blinkx

BLINKX PLC ANNOUNCES FIRST HALF FINANCIAL YEAR 2014 RESULTS

Year on Year Revenues up 36% to $112m, Adjusted* EBITDA up 76% to $18m

H1-2014 conference call will be webcast live at www.blinkx.com on 5 November 2013 at 9:30AM GMT; 4:30AM EST; 1:30AM PST

London, England and San Francisco, CA – 5 November 2013 - blinkx PLC (BLNX.L, "Company"), the Internet Media platform today reported first half financial year 2014 results for the period covering 1 April 2013 through 30 September 2013.

Financial Highlights

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)	Year-on-Year variance H1-14 vs. H1-13
	$000	$000	Variance %
Revenues	111,551	81,971	36%
Profit before taxation	10,783	2,481	335%
Profit before taxation - adjusted*	15,170	7,865	93%
Adjusted* EBITDA	18,185	10,361	76%
Cash	69,403	41,627	67%
Earnings per share	Cents	Cents	
Basic - adjusted*	3.33	2.24	
Basic	2.13	0.75	
Diluted - adjusted*	3.29	2.20	
Diluted	2.11	0.74	

**Adjusted for acquisition and exceptional charges of $1.7m (2012:$3.2m), amortization of purchased intangibles of $2.7m (2012: $2.6m) and other income of nil (2012:$0.5m)*

Business Highlights

- Sectoral growth of the online advertising industry was robust, marked by traditional summer seasonality
- blinkx growth comfortably exceeded that of the industry, even without the one time benefits of the previous year
- Continued delivery against key operating metrics and profitable revenue growth, driving operational gearing
- Strong cash conversion rate of 119%, benefiting from strict financial discipline and controls
- Expanding universe of organic and acquisition growth opportunities, particularly in the mobile sector
- Secured content syndication partnerships, including Scripps, BET, HitFix, Ustream, Tech Media Network
- Added notable new and repeat advertisers, including Kellogg's, Old Navy, Target, Nestle, Nike and State Farm
- Expanded Technology, Product and Sales teams to better align with and accelerate growth opportunities
- Released proprietary video syndication platform, blinkx Video Advantage (bVA) to accelerate video discovery
- Launched blinkx original content initiative to streamline discovery of video content and prolong engagement
- Updated and mobile-enabled specific product lines, to grow organic mobile efforts
- Acquired Grab Media, a leading online video content syndication and advertising platform in the US

Commenting on the results, S. Brian Mukherjee, CEO of blinkx, said:

"This has been an exciting first half for blinkx and we are delighted to report another strong performance. The business continues to demonstrate robust underlying growth and stability. The success of our strategic initiatives, realignment of internal resources, acquisition of the Grab Media platform and the launch of several product lines, including bVA, our video syndication platform for publishers and advertisers, enhanced our performance. These initiatives enabled us to serve a greater number of advertisements to a wider audience at better monetization rates, helping to drive our growth. Importantly, our year on year performance was achieved against a sector backdrop that did not include benefits of increased marketing spends from one time events that we experienced last year.

The online advertising industry continues to experience robust growth, within which video advertising remains the fastest growing segment. Several structural tailwinds are fueling these trends, including widespread broadband adoption, proliferation of connected devices and the escalating migration and consumption of video online. Our growth underscores not only the vitality of the sector but also that of our business model.

The opportunity for blinkx lies in expanding demand, content and audiences. We expect to achieve this through sales, product innovation, and the capture of new and emerging revenue streams that augment our scope and scale as an enterprise. We are also fortunate to have an expanding universe of organic and inorganic opportunities. Based on positive sector trends within the broader macro economic environment and the unique capabilities of our technology and team, we remain confident in our underlying growth prospects."

Non-GAAP Measures

- This press release contains references to adjusted* EBITDA and cash conversion rate. These financial measures do not have any standardized meaning prescribed by IFRS and are therefore referred to as non-GAAP measures. The non-GAAP measures used by blinkx may not be comparable to similar measures used by other companies.
- Adjusted* EBITDA is defined as profit attributable to equity holders of the parent before interest, taxes, depreciation and amortization, stock based compensation expense, and acquisition and exceptional costs. Management believes that this measure is a useful supplemental metric as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by one time exceptional charges, how the results are taxed in various jurisdictions, or how the results are affected by the accounting standards associated with the Group's stock based compensation plan.
- Cash conversion rate equals the ratio of free cash flow to profit from operations. Free cash flow is defined as net cash generated by operating activities net of purchase of property, plant and equipment, and capitalized internal development costs.

