blinkx plc

Annual Report and Financial Statements
for the Year Ended 31 March 2009

Table of Contents

CEO's Report

Dear Investor,

I am pleased to report a very strong performance this year, with revenue increasing by 113%, year on year, despite the difficult macro-economic environment. While the traditional media industry has suffered in the worsening economy, blinkx's advertising business has continued to thrive because our patented targeting technology enables customers to derive guaranteed and controllable Return On Investment (ROI) from their advertising spend. Although the current macro market conditions mean we are maintaining a suitably cautious and conservative stance, the success of our targeted advertising products in 2009 makes us confident of continued strong growth into 2010.

In Fiscal Year 2009, blinkx expanded its user base dramatically, drawing 88 million unique visitors in March 2009 up from 56 million unique visitors in March 2008 (source: comScore), and was recognised by third-party research and reporting firms as one of the fastest growing websites on the Internet. blinkx is ranked in the top 20 video sites by both Comscore Video Metrix and Nielsen.

In addition, we continued to make significant achievements on the technology and business development fronts – introducing three new products, and signing partnerships with leaders in the technology and entertainment industries, including Fox, CBS and Microsoft. Enhancements to our site have been extremely well-received by audiences, resulting in an increase in traffic of almost 53% between March 2008 and March 2009, and attracting top-tier brand advertisers, such as Honda, Guinness and Shell. Fiscal Year 2009 achievements include:

Highlights:
» Revenue more than doubled from FY2008* to almost $14m
» Second half revenue grew 108% year on year
» Top and bottom line performance ahead of analyst expectations
» Gross profit up over 100% to $9.8m from FY2008*
» Unique visitors up to 88 million from 56 million in March 2008, and page views up to 835 million from 584 million in March 2008 (source: comScore)
» Daily Video Search run rate of over 8,400,000 per day in March 2009
» Content hours increased 35% year on year, from 26 million hours to 35 million hours
» 175 new content partners added in the year, bringing total to over 530 media organizations, including Fox, CBS and Time Inc.
» Partnership with Miniweb brings blinkx directly onto TVs
» Addition of top-tier syndication partners, including ITN, MSN UK and Rambler
» New versions released of three strategic technology offerings: blinkx Remote, blinkx Beat and blinkx BBTV (Broadband Television)
» Strong, consistent average effective CPM in FY09, running campaigns for leading brands, including Shell, Guinness and Honda
» Ranked in top 20 video sites by Comscore Video Metrix and Nielsen

During the period, continued strong demand for blinkx's unique, patented search technology advanced our position as the gold standard in video search. High-profile new syndication customers included Microsoft (MSN UK) and Markit, a financial information services company, whose clients include some of the world's leading financial institutions.

In addition to maintaining its video search stronghold on computers, blinkx made the leap from PC to TV this period, signing an agreement with Interactive Service Provider, Miniweb, to power search, recommendations and ad targeting on Miniweb's pioneering interactive TV platform. Recent research from In-Stat analysts forecasts that, in five years, there will be 24 million U.S. broadband households viewing Web-to-TV content ("Web-To-TV Video Changes Everything", April 2009). This fusion of broadcast and broadband TV will give audiences access to an incredibly rich and diverse universe of media, and as the leader in video search, blinkx is ideally suited to help viewers navigate this universe. Miniweb, the recipient of Best Interactive Service/Application award at IPTV World 2009, selected blinkx for its unrivalled functionality, which will allow audiences to search and discover content seamlessly from both broadcast television and internet video, including relevant portions of blinkx's index of video content, through suitable Miniweb-enabled devices.

Since my last report, blinkx expanded its roster of premier media partners to over 530, including the addition of programming from industry leaders such as Fox, CBS and Time Inc. Our index of fully searchable online video has now surpassed 35 million hours, increasing 35% in 12 months, from 26 million hours. In parallel, blinkx AdHoc, the first contextual advertising platform for online TV, experienced significant growth, powering advertising campaigns for top consumer brands, including Guinness and Sony, as well as Verizon. blinkx also unveiled a new video advertising unit – the Unroll – an entirely unique and immersive branding experience that engages users with a brand continuously throughout a video. The unit was successfully deployed by MediaCom for its client, Shell Oil, among others.

Over the past 12 months, we continued to lead the industry with unique and disruptive product launches, introducing three new offerings based on our patented technology. Highlights included the release of blinkx Beat, blinkx Remote in August 2008, and blinkx Broadband Television (BBTV) in April 2008. blinkx Beat, a downloadable application that delivers an endless channel of the most engaging, bite-sized videos from around the Web, now garners over 2 million video views per day, a figure that has doubled each week since January 2009. blinkx Remote, an advanced tool for finding full-length TV episodes on the Web, has enjoyed tremendous success among users, with audience numbers growing an average of 83% every month since launch. blinkx BBTV is a significant advance in online television that leverages blinkx's patented speech and visual recognition technology to simultaneously deliver a high-quality television experience over the Internet, and link it to the universe of information on the Web.

In conclusion, we see 2009 as a year of tremendous potential: the rapid proliferation of broadband accessibility, coupled with the increasing number of top tier media companies and broadcasters who are distributing their content on the Internet, have come at a time when demand for rich media online is at an all time high, and our viewership is growing faster than ever before. Moreover, recent research shows that advertising budgets are moving online at a record pace. These factors, combined with the increased availability of high quality online video, have laid the foundation for us to solidify our position as the premier destination for online TV and video. We will continue our strong investment in both our brand and technology to capitalize on this 'once-in-a- generation' opportunity.

