blinkx plc

Annual Report and Financial Statements for the Period Ended 31 March 2008

Table of Contents

CEO's Report

Dear Investor,

I am proud of our achievements in our first year as a public company. Following a successful IPO on the AIM market of the London Stock Exchange ("AIM"), we cemented our position as a global leader in Online Television and Video. We achieved substantial growth in our content partner base and search volume over the period, and successfully launched several strategic new products.

Broadband proliferation has driven dramatic growth in the online television and video audience – traffic to video-sharing sites doubled in 2007 (Pew Internet, 9 January 2008), and in December 2007 more than 75% of U.S. Internet users watched online video (comScore, 17 January 2008). These videos are located far and wide across the fragmented, poorly organized landscape of the Internet. Using our patented, industry leading technology, our mission is to deliver the most effective means of navigating this universe, and we are very proud that every day, across the world, millions of people are using blinkx.

blinkx completed a three-times over-subscribed IPO on the AIM in May 2007 that raised $50.4 million in gross proceeds. Operational and technological results for the period since have consistently met or exceeded expectations. Fiscal Year 2008 achievements include:

Highlights:

- Financial results: revenues and results for period ending March 2008 from operations in line with analyst expectations
- Company ahead of plan in move towards profitability
- Content hours more than tripled since IPO, from 7 million to 26 million
- Daily Video Search run rate of over 5,000,000 per day in March 2008
- 56.1 million unique visitors and 584 million page views through the blinkx network in March 2008 (source: comScore)
- 175% growth in content partner base to over 350 media organizations, including BBC iPlayer, CBS, Channel 5, The Guardian and The Weather Channel
- Addition of top-tier syndication partners, including Ask.com, Real Networks, and Infospace
- Introduction of four new strategic technology offerings: blinkx BBTV, blinkx Beat, blinkx AdHoc, Native language search
- Successful execution of campaigns for leading advertising agencies including OMD, MediaCom, Universal McCann and Initiative Media.
- Collaboration with media futures unit of Publicis Groupe, S.A. on higher performance video based advertising format
- Key hires in Sales and R&D to drive growth

This year, blinkx continued a tradition of building and delivering disruptive, first-to-market technology. We expanded our product portfolio aggressively, with specific highlights including the launch of blinkx AdHoc in June 2007, and blinkx Broadband Television (BBTV) in April 2008.

blinkx BBTV is a significant advance in online television that leverages 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, adding dimension and context to the viewer's experience. With hybrid peer-to-peer streaming and a simple, point-and-click channel interface, blinkx BBTV delivers a new kind of online television: full-screen, TV-quality and truly immersed in the Internet.

blinkx AdHoc is the world's first contextually relevant video advertising platform optimized for the flourishing online video advertising market, which is predicted to reach $7.2 billion by 2012 (Forrester Research). Just as Google's AdSense transformed advertising on the Text Web, blinkx's AdHoc platform revolutionizes video advertising by matching compelling, customized, TV-style ads to relevant content on the Video Web. AdHoc leverages patented speech-to-text transcription and visual analysis technology to understand video content more thoroughly and effectively than any other service today, and can therefore dynamically place the most pertinent advertising against it. blinkx's AdHoc platform offers content partners and advertisers a unique value proposition - video advertising which combines the emotive power of TV promotion, with the relevance and utility of contextual search advertising.

In addition, blinkx announced the availability of blinkx beat, an innovative desktop application that allows users to stay up-to-date on the latest sports, entertainment and breaking news videos from around the Web, without ever having to search or open up a Web browser. blinkx beat enables users to create personalized news channels and custom video walls to watch regularly updated videos about topics of their choice.

Our technology continued to garner awards and recognition from experts during the period. Accolades included:

- Time Magazine's "50 Best Websites" of 2007
- The Observer's "Top 10 in Science and Innovation"
- Business 2.0's "Disruptors: Companies that Will Change the World"
- Business XL Magazine's "Rising Star of the Year"
- ContentAgenda's "ContentAgenda Setters" of 2007

Since our IPO in May 2007, strong demand for the unique, patented search functionality we offer has established blinkx as the gold standard in video search, and blinkx now powers many of the most popular sites and portals on the Internet. High-profile new syndication customers included Ask.com, RealNetworks and InfoSpace. Through these strategic partnerships and increased consumer visibility, visit share increased 625% from March 2007 to March 2008 (Hitwise), and the number of unique visitors reached a record 56.1 million in March 2008 (comScore).

blinkx's content platform also attracted tremendous interest from media companies, and its roster of top-quality content providers has grown to over 350, including programming from premier media companies and broadcasters, such as the BBC iPlayer, CBS, Channel 5, The Guardian and The Weather Channel.