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Overview

The above results demonstrate the continued success of the Company's core strategic focus, which has been to video-enable a significant, scalable and growing ecosystem of audience constituents, content providers and advertising partners, and to monetize relevant consumer interactions.

Our strategy has grown to match a dynamic market opportunity, which has evolved from video search, to video discovery and, most recently, to video syndication. Initially, blinkx leveraged its proprietary CORE technology that uses speech, text and image analysis to render highly relevant video search results and ads in response to consumer queries on blinkx.com. Once this native search model of matching content with contextually relevant advertising in real time was perfected, blinkx extended the model to its search syndicate partners, including leading online properties, such as AOL, Ask and Lycos. As online video consumption behavior migrated from search to discovery, the potential opportunity for distribution and monetization of online video grew significantly. To capture this vastly expanded opportunity, the Burst Media and PVMG acquisitions provided blinkx with a platform to video enable consumer interactions across a much broader footprint of online properties. The next evolution of this growth strategy was to capture the enhanced opportunity afforded by video syndication, or the accelerated distribution of video content across a virtually limitless universe of independent websites. Through bVA and the acquisition of the Grab Media assets, blinkx can now video enable any online property anywhere in the world through its self-serve syndication platform. We believe that the current logical extension of our strategy is to telegraph this three-stage evolution along two vectors — geographies and devices. Our goal is to extend the success we have demonstrated on the Personal Computer platform to Smartphones, Tablets and Connected TV, and expand into International markets. Our recent organic and acquisition growth initiatives have centered on this potential for enhanced reach and monetization.

The acquisitions we made in FY2012 enabled the company to expand content distribution and increase audience reach for advertisers. The acquisition of the Grab Media platform in August 2013 let the Company add incremental audience and augment relationships with key advertisers, publishers and content providers, thereby providing increased scale. Furthermore, the deal enabled us to recruit and successfully integrate the existing Grab Media team — a talented, multi-faceted group with long tenures, extensive experience and deep relationships in online video content syndication and advertising, which will enable us to accelerate organic growth initiatives.

During the period, the Company was pleased to unveil bVA, a proprietary blinkx solution designed to rapidly distribute premium content across the Web via a syndication platform for publishers and advertisers. bVA provides the Company with the potential for significantly broader reach and enhanced monetization. Through bVA, publisher partners have complete control over the video content embedded in their sites, as well as real-time performance metrics and intelligence. In turn, advertisers can achieve expanded distribution of their advertising messages within a brand-safe, targeted environment. Growth of the bVA product has been accelerated through the Grab Media transaction, due to resident video syndication technology and an expanded base of publishers and advertisers.

In addition, blinkx launched its original video initiative in August 2013 to create proprietary editorial preludes across five unique channels based around common consumer interests – Ella TV, MomIQ TV, Giant Realm TV, blinkx TV and blinkx Buzz. Original video is an extension and enabler of blinkx's primary strategy, to aggregate and distribute professional content, since the initiative ties together professional content assets with a cohesive narrative voice, encouraging prolonged engagement and opportunity for monetization. Moreover, the content categories we launched match the demographics within the Burst publisher network (owned by blinkx), further encouraging uptake of our syndication product for publishers, bVA. This initiative represents a measured step forward in what blinkx does as an enterprise, allowing us to expand from an aggregator of premium video to a source of editorial context, and thereby enhance the user experience and margins. Leveraging its AdHoc advertising platform, blinkx will place contextually relevant advertising against these videos, distributed via owned-and-operated properties, as well as through bVA.

We have continued to build on our leadership position in the online video ecosystem over the past six months, progressing our cross-platform distribution strategy through our Connected TV partnerships and by releasing an open source blinkx Video Player for the Tizen software platform, championed by Samsung and Intel to target mobile devices. We also expanded our index of premium content through agreements with Scripps, BET, HitFix, Ustream and Tech Media Network, among others. This combination of top tier professional content, expanded distribution, and our patented video search, discovery and advertising platform and products, helped us attract notable, new and repeat advertisers, such as Kellogg's, Old Navy, Target, Nestle, Nike and State Farm.