Suranga Chandratillake
CEO and Founder
blinkx
30 July 2009

Board of Directors

The Directors of blinkx are as follows

Name	Age	Position
Anthony Bettencourt	48	Non-executive Chairman
Suranga Chandratillake	31	Chief Executive Officer
Dr Michael Lynch	44	Non-executive Director
Mark Opzoomer	52	Non-executive Director

Anthony Bettencourt, Non-executive Chairman

Anthony Bettencourt serves on the board of the Alameda County Community Food Bank as well as on the advisory board of Santa Clara University's Center for Science, Technology and Society. Mr. Bettencourt recently served as the Chief Executive Officer of Autonomy ZANTAZ. Previously, he was the Chief Executive Officer of Verity, and led the company through its successful acquisition by Autonomy. 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 is a mentor for Santa Clara University's Global Social Benefit Incubator program. Anthony earned a B.A. in English from Santa Clara University in 2006

Suranga Chandratillake, Chief Executive Officer

A technology entrepreneur with over a decade of experience in next-generation search, Suranga Chandratillake founded blinkx in 2004 and launched the company in 2005. After early success, Suranga took the company public on the London Stock Exchange in May 2007. Prior to founding blinkx, Suranga was U.S. CTO 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".

Dr Michael Lynch, Non-executive Director

Dr. Mike Lynch, OBE, founded Autonomy in 1996 and rapidly established the company's reputation as the world's leading provider of infrastructure software for unstructured information and meaning-based technologies. Prior to this, Mike Lynch founded and ran Neurodynamics where much of Autonomy's proprietary technology was developed.

December 2005 saw Autonomy's $500 million acquisition of former competitor Verity which consolidated Autonomy's position as number one in the market and last year Autonomy posted record revenues and profits in what he described as a transformational year. Mike is a past winner of the CBI's Entrepreneur of the Year Award and was recently appointed a Non-Executive Director of the BBC. He studied Electrical and Information Sciences at Cambridge and received a Ph.D. in adaptive techniques in signal processing and connectionist models, as well as a research fellowship in adaptive pattern recognition. He holds the Institute of Electrical Engineers' medal for Outstanding Achievement.

Mark Opzoomer, Non-executive Director

Mark Opzoomer is a founding partner and CEO of Bond Capital Partners, a late stage structured finance company. He has extensive knowledge of Internet, communications and media markets in many different countries and 24 years of corporate operating and deal-making experience. He was the Managing Director and Regional Vice President of Yahoo! Europe from July 2001 to December 2003, where he successfully restored growth by focusing on specific product lines. 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 and non-executive director on the Boards of several companies including Newbay Software Limited, WRI Holdings Limited, MIVA Inc., Entertainment One Limited, and Bond Capital Partners Limited. Mark was a director of Autonomy from June 2003 to October 2004. Mark is a chartered accountant, has an MBA (IMD Lausanne), and has also completed the London and Wharton business school programmes for public company directors.

Directors' Report

The Directors present their annual report on the affairs of the Group and the financial statements for the year ended 31 March 2009.

References to the comparison for 2008 relate to the period from 23 April 2007 (incorporation) to 31 March 2008.

Principal activity

The principal activity of the Group comprises the provision of video search 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 27 to the financial statements.

Review of Developments and 2009 results

Results of the Group shown in the consolidated income statement, beginning on page 16. Revenue for the year was $13.9 million (2008: $6.5m) and net loss was $8.9m (2008: $16.1m loss). The Enhanced Business Review below provides further comments on the developments and the results for the period.

Enhanced Business Review

The Directors' Report should be read in conjunction with the CEO's Report which gives details of the Group's performance during the period and expected future developments. A summary of the Group's key performance indicators is provided below:

Financial			Non-Financial		
	2009	2008		2009	2008
Revenue	$13.9m	$6.5m	Headcount at 31 March	57 ees	52 ees
Gross margin %	71%	75%	Peak no. of daily searches	Over 7 million	Over 5 million
Net loss	$8.9m	$16.1m	Hours of video indexed	35 million hours	Over 26 million
Cash and cash equivalents	$21.4m	$39.4m			
R&D spend	$4.5m	$3.2m			
Net assets	$24.2m	$41.3m			

Key Performance Indicators

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

The Directors have in place a process of regularly reviewing risks to the business and monitoring associated controls, actions and contingency plans. A summary of the Company's principal risks and uncertainties is provided at page 9 of the Directors' Report.

Dividends

The Directors do not recommend the payment of a dividend (2008: $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 high rated financial institutions. The Group's investment portfolio is comprised entirely of cash and cash equivalents. The Group does not use derivative financial instruments.

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

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

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 18. 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 21.

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.

Under its Articles of Association, the Company has authority to issue 500,000,000 ordinary shares of 1p each.

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 television and video. To achieve this goal the Group intends to continue to develop the technology and release new products in these areas and increase market penetration by signing new customers and expanding its relationship with existing customers.