In addition, blinkx increased its pan-European online television and video reach with the addition of native language search and content partnerships with premier broadcasters such as DeutscheWelle, EuroNews and France 24.

During the period, blinkx expanded headcount and extended its bases of operation to include New York, Chicago and Los Angeles, bringing on board key strategic hires to support new engineering initiatives and drive sales. We continue to attract top engineers and specialists in content acquisition, distribution and online video advertising with proven track records of success, and who have a wealth of contacts in the media industry. Our total headcount is now 52, with a 76% growth in the sales and marketing team.

blinkx is a catalytic force for online television and video. Our technological leadership in online TV and video places us at the heart of the most exciting and fast-growing segments of the Internet industry. We are confident that the progress of our business model, combined with our unique technology, has positioned us for further success in 2008/9.

Suranga Chandratillake
CEO and Founder
blinkx
15 August 2008

Board of Directors

The Directors of blinkx are as follows

Name	Age	Position
Anthony Bettencourt	47	Non-executive Chairman
Suranga Chandratillake	30	Chief Executive Officer
Dr Michael Lynch	43	Non-executive Director
Mark Opzoomer	51	Non-executive Director

Anthony Bettencourt, Non-executive Chairman

Anthony Bettencourt is currently serving as the Chief Executive Officer of Autonomy ZANTAZ in San Francisco, CA. Previously, Anthony was Chief Executive of Verity, Inc., where he was responsible for driving business growth from $15 million in annual revenues to more than $140 million between 1995 to 2006. A veteran of the enterprise search market, Anthony led the team that set the strategic direction and execution characteristics of Verity, resulting in the Company being acquired for more than $500 million at the end of 2005. In 2005, Anthony 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 Valley's well known Tech Awards, is a mentor for Santa Clara University's Global Social Benefit Incubator Program, and is an honorary committee member of The Silicon Valley Challenge Summit. He serves on the Board of Directors of Avolent as well as on the Board of Directors of the non-profit Alameda County Meals on Wheels. Anthony attended Santa Clara University.

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 blinkx 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 MIT's Emerging Technologies Conference, DLD Conference and Monaco Media Forum. Suranga was recognized as one of the top 10 leaders in Science and Innovation by The Observer's Future 500 list, and was also named the DEMOgod Winner of DEMO Conference 2007.

Dr Michael Lynch, Non-executive Director

Dr. Mike Lynch, OBE, is CEO of Autonomy. He founded the Company in 1996 and rapidly established its 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 and last year Autonomy posted record revenues and profits in what has been 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 was appointed CEO of Rambler Media in March 2007. He has extensive knowledge of internet, communications and media markets in many different countries and has provided Rambler Media's Board with direct experience of these industries since 2005. Mark has had 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, blinkx plc and Bond Capital Partners Limited. Mark was a director of Autonomy Corporation plc 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 period ended 31 March 2008.

Principal activity

The principal activity of the Group comprises the provision of video search services on the internet.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the period are listed in note 27 to the financial statements.

Review of Developments and 2008 results

Results of the Group are set out below, beginning on page 15. Revenue for the period was $6.5 million and net loss was $16.1m ($4.6m prior to demerger and IPO costs). 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**	
Revenue	$6.5m	Headcount at 31 March	52
Gross margin %	75%	Peak no. of daily searches	over 5 million
Net loss	$16.1m	Hours of video indexed	over 26 million
Net loss before demerger & IPO costs	$4.6m		
Cash and cash equivalents	$39.4m		
R&D spend	$3.2m		

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 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 8 of the Directors' Report.

Dividends

The Directors do not recommend the payment of a dividend. 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 Company's invested funds by limiting default and market risks by investing with high rated financial institutions. The Company's investment portfolio is comprised entirely of cash and cash equivalents. Cash and cash equivalents have a fixed interest rate. The Company 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 period 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.