Market

There are a number of important structural trends driving the growth of the online video sector in which blinkx operates, thereby accelerating our growth as an enterprise.

Broadband and high-speed mobile networks are becoming ubiquitous. While fixed line broadband continues to drive growth, the recent launch of high-speed mobile and fast adoption by consumers suggests a major impact on the online video advertising space. Reliable, high speed connectivity means that an ever growing volume of rich media is being consumed online, with estimates predicting that by 2017, nearly 1 million minutes of video will traverse the Internet every second. As the benefits of super-fast mobile broadband become apparent to consumers we expect the number of mobile broadband users to grow at a steady pace. eMarketer reports that mobile connections worldwide are expected to grow from 6.8 billion in 2013 to 7.6 billion over the next five years. Having mobile-enabled the CORE blinkx platform, the next important strategic step is to replicate the success of our search-discover-syndication development pathway into the mobile environment, both organically and via acquisitions.

Broadband growth in turn is driving the ***proliferation of smartphones and tablets***. Connected devices are accelerating access to high-speed mobile networks and enabling consumers to watch video content anytime, anywhere. According to Cisco, video consumption accounted for 57% of overall internet traffic in 2012, and is expected to grow to 69% by 2017. Moreover, while mobile advertising spend constitutes roughly 20% of the estimated total digital advertising spend in 2013, this percentage is expected to grow to over half of total digital advertising spend over the next five years.

Finally, ***advertisers have increased and diverted budgets to address the growing online video audience*** – roughly one billion viewers worldwide in 2012 and expected to reach nearly 2 billion by 2017, according to Cisco. While online video advertising spend is still only a fraction of conventional TV spend – estimated at $4.2 billion versus $66.4 billion for TV in 2013, the trends are clear and compelling – major brands are embracing the format and spend is graduating from experimental to incremental budgets. As evidence of this trend, online video advertising spend is growing at a significantly higher rate than that of television – a projected CAGR of over 17% over a five year period compared with 2.5% for TV, according to eMarketer. We believe that online video budgets will begin to complement and possibly even cannibalize advertising spend on linear TV spend over the next five to ten years.

We believe that blinkx is well positioned to capitalize on the market opportunity, and we expect to exceed projected overall online advertising industry growth rates, given the scale, scope and reach of our operations. In the first half, the combination of the underlying structural growth in our markets, coupled with the accelerating contribution from successfully integrated acquisitions, plus the launch of our video syndication initiative, enhanced the growth of the group. Industry reports indicate the market outlook remains fundamentally positive for FY2014, based on observed trends in both consumer and advertiser behavior. Within this sector, blinkx has a number of well-defined revenue opportunities, covering the broad range of product innovation, acquisitions that augment our scope as an enterprise and expanded distribution.

Technology

blinkx continues to invest in products and technology, which includes enhancing the blinkx CORE (COncept Recognition Engine), its patented video engine. blinkx CORE solves the challenges inherent in processing, managing and monetizing all forms of rich media as it comprises speech recognition, visual and text analysis to enable blinkx to understand video with depth and accuracy. This deep, granular understanding of rich media enables blinkx to process, monetize and deliver video and audio content in unique ways, and to capitalize on the true potential of video in the current four-screen world of PCs, Tablets, Smartphones and Connected TV.

In July 2013, the company was proud to launch bVA, a proprietary blinkx solution designed to expand distribution of premium content across the Web, providing broader reach and enhanced monetization opportunities for publishers and advertisers. Through bVA, publishers have complete control over the video content embedded in their sites, as well as real-time performance metrics and intelligence. The bVA publisher portal leverages CORE technology to aid in video search and selection, and encompasses:

- Content: Premium videos from over 1,100 content providers are available in packaged or curated channels
- Configuration: Customizable video widgets for the Web and mobile deployments across multiple channels
- Reporting: bVA dashboard allows for tracking of audience, video views and publisher revenue earnings

Operations

The vast majority of our revenue is generated from online advertising, through a wide range of formats and pricing options that include video, mobile, social, display, text, and rich media, covering brand and performance advertising campaigns, sold both directly and sourced from third parties. Through organic growth, selective acquisitions and unique technological capabilities, we have created a growing ecosystem of audience, content providers, and advertisers that we continue to video-enable. In addition to our scale, scope and reach across the online advertising ecosystem, we believe that blinkx is uniquely positioned within our competitive arena. We provide a unique combination of technology and media products that cover both the supply and demand sides of the ecosystem. This breadth includes video search and discovery technology, platform and device agnostic video players, audience access via our online properties and ad networks, access to professionally generated content through our extensive content relationships, and monetization options through direct and indirect advertising relationships. As purchasing behavior within the sector has moved from buying ad formats to multi-channel, integrated campaigns, our business model and diversified capability set have grown in response to this trend.