Directors and their interests

The Directors who served throughout the period to 31 March 2009 and to the date of this report, and their beneficial interests in the ordinary shares of the Company at the start and end of the year, were as follows:

	31 March 2008 Number shares	31 March 2009 Number shares
Anthony Bettencourt	50,000	50,000
Michael Lynch	24,002,712	24,002,712
Mark Opzoomer	175,000	175,000
Suranga Chandratillake	-	-

No Director had any non beneficial interest in shares of the Company at the end of the year.

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

	At 31 March 2008 Number	Granted	Exercised	At 31 March 2008
Suranga Chandratillake	3,502,571	-	-	3,502,571
Michael Lynch	35,248	-	-	35,248

Re-election of Directors

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

Statement of Directors' responsibilities

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 were made during the year and 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 2009 were equivalent to 21 days' purchases (2008: 39 days).

Critical risks and uncertainties

The risks to which the business is exposed are summarised below:

» Our business depends on our core technology and we will continue to develop both the technology and its applications in the consumer space. Technology which significantly competes with our technology or any material claims against our technology would present a material risk to the Group;
» If there is a negative change in economic and market conditions, this could impact on the growth of the business;

» Being unable to retain key customers could have a negative impact on the business;
» Being unable to hire and retain adequately qualified personnel could negatively impact on the continued growth and development of the business;
» 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;
» Significant competition from Google, AOL, Yahoo and other internet service companies and destination websites;
» Interruptions of services from our bandwidth providers, data centres, electricity providers and service providers; and
» We have a license from Autonomy for consumer applications of its IDOL technology platform that is 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 processes to identify and manage the key risks to the success of the Group are an integral part of the internal control environment. Further information on the financial risks faced by the Group can be found in note 23 of the financial statements.

Substantial shareholdings

On 30 July 2009, the Company had been notified of the following voting rights as a shareholder of the Company.

	Number Shares	%
Autonomy Corporation plc	27,510,046	9.9%
F&C Asset Management	27,285,280	9.8%
Lloyds Banking Group plc	25,748,479	9.3%
Michael Lynch	24,002,712	8.6%
William Blair & Co.	23,754,470	8.5%
JP Morgan Asset Management (UK) Limited	16,639,377	6.0%
Barclays plc	14,070,952	5.1%

Charitable and political donations

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

Directors' remuneration - audited

The total amount of Directors' remuneration was as follows:

	2009 $	2008 $
Emoluments	493,253	626,181
Gains on exercise of share options	-	1,034,098
	493,253	1,660,279

Remuneration of the highest paid Director was as follows:

	2009 $	2008 $
Emoluments	313,000	301,250

The highest paid Director received no share options in the year (2008: 4,670,094 options) and exercised nil (2008: 1,167,523 options). He was the only director to exercise options in the prior period.

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

Going concern

The Group has considerable financial resources and the Directors believe that the Group is well placed to manage is business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

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 auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On behalf of the Board

Suranga Chandratillake
Founder and Chief Executive Officer
30 July 2009

Registered office: Cambridge Business Park, Cowley Road, Cambridge
Registered number: 06223359

Corporate Governance

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

There is a clear division of responsibility between the Chairman and the Chief Executive Officer. At 31 March 2009 the Board comprised four Directors, three of whom were Non-Executive Directors. The Non-Executive Directors do not have any day to day involvement in the running of the business. The Board is responsible for overall strategy, the policy and decision making framework in which this strategy is implemented, approval of budgets, monitoring performance, and risk management. The Board meets at regular scheduled intervals and follows a formal agenda; it also meets as and when required.

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

Board Committees

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

Relationships with Shareholders

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have also elected to prepare financial statements for the Company in accordance with IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

» properly select and apply accounting policies;
» present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
» provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Independent Auditors' Report to the Members of blinkx plc

We have audited the Group and parent Company financial statements (the ''financial statements'') of blinkx plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein. We have also audited the Directors' remuneration section of the Directors' Report.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The Directors' responsibilities for preparing the Annual Report,and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the Directors' Remuneration section of the Directors' Report in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements and the Directors' Remuneration section of the Directors' Report give a true and fair view and whether the financial statements and the Directors' Remuneration section of the Directors' Report have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the Directors' Remuneration section of the Directors' Report. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the Directors' Remuneration section of the Directors' Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the Directors' Remuneration section of the Directors' Report.

Opinion

In our opinion:

» the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
» the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985;
» the financial statements and the Directors' Remuneration section of the Directors' Report have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
» the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom
14 August 2009

Consolidated Income Statement
Year Ended 31 March 2009

	Note	Year ended 31 March 2009 $'000	Period from 23 April 2007 (incorporation) to 31March 2008 $'000
Revenue: continuing operations	5	13,933	6,545
Cost of revenues		(4,102)	(1,642)
Gross profit		9,831	4,903
Operating expenses			
Research and development		4,526	3,171
Sales and marketing		13,952	7,273
Administrative expenses		1,810	1,300
Demerger / IPO costs		-	11,455
Loss from operations		(10,457)	(18,296)
Investment revenues	9	1,127	1,983
Loss before taxation		(9,330)	(16,313)
Tax	10	459	250
Loss for the period attributable to equity holders of the parent	6	(8,871)	(16,063)

Loss per share (cents)		Cents	Cents
Basic and diluted	11	(3.19)	(6.30)