Future Developments

The Company's stated objective is to establish the Company and its technology as the leader in the search, discovery, monetization and distribution of online television and video. To achieve this goal the Company 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 during the period to 31 March 2008, and their beneficial interests in the ordinary shares of the Company at the start and end of the period, were as follows:

	23 April 2007 or date of appointment Number shares	31 March 2008 Number shares
Stephen Chamberlain (appointed 23 April 2007, resigned 9 May 2007)	-	-
Sarah Ambrose (appointed 23 April 2007, resigned 9 May 2007)	-	-
Anthony Bettencourt (appointed 9 May 2007)	-	50,000
Michael Lynch (appointed 9 May 2007)	-	24,002,712
Mark Opzoomer (appointed 9 May 2007)	-	175,000
Suranga Chandratillake (appointed 9 May 2007)	-	-

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

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

	On 23 April 2007	Granted	Exercised	At 31 March 2008
Suranga Chandratillake	-	4,670,094	1,167,523	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. Mark Opzoomer 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 12.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period 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 2008 were equivalent to 39 days' purchases.

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 Company;

- 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 Company are an integral part of the internal control environment.

Substantial shareholdings

On 15 August 2008, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	Shares Number	%
F&C Asset Management	30,617,249	11.0%
Autonomy	27,510,046	9.9%
William Blair & Co	26,379,801	9.5%
Michael Lynch	24,002,712	8.6%
HBOS plc	20,415,235	7.3%
JP Morgan Asset Management (UK) Limited	16,639,377	6.0%
FMR LLC	13,847,566	5.0%
Fidelity International Ltd	10,556,230	3.8%

Charitable and political donations

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

Directors' remuneration

The total amount for Directors' remuneration was as follows:

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

Remuneration for the highest paid Director was as follows:

	2008 $
Emoluments	201,250

In addition the highest paid Director received 4,670,094 share options in the period and exercised 1,167,523. He is the only Director to exercise share options in the 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 Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The Annual General Meeting will be held at the Company's offices in Cambridge, UK on 23 September at 9:30AM at BST. The Company will convey the results of proxy votes cast at the Annual General Meeting, and the results of the meeting will be announced through the regulatory news services. Notice of the Annual General Meeting is set out in the circular to shareholders accompanying this annual report. The Company is committed to the policy of one share one vote. Deloitte & Touche LLP, the Company's auditors, have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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
15 August 2008

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 attempts to support the Code and complies in some areas where it considers 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 2008 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 Company 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 Company's web site, www.blinkx.com, which contains a comprehensive Investor Relations section.

Statement of Directors' Responsabilities

The Directors are responsible for preparing the Annual Report, the Remuneration Committee 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 period from 23 April 2007 to 31 March 2008 which comprise the Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent 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.

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, the Directors' Remuneration 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 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 give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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. 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 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.

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 2008 and of its loss for the period from 23 April 2007 to 31 March 2008;
- 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, of the state of the parent Company's affairs as at 31 March 2008;
- the financial statements 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.

Separate opinion in relation to IFRSs

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 March 2008 and of its loss for the period from 23 April 2007 to 31 March 2008.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom
21 August 2008

Consolidated Income Statement
Period ended 31 March 2008

	Note	Period from 23 April 2007 (incorporation) to 31March 2008 $'000
Revenue: continuing operations	5	6,545
Cost of revenue		(1,642)
Gross profit		4,903
Operating expenses		
Research and development		3,171
Sales and marketing		7,273
Administrative expenses		1,300
Loss from operations before demerger / IPO costs*		(6,841)
Demerger / IPO costs		11,455
Loss from operations		(18,296)
Investment revenues	9	1,983
Loss before taxation		(16,313)
Tax	10	250
Loss for the period attributable to equity holders of the parent before demerger / IPO costs *		(4,608)
Loss for the period attributable to equity holders of the parent	6	(16,063)
Loss per share (cents)		**Cents**
Basic and diluted	11	(6.30)
Adjusted*		(1.81)

*Excludes demerger / IPO costs of $11.455 million

Consolidated Balance Sheet
At 31 March 2008

	Note	As at 31 March 2008 $'000
ASSETS		
Non-current assets		
Intangibles	12	5
Property, plant and equipment	13	447
		452
Current assets		
Trade receivables	15	1,816
Other receivables		1,585
Cash and cash equivalents	15	39,436
		42,837
Total assets		43,289
Current liabilities		
Trade and other payables	17	(2,022)
Total liabilities		(2,022)
Net assets		41,267
Shareholders' equity		
Share capital	18	5,483
Share premium account	19	49,126
Stock compensation reserve		6,429
Currency translation reserve		516
Merger reserve		(4,323)
Retained earnings		(15,964)
Total Equity		41,267

The financial statements were approved by the Board of Directors and authorised for issue on 15 August 2008. They were signed on its behalf by:

Suranga Chandratillake
Founder and Chief Executive Officer

Consolidated Statement of Changes in Equity
Period Ended 31 March 2008

	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	-	-	-	-	-
Issue of shares	5,483	100	49,126	-	54,709
Capital contribution	-	-	-	-	-
Shares redeemed	-	(100)	-	-	(100)
Current period losses	-	-	-	-	-
Exchange differences on translation	-	-	-	-	-
Share based payments	-	-	-	6,429	6,429
Balance as at 31 March 2008	5,483	-	49,126	6,429	61,038

	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 31 March 2008	61,038	516	(4,323)	(15,964)	41,267

Consolidated Cash Flow For the Period Ended 31 March 2008

	Note	Period from 23 April 2007 (incorporation) to 31 March 2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from on-going operation *		**(6,841)**
Demerger & float costs		(11,455)
Loss from operations		(18,296)
Adjustments for:		
Depreciation and amortisation		263
Share based compensation		6,501
Foreign exchange gains		(123)
Operating cash flows before movements in working capital		(11,655)
Changes in operating assets and liabilities:		
Increase in trade and other receivables		(3,155)
Increase in trade and other payables		2,022
Net cash used in operating activities		(12,788)
Non recurring share based compensation		(5,085)
Demerger / IPO costs		11,455
Net cash used by on-going operating activities*		**(6,418)**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest received		1,983
Purchase of property, plant and equipment		(715)
Net cash generated by investment activities		1,268
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares		50,384
Net cash generated by financing activities		50,384
Net increase in cash and cash equivalents		38,864
Beginning cash and cash equivalents		-
Effect of foreign exchange on cash and cash equivalents		572
Ending cash and cash equivalents	20	39,436

* Excludes demerger / IPO costs of $11.455 million

Notes to the Consolidated Financial Statements Period Ended 31 March 2008

1. General information

blinkx plc is a Company incorporated in the United Kingdom 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 6.

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

In the current period, the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital. Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 10 Interim Financial Reporting and Impairment; and IFRIC 11, IFRS 2 – Group and Treasury Share Transactions. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 23	(Revised) Borrowing costs
IFRS 8	Operating segments
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes; and
IFRIC 14	IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRS 3	Business Combinations (Revised)
IAS 27	Consolidate and Separate Financial Statements

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 except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

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.

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.

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 recognized 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 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.

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 overseas 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are denominated as assets and liabilities of the foreign entity and translated at the closing rate.

F) TAXATION

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

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

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

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

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

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

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

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

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, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and computer equipment	Over 3–5 years

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

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

J) IMPAIRMENT OF TANGIBLE AND INTANGIBLE 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/PROFIT FROM OPERATIONS

Loss/profit from operations are stated before investment income and finance costs.

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 JUDGEMENTS 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'.

DEBTOR PROVISIONING

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

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'

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 valuation of its investment in its subsidiary undertaking, blinkx UK Limited, is based on the fair value at the time of IPO.

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 period

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

	2008 **$'000**
Net exchange gains	(123)
Research & development costs	3,171
Depreciation of plant & equipment	263
Amortisation of intangibles	2
Staff costs	4,774
Demerger & IPO costs	11,455
Auditors' remuneration for audit services	107

7. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2008 $'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	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	16
Total audit fees	107
Other services pursuant to legislation	63
Tax services	35
Services in connection with demerger & IPO	604
Total non audit fees	702

8. Staff costs

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

	2008 Number
Sales & marketing	22
Technical	17
Administration & operations	4
Total	43

	2008 $'000
Wages & salaries	4,390
Social security costs	368
Other pension costs	17
	4,775

9. Investment revenue

	2008 $'000
Interest on cash and cash equivalents	1,983

10. Tax

	2008 $'000
Current tax credit	250

Corporation tax is calculated at 30% of the estimated assessable loss for the period.