The successful integration of previous acquisitions has brought us access to vast networks of text-oriented sites and the potential to deliver web traffic, video content and advertising to over 4,600 new web publishers, syndication partners and affiliates. In addition to massive scale, with access to billions of potential advertising interactions annually, the integrations have significantly broadened the scope of advertising products we are able to offer our customers, and boosted our reach to tens of millions of unique users per month.

The size of the audience to which we have access has grown via these acquisitions, and monetization of this audience continues to represent one of our key growth drivers. Those interactions that remain un-monetized today represent a captive and proximate organic growth opportunity for the company. We see the conversion of the un-monetized interactions, through a growing stable of content and advertising, as an immediate commercial opportunity.

Financial Highlights

Over 95% of blinkx's revenue is generated from online advertising. Technology and services related to managing digital assets and advertising spend make up the remainder of the revenue stream. For the half year ended September 2013, revenue totaled $111.6 million, an increase of 36% over the $82.0 million in revenue reported for the half year ended September 2012 (H1-2013). Revenue benefited from strong underlying growth, and launch of the Company's video syndication solution, bVA.

The Company's advertising products broadly fall into two categories: Premium and Conventional. Premium includes high value, advertisement units such as video, rich media, social, text and mobile, which are directly sold or sourced from third parties, such as advertising trading platforms. Conventional revenues are generated from high volume advertisement units - generally banner ads. Our goal is to first monetize the un-monetized interactions available to us, and then convert conventional revenues to premium revenues by video-enabling our syndicate partners and affiliates.

Profit from operations before acquisition and exceptional costs was $15.1 million for H1-2014, a 92% increase over $7.9 million for H1-2013. The operating profit margin improvement resulted from the benefit of operational gearing as the profit from additional revenue growth has outpaced cost and expense trends due to strict financial controls with a focus on quality revenues that convert to cash.

Adjusted net profit before acquisition costs and exceptional costs and other income for H1-2014 was $12.2 million (H1-2013: $8.1 million). Net profit for H1-2014 was $7.8 million (H1-2013: $2.7 million).

Adjusted basic earnings per share for H1-2014 was 3.33 cents (H1-2013: 2.24 cents), basic earnings per share was 2.13 cents (H1-2013: 0.75 cents), adjusted diluted earnings per share was 3.29 cents (H1-2013: 2.20 cents) and diluted earnings per share was 2.11 cents (H1-2013: 0.74 cents).

blinkx's cash balance at 30 September 2013 was $69.4 million (30 September 2012: $41.6 million) benefiting from 119% cash conversion rate driven by the pursuit of quality revenues, long standing customer relationships, and timely cash collection efforts.

BLINKX PLC
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
Results for the six months to 30 September 2013
(in thousands, except per share amounts)

	Note	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited) (reclassified**)
	Note	**$'000**	**$'000**
Revenue: continuing operations		111,551	81,971
Cost of revenue	9	(53,197)	(41,794)
Research and development	9	(10,803)	(6,726)
Sales and marketing		(26,442)	(20,923)
Administrative expenses		(6,041)	(4,673)
Total cost and expenses		(96,483)	(74,116)
Profit from operations before acquisition and exceptional costs*		15,068	7,855
Amortisation of purchased intangibles		(2,672)	(2,642)
Acquisition and exceptional costs	8	(1,715)	(3,247)
Profit from operations		10,681	1,966
Other income		-	505
Net investment revenue		102	10
Profit before taxation		10,783	2,481
Tax	3	(2,969)	235
Profit for the year attributable to equity holders of the parent before acquisition and exceptional costs and other income***		12,201	8,100
Profit for the year attributable to equity holders of the parent		7,814	2,716

	Note	Cents	Cents
Earnings per share			
Adjusted basic*	4	**3.33**	**2.24**
Basic	4	**2.13**	**0.75**
Adjusted diluted*	4	**3.29**	**2.20**
Diluted	4	**2.11**	**0.74**