Consolidated Balance Sheet
At 31 March 2009

	Note	As at 31 March 2009 $'000	As at 31 March 2008 $'000
ASSETS			
Non-current assets			
Intangibles assets	12	1,862	5
Property, plant and equipment	13	486	447
Other receivables	15	426	-
		2,774	452
Current assets			
Trade receivables	15	3,181	1,816
Other receivables	15	1,827	1,585
Cash and cash equivalents	15	21,366	39,436
		26,374	42,837
Total assets		29,148	43,289
LIABILITIES			
Current liabilities			
Trade and other payables	17	(4,520)	(2,022)
		(4,520)	(2,022)
Non-current liabilities			
Other payables	17	(426)	-
Total liabilities		(4,946)	(2,022)
Net assets		24,202	41,267
Shareholders' equity			
Share capital	18	5,487	5,483
Share premium account	19	49,126	49,126
Stock compensation reserve		7,863	6,429
Currency translation reserve		(9,116)	516
Merger reserve		(4,323)	(4,323)
Retained earnings		(24,835)	(15,964)
Total Equity		24,202	41,267

The financial statements were approved by the Board of Directors and authorised for issue on 30 July 2009.
They were signed on its behalf by:

Suranga Chandratillake
Founder and Chief Executive Officer

Consolidated Statement of Changes in Equity Year Ended 31 March 2009

	Ordinary share capital $'000	Redeemable share capital $'000	Share premium account $'000	Stock compensation reserve $'000	Sub-total $'000
Balance as at 23 April 2007 (incorporation)	-	-	-	-	-
Issue of shares	5,483	100	49,126	-	54,709
Capital contribution	-	-	-	-	-
Shares redeemed	-	(100)	-	-	(100)
Period losses	-	-	-	-	-
Exchange differences on translation	-	-	-	-	-
Share based payments	-	-	-	6,429	6,429
Balance as at 1 April 2008	5,483	-	49,126	6,429	61,038
Issue of shares	4	-	-	-	4
Current year losses	-	-	-	-	-
Exchange differences on translation	-	-	-	-	-
Share based payments	-	-	-	1.434	1.434
Balance as at 31 March 2009	5,487	-	49,126	7,863	62,476

	Sub-total forwarded $'000	Currency translation $'000	Merger reserve $'000	Retained earnings $'000	Total $'000
Balance as at 23 April 2007	-	-	-	-	-
Issue of shares	54,709	-	(4,323)	-	50,386
Capital contribution	-	-	-	99	99
Shares redeemed	(100)	-	-	-	(100)
Current period losses	-	-	-	(16,063)	(16,063)
Exchange differences on translation	-	516	-	-	516
Share based payments	6,429	-	-	-	6,429
Balance as at 1 April 2008	61,038	516	(4,323)	(15,964)	41,267
Issue of shares	4	-	-	-	4
Current year losses	-	-	-	(8,871)	(8,871)
Exchange differences on translation	-	(9,632)	-	-	(9,632)
Share based payments	1.434	-	-	-	1.434
Balance as at 31 March 2009	62,476	(9,116)	(4,323)	(24,835)	24,202

* The merger reserve arose on the demerger from Autonomy Corporation plc in May 2007.

Consolidated Cash Flow Statement for the Year Ended 31 March 2009

	Note	12 months ended 31 March 2009	Period from 23 April 2007 (incorporation) to 31March 2008
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss from operations		(10,457)	(18,296)
Adjustments for:			
Depreciation and amortisation		308	263
Share based payments		1,434	6,501
Foreign exchange gains		(313)	(123)
Operating cash flows before movements in working capital		(9,028)	(11,655)
Changes in operating assets and liabilities:			
Increase in trade and other receivables		(3,333)	(3,155)
Increase in trade and other payables		2,924	2,022
Cash used in operations		(9,437)	(12,788)
Income taxes received		257	-
Net cash used in operating activities		(9,180)	(12,788)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Interest received		1,127	1,983
Purchase of property, plant and equipment and intangible assets		(702)	(715)
Net cash generated by investment activities		425	1,268
CASH FLOWS			
Proceeds from issuance of shares		4	50,384
Net cash generated by financing activities		4	50,384
Net (decrease) / increase in cash and cash equivalents		(8,751)	38,864
Beginning cash and cash equivalents		39,436	-
Effect of foreign exchange on cash and cash equivalents		(9,319)	572
Ending cash and cash equivalents	20	21,366	39,436

Notes to the Consolidated Financial Statements Year Ended 31 March 2009

1. General information

blinkx plc is a Company incorporated in the England and Wales under the Companies Act 1985. The address of the registered office is Autonomy House, Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ. The nature of the Group's operations and its principal activities are set out on page 7.

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 is US dollar 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

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet 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)/ IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (amended)	Share-based payment – Vesting Conditions and Cancellations
IFRS 3 (revised 2008)	Business Combinations
IFRS7 (amended)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IAS 1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements
IAS29 (amended)	Eligible Hedged Items
IAS 32 (amended)/ IAS 1 (amended)	Puttable Financial Instruments and Obligations Arising on Liquidation
IAS39 (amended) / IAS 1 (amended)	Reclassification of Financial Assets – Effective Date and Transaction
IFRIC 9 (amended) / IAS39 (amended)	Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from customers

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

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.

blinkx was demerged from Autonomy Corporation plc ('Autonomy') on 21 May 2007. This resulted in the business and certain assets being transferred into the trading subsidiaries of the Company and blinkx shares were issued to existing shareholders of Autonomy on a one for one basis. The investment in the subsidiaries of blinkx plc is measured at the market value of the Group on demerger and resulted in a merger reserve in the accounts of the Company. On 22 May 2007 the Company was listed on the AIM market of the London Stock Exchange and raised approximately $50.4 million (gross) via a placing of ordinary shares.