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:

	2008 $'000	%
Loss before tax	(16,313)	
Tax at UK corporation tax rate of 30%	(4,894)	(30.0)%
Tax effect of expenses not deductible in determining taxable loss	1,646	10.1%
Unutilised tax losses	2,998	18.4%
Tax credit and effective tax rate for the period	(250)	(1.5)%

11. Earnings 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 profit per share or increase the net loss per share. The calculation is based on information in the table shown below:

	2008 $'000
Earnings	
Loss for the period (used for calculation of basic and diluted earning per share)	(16,063)
Loss for the period excluding demerger / IPO costs of $11,455k (used for calculation of adjusted earnings per share)	(4,608)
Number of shares	
Weighted average number of shares since 23 April 2007 for the purpose of basic and diluted earnings per share	254,952,682

12. Other intangible assets

	Software licences $'000
Cost	
At 23 April 2007	-
Additions	7
As at 31 March 2008	7
Amortisation	
At 23 April 2007	-
Amortisation	(2)
As at 31 March 2008	(2)
Net book value	
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
As at 31 March 2008	3	705	708
Depreciation			
At 23 April 2007	-	-	-
Depreciation	(1)	(260)	(261)
As at 31 March 2008	(1)	(260)	(261)
Net book value			
As at 31 March 2008	2	445	447

$366,000 of the computer additions relates to assets acquired at the time of the demerger from Autonomy.

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

	2008 $'000
Trade receivables	2,162
Allowance for doubtful debts	(346)
Net trade receivables	1,816
Other receivables	1,585

The average credit period taken on sales of goods is 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 $269,000 which are past due between 0-90 days and $435,000 in excess of 90 days. The remaining balance of $1,458,000 is not yet due. The Group's allowance for doubtful debt amounts to $346,000, which equates to the charge made for the period. 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 three months 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. Trade receivables and other assets relate to less than 10% of other financial assets. 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 period. At the balance sheet date there is an unrecognised deferred tax asset relating to tax losses (and accelerated capital allowances) of $2.0.m. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

17. Other financial liabilities

TRADE AND OTHER PAYABLES

	2008 $'000
Trade payables	703
Deferred revenue	265
Other payables	1,054
	2,022

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

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

18. Share capital

	2008 $'000
Authorised	
500,000,000 ordinary shares of £0.01 shares each	9,864
Issued	
277,920,622 ordinary shares of £0.01 each	5,483

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

Major movements in share capital in the period include the issuance of 277,470,635 ordinary shares in relation to the demerger from Autonomy Corporation plc and equity financing in May 2007. In addition as part of the demerger process one redeemable share was issued in April 2007 which was subsequently redeemed in May 2007 prior to the demerger. Other issuances of shares 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

20. Cash flow statement

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:

	2008
	$'000
Sales and marketing	2,488
Research & development	3,567
Administrative expenses	593
	6,648

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

On the demerger from Autonomy 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 2008 relating to the blinkx EMI scheme and the blinkx US plan. All option exercise prices are quoted in sterling.

	Number	**Weighted average exercise price (£)**
Outstanding at beginning of period	-	
Granted during the period	12,292,908	0.02
Exercised during the period	(2,162,353)	0.01
Lapsed during the period	(198,722)	0.04
Outstanding at end of period	9,931,833	0.02
Exercisable at end of period	7,138,524	0.02

The weighted average share price at the date of exercise for share options exercised during the period was £0.47. The options outstanding at 31 March 2008 had a weighted average exercise price of £0.02 and were exercised in the range of £0.32 and £0.64. The weighted average remaining contractual life of the options was 9 years.

DATE OF OPTION GRANTS

The following table summarises options outstanding at 31 March 2008 in relation to the Autonomy Discretionary Share Scheme and Autonomy US Plan options

	Number	Weighted average exercise price (£)
Outstanding at beginning of period	-	
Granted during the period	4,150,488	0.45
Exercised during the period	-	-
Lapsed during the period	292,628	0.45
Outstanding at end of period	4,443,116	0.45
Exercisable at end of period	2,162,353	0.45

No options were exercised during the period. The weighted average remaining contractual life of the options is 9 years.

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

Date of grant	Shares Number	Fair value of option £
blinkx EMI and US Plan		
21 May 2007	11,727,908	0.45
21 May 2007	120,000	0.45
15 August 2007	95,000	0.385
15 December 2007	265,000	0.215
31 January 2008	85,000	0.2025
Autonomy Discretionary scheme & US Plan		
21 May 2007	4,150,488	0.45

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

	2008
Weighted average share price	44p
Weighted average exercise price	2p
Expected volatility	40-77%
Expected life	3-4 years
Risk-free rate	3.5%
Expected dividend	-

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

22. Other share-based payment plans

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.

The Company 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. Should the adviser cease providing services no further options will vest from that date. The fair value at the date of grant was measure 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 maximising the return to stakeholders 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 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

	2008 $'000
Financial assets	
Cash & cash equivalents	39,436
Amounts due from customers	2,162
Financial liabilities	
Trade payables	(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. This is managed through careful monitoring and control of the Group's foreign currency balances.

