) |

## 37. Notes to the Cash Flow Statement

| | Year Ended 31 March 2013 £'000 | Year Ended 31 March 2012 £'000 |
|---|---|---|
| Cash Flow From Operating Activities | | |
| Loss from operations | 859 | (1,239) |
| Foreign exchange gains | (786) | (428) |
| **Operating cash flows before movements in working capital** | **73** | **(1,667)** |
| (Increase)/decrease in amounts due from group undertakings | (2,118) | 11,663 |
| Decrease /(increase) in receivables | 738 | (827) |
| Decrease in payables | (642) | (113) |
| **Cash (used in) / generated by operations** | **(1,949)** | **9,056** |

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.

## 38. 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

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 10,307 | 11,982 |
| Other receivables (loans and receivables) | 32 | 770 |
| Amounts due from group undertakings (loans and receivables) | 2,590 | 321 |
| | **12,929** | **13,073** |
| **Financial liabilities** | | |
| Trade payables (amortised cost) | 158 | 800 |
| Amounts due to group undertakings (amortised cost) | 1,944 | 1,793 |
| | **2,102** | **2,593** |

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:

| | 2013 Liabilities £'000 | 2012 Liabilities £'000 | 2013 Assets £'000 | 2012 Assets £'000 |
|---|---|---|---|---|
| US Dollar | 26 | 166 | 10,340 | 12,713 |

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to movements in US dollar. The Company has maintained its sensitivity at 20% in 2013 (2012: 20%).

The following table details the Company's sensitivity to a 20% increase and decrease (2012: 20%) in the functional currency of the entity against the relevant foreign currencies. 20% is the sensitivity rate (2012: 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 (2012: 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 2013 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.

| | **2013**<br>**£'000** | **2012**<br>**£'000** |
|---|---|---|
| Cash and cash equivalents | 3,130 | 2,396 |
| Trade payables | 8 | 33 |
| Inter company loans | 423 | (15) |

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.

## 39. Related Parties

Transactions relate to funding and recharges and are conducted on an arm's length basis. The amount owed by subsidiary undertakings is £646,000 (2012: £44,000). The amount owed to subsidiary undertaking is £nil (2012: £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 9.

# 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 | DLA Piper | 2nd Floor |
| 15 Fetter Lane | 2000 University Ave | Ibex House |
| London, EC4A 1JP | East Palo Alto, CA 94303 | 42-47 Minories |
| United Kingdom | USA | London, EC3N 1DX |
| | | United Kingdom |

San Francisco, USA Office: One Market Plaza, Spear Tower Suite 1810, San Francisco, CA 94105, USA // Tel: +1 (415) 655-1450 // Fax: +1 (415) 665-1440

London, UK Office: 3rd Floor, 47-50 Margaret Street, London, W1W 8SB, UK // Tel: +44 (0) 20 8906 6857 // Fax: +44 (0) 20 7104 5880

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## USA Office

San Francisco
One Market Plaza
Spear Tower, Suite 1810
San Francisco, CA 94105
USA
Tel: +1 (415) 655 1450

## UK Office

London
Third Floor
47-50 Margaret Street
London W1W 8SB
UK
Tel: +44 (0) 203 551 4710

www.blinkx.com