Going concern

The Directors have adopted the going concern basis of preparation for the reasons set forth in the Directors report on page 7.

b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made 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.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired are recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) are credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest is allocated against the interests of the parent.

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) REVENUE RECOGNITION

The policies for each of the Group's key revenue streams are set out below:

Video search advertising and paid placement involves customers utilising blinkx technology to retrieve relevant video content. Advertising revenue is generated when consumers watch that video content in relation to advertisements that are displayed in the video player or through other advertising formats on the site displaying the video. Contracts containing multiple deliverables are split into their constituent parts and each deliverable's fair value is separately determined and recognised accordingly.

Advertising revenue

If sales values are based on the volume of impressions (cost per mille) then revenue is based on an agreed amount per impression. This revenue is recognised as the volumes are reported by the Group's customers. If sales values are based on volume of clicks (pay per click) then revenue is based upon an agreed amount per click the end user makes after viewing the advertisement. The revenue is recognised as volumes are reported by the Group's customers.

Share of advertising revenues

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

E-commerce revenues

The Group may generate 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, collectability is probable and the fee is fixed and determinable.

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

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

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

d) LEASING

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

e) FOREIGN CURRENCIES

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

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

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.

f) TAXATION

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

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

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

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

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

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

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

g) PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements, fixtures and 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

h) 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 3 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

i) 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:

Software licences	3 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.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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.

k) PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

l) 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. 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 a 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.

m) LOSS FROM OPERATIONS

Loss from operations are stated before investment income, finance costs and tax.

n) RETIREMENT BENEFITS

Payments to a defined contribution scheme are charged as an expense as they fall due.

o) 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.

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Other financial liabilities

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

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.

4. Critical accounting judgements and key sources of estimation uncertainty

CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, which are described in note 3, the Directors have made the following judgements, estimates and assumptions

REVENUE RECOGNITION

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

DEBTOR PROVISIONING

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

CAPITALISATION OF RESEARCH AND DEVELOPMENT COSTS

In making judgements 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 and accounts, the Directors have exercised judgement with respect to the adequacy of resources to continue the operational existence for the foreseeable future.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

TRADE RECEIVABLES

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

SHARE OPTION CHARGE

In calculating the share option charge the Directors have considered the expected life of the option, the volatility of the Company, the risk free rate and anticipated level of leavers.

SUBSIDIARY INVESTMENTS

The Company's initial valuation of its investment in its subsidiary undertaking, blinkx UK Limited, was based on the fair value at the time of IPO, and subsequent capital contributions. The Directors have considered the criteria in IAS 36, Impairment of Assets, in assessing the carrying value.

5. Segmental analysis

The Group comprises only one business and one geographical segment as defined by IAS 14. Accordingly, no segmental analysis is presented.

6. Loss for the year

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

	Year ended 31 March 2009 $000	Period from 23 April 2007 (incorporation) to 31 March 2008 $000
Net exchange gains	(313)	(123)
Research & development costs	4,526	3,171
Depreciation of plant and equipment	248	261
Amortisation of intangibles	60	2
Staff costs (see note 8)	6.448	4,775
Demerger & IPO costs	-	11,455
Impairment loss recognised on trade receivables	225	351

7. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 March 2009 $000	Period from 23 April 2007 (incorporation) to 31 March 2008 $'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	78	91
Fees payable to the Company's auditors and their associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	14	16
Total audit fees	92	107
Other services pursuant to legislation	46	63
Tax services	36	35
Services in connection with demerger & IPO	120	604
Total non audit fees	202	702

8. Staff costs

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

	Year ended 31 March 2009 Number	Period from 23 April 2007 (incorporation) to 31 March 2008 Number
Sales & marketing	33	22
Technical	15	17
Administration & operations	5	4
	53	43

	Year ended 31 March 2009 $'000	Period from 23 April 2007 (incorporation) to 31 March 2008 $'000
Wages & salaries	5,978	4,390
Social security costs	453	368
Other pension costs	17	17
	6,448	4,775

Information on directors' remuneration can be found in the Directors' Report on page 9.

9. Investment revenue

	Year ended 31 March 2009 $'000	Period from 23 April 2007 (incorporation) to 31 March 2008 $'000
Interest receivable on cash and cash equivalents	1,127	1,983

10. Tax

	2009 $'000	2008 $'000
Research and development tax credit	459	250

Corporation tax is calculated at 28% (2008: 30%) of the estimated assessable loss for the year.

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

The credit for the period can be reconciled to the loss per the income statement as follows:

	Year ended 31 March 2009 $'000	%	Period from 23 April 2007 (incorporation) to 31 March2008 $'000	%
Loss before tax	(9,331)		(16,313)	
				-
Tax at UK corporation rate of 28% (2008: 30%)	(2,613)	28%	(4,894)	30.0%
Adjustment for overseas tax rate	(445)	(5)%	-	-
Tax effect of expense not deductible in determining taxable loss	348	4%	1,646	10.1%
Unutilised tax losses	2,251	24%	2,998	18.4%
Tax credit and effective rate for the year	(459)	(5)%	(250)	(1.5)%

The Group has not recognised its deferred tax assets. See note 16.