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

	Liabilities 2008 $'000	**Assets 2008 $'000**
US Dollar	60	6,357

FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency of the entity against the relevant foreign currencies. 10% is the sensitivity rate 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 period end for a 10% change 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 indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency. For a 10% 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.

	2008 $'000
Profit or loss	
cash and cash equivalents	564
amounts due from customers	70
trade payables	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. Trade receivables and other assets relate to less than 10% of other financial assets. Further details on trade receivables is provided in note 15. Other than noted here the Group has no other significant concentration of credit risk.

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 and banking facilities and constantly monitoring forecast and actual cash flows. All of the Group's and Company's trade payables are due within 3 months.

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 9.

Company Balance Sheet
As At 31 March 2008

	Note	As at 31 March 2008 £'000
ASSETS		
Non-current assets		
Investment in subsidiary	27	98,624
		98,624
Current assets		
Trade receivables		-
Other receivables		3,799
Cash and cash equivalents		19,082
		22,881
Total assets		121,505
Current liabilities		
Trade and other payables		(100)
		(100)
Net assets		121,405
Capital and reserves		
Share capital	31	2,779
Share premium	32	24,902
Merger reserve		96,432
Retained earnings	33	(2,708)
Total Equity		121,405

The financial statements were approved by the Board of Directors and authorised for issue on 15 August 2008. They were signed on its behalf by:

Suranga Chandratillake
Founder and Chief Executive Officer

Company Statement of Changes in Equity
Period Ended 31 March 2008

	Ordinary share capital £'000	Redeemable share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	£'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 31 March 2008	2,779	-	24,902	96,432	(2,708)	121,405

Company Cash Flow Statement
Period ended 31 March 2008

	Note	Period from 23 April 2007 (incorporation) to 31 March 2008 £'000
Net cash used in operating activities	34	(7,427)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest received		970
Net cash generated by investing activities		970
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of issuance costs		25,539
Net cash generated by financing activities		**25,539**
Net increase in cash and cash equivalents		19,082
Beginning cash and cash equivalents		-
Ending cash and cash equivalents		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. 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 loss for the financial period amounted to £2,758,000.

27. Subsidiaries

Details of the Company's subsidiaries at 31 March 2008 are as follows:

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

The investments in subsidiaries are all stated at cost.

28. Financial assets

LOANS FROM OTHER GROUP ENTITIES

At the balance sheet date amounts receivable from the fellow Group companies of £3.7million. 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 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 period. At the balance sheet date there is a recognised deferred tax asset relating to tax losses of £62,000. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

31. Share capital

	2008
	£'000
Authorised	
500,000,000 ordinary shares of £0.01 shares each	5,000
Issued	
277,920,622 ordinary shares of £0.01 each	2,779

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

Major movements in share capital in the period include the issuance of 277,470,635 ordinary shares in relation to the demerger from Autonomy Corporation plc and equity financing in May 2007. In addition as part of the demerger process one redeemable share was issued in April 2007 which was subsequently redeemed in May 2007 prior to the demerger. Other issuances of shares relate to the exercise of employee share options.

32. Share premium account

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

33. Retained earnings

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

The capital contribution was made as part of the demerger process.

34. Notes to the cash flow statement

	Period from 23 April (incorporation) to 31 March 2008 £'000
CASH FLOW FROM OPERATING ACTIVITIES	
Loss from operations	(3,728)
Operating cash flow before movements in working capital	(3,728)
Increase in inter-company balances	(3,747)
Increase in receivables	(52)
Increase in payables	100
Cash used by operations	(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

	2008 £'000
Financial assets	
Cash & cash equivalents	19,082
Inter-Company balances	3,747
Financial Liabilities	
Trade payables	(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:

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

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to movements in US dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the functional currency of the entity against the relevant foreign currencies. 10% is the sensitivity rate 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 period end for a 10% change 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 indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency. For a 10% 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.

	2008 £'000
Profit or loss	
cash and cash equivalents	563
trade payables	1
Inter Company loans	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 £3.75 million.

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: web.queries@computershare.co.uk

Stock Exchanges

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

Shareholder Communications

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

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

Corporate Legal Advisors	**Registrars**	**Registered Office**
Hellen Ehrman (Europe) LLP Condor House 10 St. Paul's Churchyard London EC4M 8AL	Computershare The Pavilions Bridgewater Road Bristol BS99 6ZY	Cambridge Business Park Cowley Road Cambridge CB4 0WZ Registered in England 6223359