**Adjusted for acquisition and exceptional charges of $1.7m (2012:$3.2m) and amortization of purchased intangibles of $2.7m (2012: $2.6m)*

*** Income statement includes reclassification of certain cost of revenue and sales and marketing expenses as detailed in note 9*

****Adjusted for acquisition and exceptional charges of $1.7m (2012:$3.2m), amortization of purchased intangibles of $2.7m (2012: $2.6m) and other income of nil (2012:$0.5m)*

BLINKX PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
For six months ended 30 September 2013

	Six months to 30 September 2013 (unaudited) $'000	Six months to 30 September 2012 (unaudited) $'000
Profit for the year	7,814	2,716
Exchange difference on translation of foreign operations	1,473	301
Total comprehensive income for the year, net of related tax effects	**9,287**	**3,017**

BLINKX PLC
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 September 2013
(in thousands)

	Note	As at 30 September 2013 (unaudited) $'000	As at 30 September 2012 (unaudited) $'000
ASSETS			
Non-current assets			
Goodwill		49,080	49,080
Intangible assets		24,930	27,654
Property, plant and equipment		2,453	2,014
Other receivables		100	250
Deferred tax asset		10,332	8,498
		86,895	87,496
Current assets			
Trade receivables		35,693	24,147
Other receivables		8,219	3,515
Cash and cash equivalents		69,403	41,627
		113,315	69,289
Total assets		**200,210**	**156,785**
LIABILITIES			
Current liabilities			
Trade and other payables		(39,180)	(25,762)
Non-current liabilities			
Deferred tax liability		-	(1,732)
Other payables		(560)	(453)
Total liabilities		**(39,740)**	**(27,947)**
Net assets		**160,470**	**128,838**
Shareholders' equity			
Share capital	5	6,949	6,845
Share premium account	5	105,273	101,809
Shares to be issued	6	723	750
Stock compensation reserve		15,060	12,880
Currency translation reserve		(7,820)	(7,536)
Merger reserve		33,089	33,089
Retained earnings (deficit)		7,196	(18,999)
Total equity		**160,470**	**128,838**

BLINKX PLC
CONDENDSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
For the six months to 30 September 2013
(in thousands)

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from operations	10,681	1,966
Adjustments for:		
Depreciation and amortization	4,704	4,206
Share based payments	1,085	942
Non-cash acquisition and exceptional costs	-	505
Foreign exchange gain	1,419	11
Operating cash flows before movements in working capital	**17,889**	**7,630**
Changes in operating assets and liabilities:		
Increase in trade and other receivables	(6,348)	(1,743)
Increase in trade and other payables	5,248	375
Net cash generated by operations	**16,789**	**6,262**
Income taxes paid	(2,020)	(1,555)
Net cash generated by operating activities	**14,769**	**4,707**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest received	102	10
Purchase of property, plant and equipment	(786)	(288)
Capitalised internal development costs	(1,275)	(1,660)
Acquisitions, net	(3,042)	-
Net cash used by investment activities	**(5,001)**	**(1,938)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on finance lease	(56)	(99)
Proceeds from issuance of shares	3,370	261
Net cash generated by financing activities	**3,314**	**162**
Net increase / (decrease) in cash and cash equivalents	13,082	2,931
Beginning cash and cash equivalents	55,861	38,406
Effect of foreign exchange on cash and cash equivalents	460	290
Ending cash and cash equivalents	**69,403**	**41,627**

BLINKX PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six months to 30 September 2013
(in thousands)

	Share Capital	Share Premium account	Shares to be issued	Stock compensation reserve	Currency Translation reserve	Merger reserve	Retained earnings	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Balance as at 1 April 2012	6,837	101,552	754	11,938	(7,837)	33,089	(21,715)	124,618
Issue of shares	8	257	(4)	-	-	-	-	261
Current period profit	-	-	-	-	-	-	2,716	2,716
Exchange differences on translation	-	-	-	-	301	-	-	301
Share based payments	-	-	-	942	-	-	-	942
Balance as at 30 September 2012	6,845	101,809	750	12,880	-7,536	33,089	-18,999	128,838