11. Loss per share

The loss per ordinary and diluted loss per share are equal because share options are only included in the calculation of diluted earnings per share if the issue would decrease the net earnings per share or increase the net loss per share. The calculation is based on information in the table shown below:

	Year ended 31 March 2009 $'000	Period from 23 April 2007 (incorporation) to 31 March2008 $'000
Loss		
Loss (used in calculation of basic and diluted loss per share)	(8,871)	(16,063)
Number of shares		
Weighted average number of shares		
for the purpose of basic and diluted earnings per share	278,075,720	254,952,682

12. Other intangible assets

The analysis of auditors' remuneration is as follows:

	Software licences $'000
Cost	
At 23 April 2007	-
Additions	7
At 1 April 2008	7
Additions	1,917
Exchange differences	(1)
As at 31 March 2009	1,923
Amortisation	
At 23 April 2007	-
Amortisation	(2)
At 1 April 2008	(2)
Amortisation	(60)
Exchange differences	1
As at 31 March 2009	(61)
Net book value	
As at 31 March 2009	1,862
As at 31 March 2008	5

13. Property, plant and equipment

	Fixtures & fittings $'000	Computer equipment $'000	Total $'000
Cost			
At 23 April 2007	-	-	-
Additions	3	705	708
At 1 April 2008	3	705	708
Additions	20	289	309
Exchange differences	-	(52)	(52)
As at 31 March 2009	23	942	965
Depreciation			
At 23 April 2007	-	-	-
Depreciation	(1)	(260)	(261)
At 1 April 2008	(1)	(260)	(261)
Depreciation	(1)	(247)	(248)
Exchange differences	-	30	30
As at 31 March 2009	(2)	(477)	(479)
Net book value			
As at 31 March 2009	21	465	486
As at 31 March 2008	2	445	447

14. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 27 to the Company's separate financial statements.

15. Other financial assets

a) TRADE AND OTHER RECEIVABLES

	2009 $'000	2008 $'000
Current assets		
Trade receivables	3,283	2,162
Allowance for doubtful debts	(102)	(346)
Net trade receivables	3,181	1,816
Other receivables and prepayments	1,827	1,585
Non current assets		
Other receivables	426	-

The average credit period taken on sales of goods is 83 days (2008: 95 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. 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 $755,000 (2008: $269,000) which are past due between 0-90 days and $107,000 (2008: $435,000) in excess of 90 days. The remaining balance of $2,421,000 (2008: $1,458,000) is not yet due. The Group's allowance for doubtful debt amounts to $102,000 (2008: $346,000). The charge for the year was $225,000 (2008: $351,000). No interest has been charged for overdue debts in the period.

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 has no other significant concentration of credit risk.

16. Deferred tax

No deferred tax assets or liabilities have been recognised by the Group in the year. At the balance sheet date there is an unrecognised deferred tax asset relating to tax losses (and accelerated capital allowances) of $2.7m (2008: $2.0m). No deferred tax asset has been recognised due to the unpredictability of future profit streams. Should suitable taxable profits arise, the unrecognised deferred tax asset will reverse against those profits.

17. Other financial liabilities

TRADE AND OTHER PAYABLES

	2009 $'000	2008 $'000
Current liabilities		
Trade payables	886	703
Deferred revenue	525	265
Other accrued liabilities	3,109	1,054
	4,520	2,022
Non current liabilities		
Deferred revenue	426	-

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 21 days (2008: 39 days). No interest has been charged by suppliers in respect of overdue amounts in the year.

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

18. Share capital

	2009 $'000	2008 $'000
Authorised		
500,000,000 ordinary shares of 1 pence shares each	9,864	9,864
Issued		
278,128,180 ordinary shares of 1 pence each	5,487	5,483
(2008: 277,920,622 ordinary shares of 1 pence each)		

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

Issuances of shares in the year relate to the exercise of employee share options.

19. Share premium account

	Share premium $'000
Balance at 23 April 2007	-
Premium arising on issue of equity shares	49,126
Balance at 31 March 2008	49,126
Premium arising on issue of equity shares	-
Balance at 31 March 2009	49,126

20. Cash and cash equivalents

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.

21. Share based payments

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

	Year ended 31 March 2009 $'000	Period from 23 April 2007 (incorporation) to 31 March 2008 $'000
Sales and marketing	564	2,488
Research & development	768	3,567
Administrative expenses	102	593
	1,434	6,648

$5,233,000 of the 2008 balance above relates to share based payments in connection with the demerger & IPO of the Group.

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. No option may be granted for a term in excess of 10 years. Vested options are exercisable following termination of employment for a period ranging from 40 to 90 days.

The Autonomy Discretionary Scheme and the Autonomy US Plan allowed a one time grant of 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.

The following table summarises options outstanding at 31 March 2009 relating to the blinkx EMI scheme and the blinkx US plan. All option exercise prices are quoted in sterling.

	2009 Number	2009 Weighted average exercise price £	2008 Number	2008 Weighted average exercise price £
Outstanding balance at beginning of year	9,931,833	0.02	-	-
Granted during the year	855,000	0.19	12,292,908	0.02
Exercised during the year	(207,558)	0.01	(2,162,353)	0.01
Lapsed during the year	(282,562)	0.16	(198,722)	0.04
Outstanding balance at end of year	10,296,713	0.04	9,931,833	0.02
Exercisable at end of year	6,949,939	0.02	7,138,524	0.02

The weighted average share price at the date of exercise for share options exercised during the period was £0.16 (2008: £0.47). The options outstanding at 31 March 2009 had a weighted average exercise price of £0.04 (2008: £0.02). The weighted average remaining contractual life of the options was 8 years (2008: 9 years).

DATE OF OPTION GRANTS

The following table summarises options outstanding at 31 March 2009 in relation to the Autonomy Discretionary Share Scheme and Autonomy US Plan options:

		2009		2008
		Weighted average		Weighted average
		exercise price		exercise price
	Number	£	Number	£
Outstanding balance at beginning of year	3,857,860	0.45	-	-
Granted during the year	-	-	4,150,488	0.45
Lapsed during the year	(469,151)	0.45	(292,628)	0.45
Outstanding balance at end of year	3,388,709	0.45	3,857,860	0.45
Exercisable at end of year	2,005,699	0.45	2,162,353	0.45

No options were exercised during the period. The weighted average remaining contractual life of the options is 8 years (2008: 9 years).

At the date of each grant the fair market value of the options granted during the period were as follows:

	Shares	Fair value of option
Date of grant	Number	£
Blinkx EMI and US Plan		
25 April 2008	95,000	0.165
15 August 2008	95,000	0.285
30 October 2008	535,000	0.195
6 February 2009	130,000	0.15

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

	2009	2008
Weighted average share price	19p	44p
Weighted average exercise price	1p	2p
Expected volatility	100-102%	40-77%
Expected life	3-4 years	3-4 years
Risk free rate	3.50%	3.50%
Expected dividend	-	-

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

22. Other share-based payment plans

There were no other share-based payments made during the year.

At the time of the demerger the Non-Executive Directors were remunerated with 50,000 shares each which had a market value of 45 pence each on that date.

During the period ending 31 March 2008, the Group has granted a warrant over 120,000 shares to an adviser in relation to strategic services. The warrant vests quarterly over a 3 year period and has an exercise price equal to market price on date of grant, being 20.25 pence. The fair value of the warrant at the date of grant was 11 pence per warrant. The charge for year was $5,000 (2008: $1,000). Should the adviser cease providing services no further options will vest from that date. The fair value at the date of grant was measured by use of a Black Scholes model.

23. Financial Instruments

CAPITAL RISK MANAGEMENT

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

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 will set a target gearing ratio determined as the proportion of net debt to equity when it considers that this is necessary.

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

	2009 $'000	2008 $'000
Financial assets (all loans and receivables)		
Cash and cash equivalents	21,366	39,436
Amounts due from customers	3,283	2,162
Financial liabilities (all at amortised cost)		
Trade payables	(886)	(703)

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), credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for any purpose.

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 and as a result cash is held in sterling. 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:

	2009 Liabilities $'000	2008 Liabilities $'000	2009 Assets $'000	2008 Assets $'000
US Dollar	112	60	173	6,357

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to movements in pound sterling and US dollar. As a result of recent exchange rate movements the Group has increased its sensitivity to 20% in 2009.

The following table details the Group's sensitivity to a 20% increase and decrease (2008: 10%) in the functional currency of the entity against the relevant foreign currencies. 20% is the sensitivity rate used (2008: 10%) 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 (2008: 10%) 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 2009 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.

	2009 $'000	2008 $'000
Profit and loss		
cash and cash equivalents	5	564
amounts due from customers	29	70
trade payables	22	6

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 15. Other than noted here the Group has no other significant concentration of credit risk at either balance sheet date.

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

LIQUIDITY RISK MANAGEMENT

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

24. Events after the balance sheet date

There are no post balance sheet events.

25. Related party transactions

There are no related party transactions. Details of Directors remuneration is included within the Directors' Report on page 7.

Company Balance Sheet As At 31 March 2009

	Note	As a 31 March 2009 £'000	As at 31 March 2008 £'000
Non-current assets			
Investment in subsidiary	27	99,459	98,624
Current assets			
Amounts due from subsidiary undertakings		10,915	3,747
Other receivables		43	52
Cash and cash equivalents		12,268	19,082
		23,226	22,881
Current liabilities			
Trade and other payables		(232)	(100)
		(232)	(100)
Net assets		122,453	121,405
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	31	2,781	2,779
Share premium	32	24,902	24,902
Stock compensation reserve		835	-
Merger reserve		96,432	96,432
Retained earnings	33	(2,497)	(2,708)
Total Equity		122,453	121,405

The financial statements were approved by the Board of Directors and authorised for issue on 30 July 2009. They were signed on its behalf by:

Suranga Chandratillake
Founder and Chief Executive Officer
30 July 2009

Company Statement of Changes in Equity Year Ended 31 March 2009

	Ordinary share capital £'000	Redeemable share capital £'000	Share premium £'000	Stock compensation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance as at 23 April 2007	-	-	-	-	-	-	-
Issue of shares	2,779	50	24,902	-	96,432	-	124,163
Capital contribution	-	-	-	-	-	50	50
Shares redeemed	-	(50)	-	-	-	-	(50)
Current period losses	-	-	-	-	-	(2,758)	(2,758)
Balance as at 1 April 2008	2,779	-	24,902	-	96,432	(2,708)	121,405
Issue of shares	2	-	-	-	-	-	2
Capital contribution	-	-	-	835	-	-	835
Current period losses	-	-	-	-	-	211	211
Balance as at 31 March 2009	2,781	-	24,902	835	96,432	(2,497)	122,453