	Share Capital	Share Premium account	Shares to be issued	Stock Compensation reserve	Currency Translation reserve	Merger reserve	Retained earnings	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Balance as at 1 April 2013	6,850	101,975	750	13,975	(9,293)	33,089	(2,355)	144,991
Issue of shares	99	3,298	(27)	-	-	-	-	3,370
Current period profit	-	-	-	-	-	-	7,814	7,814
Exchange differences on translation	-	-	-	- #	1,473	-	-	1,473
Share based payments	-	-	-	1,085	-	-	1,737	2,822
Balance as at 30 September 2013	6,949	105,273	723	15,060	(7,820)	33,089	7,196	160,470

BLINKX PLC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of preparation

The condensed interim financial statements have been prepared using accounting policies and methods of computation consistent with those used in the audited statutory financial statements for the year ended 31 March 2013 and International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union. While the financial information included in this interim announcement has been compiled in accordance with the recognition and measurement principles of IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs. These interim financial statements do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Statutory financial statements for the year ended 31 March 2013 are available on blinkx plc's (the "Group's") website www.blinkx.com and have been filed with the Registrar of Companies. The Group's auditor issued a report on those financial statements that was unqualified, did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006 and did not draw attention to any matters by way of emphasis.

The information for the six month period ended 30 September 2013 is unaudited, but reflects all normal adjustments which are, in the opinion of management, necessary to provide a fair statement of results and the Group's financial position for and as at the period presented. The results of operations for the period ended 30 September 2013 are not necessarily indicative of the operating results for future operating periods.

The directors have considered the financial resources of the Group and the risks associated with doing business in the current economic climate and believe the Group is well placed to manage these risks successfully. The directors have reviewed management's business plan setting out key business assumptions and considered it to be reasonable and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future being a period of no less that 12 months from the date of signing of this interim report. Accordingly, they continue to adopt the going concern basis in preparing this interim announcement.

2. Share-based payments

Included within operating expenses are the following amounts in respect of share based payments:

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)
	$'000	$'000
Sales and marketing	575	566
Research and development	266	247
Administrative expenses	244	129
	1,085	**942**

3. Taxation

Tax for the period is charged at a composite tax rate of 27.5 percent (half year to 30 September 2012: credited at 9.4 percent), representing the best estimate of the average annual effective income tax rate expected for the full year plus the effect of discrete items recognized in the period.

4. Earnings per share

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

	Six months to 30 September 2013 (unaudited)	Six months to 30 September 2012 (unaudited)
	$000	$000
Earnings		
Adjusted* profit (used in calculation of basic and diluted loss per share)	12,201	8,100
Profit (used in calculation of basic and diluted loss per share)	7,814	2,716
	Number	**Number**
Number of shares		
Weighted average number of shares for the basic earnings per share	366,059,493	361,728,496
Weighted average number of shares for the diluted earnings per share	370,986,946	368,280,824

**Adjusted for acquisition and exceptional charges of $1.7m (2012:$3.2m), amortization of purchased intangibles of $2.7m (2012: $2.6m) and other income of nil (2012:$0.5m)*

5. Share capital

The increase of shares in the period relates to the issuance of 12,417 shares to the shareholders of Burst Media Corporation and 6,690,570 shares on the exercise of employee share options.

6. Shares to be issued

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

7. Acquisition of trade and certain assets

On 5 August 2013 blinkx entered into an all cash transaction with Grab Network Holdings, Inc., to acquire its Grab Media assets. Grab Media is a leading online video content syndication and advertising platform. The trade and certain assets acquired by blinkx in the transaction will enable the company to add incremental audience and augment its relationships with advertisers, publishers and content providers.

8. Acquisition and exceptional costs

Acquisition and exceptional costs of $1.7 million have been separately identified on the face of the income statement. These acquisition related charges included professional services, post-acquisition remuneration and restructuring charges related to legacy Grab publisher contracts (2012: $3.2 million included post acquisition remuneration, one time write down of a prepaid distribution charge, onerous facility, severance and professional services).

9. Standardization 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 $1.9 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.

10. 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 as reported in the Statutory financial statements for the year ended 31 March 2013. There were no other related party transactions in either the current year or prior year.

INDEPENDENT REVIEW REPORT TO BLINKX PLC

We have been engaged by the company to review the interim set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 that comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The interim set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility
Our responsibility is to express to the company a conclusion on the interim set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
5 November 2013