Company Cash Flow Statement Year Ended 31 March 2009

	Note	2009 £'000	2008 £'000
Net cash used in operating activities	34	(7,463)	(7,427)
CASH FLOWS			
Interest received		647	970
Net cash generated by investing activities		647	970
CASH FLOWS			
Proceeds from issuance of shares, net of issuance costs		2	25,539
Net cash provided by financing activities		2	25,539
Net (decrease) / increase in cash and cash equivalents		(6,814)	19,082
Beginning cash and cash equivalents		19,082	-
Ending cash and cash equivalents		12,268	19,082

Notes to the Company Only Financial Statements

26. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. 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 230 of the Companies Act 1985 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 £211,000 (2008: loss £2,758,000).

27. Subsidiaries

	£'000
Cost and net book value	
At 1 April 2008	98,624
Capital contribution	835
At 31 March 2009	99,459

Details of the Company's subsidiaries at 31 March 2009 are as follows:

	Place of incorporation (or registration) and operation	Percentage owned
blinkx UK Ltd	England & Wales	100%
blinkx Inc	US	100%

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.

28. Financial assets

LOANS FROM OTHER GROUP ENTITIES

At the balance sheet date amounts receivable from the fellow Group companies of £10,900,000 (2008: £3,700,000). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivable balances.

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.

29. Financial liabilities

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 10 days (2008: 11 days).

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

30. Deferred tax

No deferred tax assets or liabilities have been recognised by the Company in the year. At the balance sheet date there is no unrecognised deferred tax assets (2008: £62,000 asset relating to losses).

31. Share capital

	2009 £'000	2008 £'000
Authorised		
500,000,000 ordinary shares of 1 pence shares each	5,000	5,000
Issued		
278,128,180 ordinary shares of 1 pence each	2,781	2,779
(2008: 277,920,622 ordinary shares of 1 pence each)		

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

Issuances of shares in the year related to the exercise of employee share options.

32. Share premium account

	£'000
Balance at 23 April 2007	-
Premium arising on issue of equity shares	24,902
Balance at 31 March 2008	24,902
Premium arising on issue of equity shares	-
Balances at 31 March 2009	24,902

33. Retained earnings

	£'000
Balance at 23 April 2007	-
Capital contribution	50
Net loss for period	(2,758)
Balances at 31 March 2008	(2,708)
Net profit for the period	211
	(2,497)

34. Notes to the cash flow statement

	12 months ended 31 March 2009 £'000	Period from 23 April (incorporation) to 31 March 2008 £'000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss from operations	(436)	(3,728)
Operating cash flow before movements in working capital	(436)	(3,728)
Increase in amounts due from group undertakings	(7,167)	(3,747)
Decrease / (increase) in receivables	8	(52)
Increase in payables	132	100
Cash used by operations	(7,463)	(7,427)

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.

35. 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	2009 £'000	2008 £'000
Financial assets (all loans and receivables)		
Cash and cash equivalents	12,268	19,082
Amounts due from group undertakings	10,915	3,747
	23,183	22,829
Financial liabilities (all at amortised cost)		
Trade payables	(12)	(100)

There is no difference between the carrying value and fair value of the above financial assets and liabilities.

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:

	2009 Liabilities £'000	2008 Liabilities £'000	2009 Assets £'000	2008 Assets £'000
US Dollar	-	6	-	5,633

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to movements in US dollar. As a result of recent exchange rate movements the Group has increased its sensitivity analysis to 20% in 2009.

The following table details the Group's sensitivity to a 20% increase and decrease (2008: 10%) in the functional currency of the entity against the relevant foreign currencies. 20% is the sensitivity rate (2008: 10%) 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 (2008:10%) 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 for 2009 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.

	2009 £'000	2008 £'000
Profit and loss		
cash and cash equivalents	-	563
trade payables	-	1
inter company loans	1,809	506

The movements above arise where the Company has financial assets or liabilities in currencies other than sterling. There has not been any significant change in the Company's sensitivity to foreign currency during the period

36. Related parties

All transactions are conducted on an arm's length basis and the amount owed by subsidiary undertakings is £10,920,000 (2008: £3,750,000).

Shareholder Information and Advisors

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: www.investorcentre.co.uk/contactus

Stock Exchange

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/Auditors	AIM Nominated Advisor and Broker	Investor Relations
Deloitte LLP	Citigroup Global Markets	Financial Dynamics Ltd
City House	Citigroup Centre	Holborn Gate
126-130 Hills Road	Canada Square	26 Southampton Buildings
Cambridge	Canary Wharf	London
CB2 1RY	London	WC2A 1PB
	E14 5LB	

Corporate Legal Advisors	Registrars	Registered Office
Pillsbury Winthrop Shaw Pittman LLP	Computershare	Cambridge Business Park
Tower 42, Level 23	The Pavilions	Cowley Road
25 Old Broad Street	Bridgewater Road	Cambridge
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