

Unaudited Condensed Consolidated Interim Financial Statements of

**DataWind Inc.**

Three and Nine month periods ended December 31, 2015 and 2014  
(in thousands of Canadian dollars)

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# DataWind Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015 and March 31, 2015

(in thousands of Canadian dollars except per share data and except where indicated)

(Unaudited)

<b>ASSETS</b>	<b>Note</b>	<b>December 2015</b>	<b>March 2015</b>
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 4,193	\$ 10,698
Trade and other receivables	6	27,707	14,087
Inventories		10,332	7,163
		42,232	31,948
<b>Non-current assets</b>			
Property and equipment	7	251	156
<b>Total Assets</b>		<b>\$ 42,483</b>	<b>\$ 32,104</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 18,275	\$ 10,671
Loans and borrowings	8, 9	13,208	7,273
<b>Total Liabilities</b>		<b>31,483</b>	<b>17,944</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	52,276	52,168
Contributed surplus		3,463	3,339
Accumulated other comprehensive income(loss)		(22)	(332)
Deficit		(44,717)	(41,015)
<b>Total Shareholders' Equity</b>		<b>11,000</b>	<b>14,160</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 42,483</b>	<b>\$ 32,104</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# DataWind Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Three and nine month periods ended December 31, 2015 and 2014

(in thousands of Canadian dollars except per share data and except where indicated)

(Unaudited)

	Note	Three Months Ended December 31,		Nine Months Ended December 31,	
		2015	2014	2015	2014
Revenue	17	\$ 15,501	\$ 8,541	\$ 41,913	\$ 20,718
Cost of goods sold		10,949	7,021	30,402	17,367
Gross profit		4,552	1,520	11,511	3,351
<b>Operating expenses:</b>					
Research and development	11	385	557	1,138	1,380
Administration cost	12	4,086	3,169	10,749	7,165
IPO transaction costs		-	(156)	-	1,902
Foreign exchange loss/(gain)		(269)	(101)	709	(226)
<b>Total operating expenses</b>		<b>4,202</b>	<b>3,469</b>	<b>12,596</b>	<b>10,221</b>
Operating profit/ (loss)		350	(1,949)	(1,085)	(6,870)
Finance and other income	13	-	36	21	72
Finance expense	13	(859)	(99)	(2,638)	(124)
<b>Loss before income taxes</b>		<b>(509)</b>	<b>(2,012)</b>	<b>(3,702)</b>	<b>(6,922)</b>
Tax expense		-	-	-	-
<b>Net loss</b>		<b>(509)</b>	<b>(2,012)</b>	<b>(3,702)</b>	<b>(6,922)</b>
Other comprehensive income:					
Unrealized foreign exchange translation gain /(loss)		(102)	(19)	310	66
Net comprehensive loss for the period		\$ (611)	\$ (2,031)	\$ (3,392)	\$ (6,856)
Net loss per share					
Basic	19	(\$ 0.02)	(\$ 0.09)	(\$ 0.17)	(\$ 0.35)
Weighted Average number of shares outstanding		22,089,099	21,989,961	22,068,153	19,650,580

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# DataWind Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

Nine month periods ended December 31, 2015 and December 31, 2014

(in thousands of Canadian dollars except per share data and except where indicated)

(Unaudited)

	Note	Number of Shares ('000s)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income(loss)	Deficit	Total Shareholders' Equity / (Deficiency)
<b>Balance at March 31, 2015</b>		<b>22,057</b>	<b>\$52,168</b>	<b>\$3,339</b>	<b>\$(332)</b>	<b>\$(41,015)</b>	<b>\$ 14,160</b>
Share issuance		54	108	-	-	-	108
Stock based compensation	10	-	-	124	-	-	124
Net loss		-	-	-	-	(3,702)	(3,702)
Foreign currency translation		-	-	-	310	-	310
<b>Balance at December 31, 2015</b>		<b>22,111</b>	<b>\$52,276</b>	<b>\$ 3,463</b>	<b>\$(22)</b>	<b>\$(44,717)</b>	<b>\$ 11,000</b>
<b>Balance at March 31, 2014 (10:1) Consolidation</b>		<b>15,432</b>	<b>\$25,294</b>	<b>\$ 2,149</b>	<b>\$(715)</b>	<b>\$(29,418)</b>	<b>\$ (2,690)</b>
Share issuance		6,316	25,837	-	-	-	25,837
Special warrants		234	896	679	-	-	1,575
Warrants exercised		75	141				141
Stock based compensation	10	-	-	422	-	-	422
Net loss		-	-	-	-	(6,922)	(6,922)
Foreign currency translation		-	-	-	66	-	66
<b>Balance at December 31, 2014</b>		<b>22,057</b>	<b>\$52,168</b>	<b>\$3,250</b>	<b>\$(649)</b>	<b>\$(36,340)</b>	<b>\$ 18,429</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# DataWind Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Three and Nine month periods ended December 31, 2015 and December 31, 2014

(in thousands of Canadian dollars except per share data and except where indicated)

(Unaudited)

	Note	Three-month period ended		Nine-month period ended	
		December 31		December 31	
		2015	2014	2015	2014
<b>Cash flows from operating activities</b>					
Net loss for the period		<b>\$ (509)</b>	<b>\$ (2,012)</b>	<b>\$ (3,702)</b>	<b>\$ (6,922)</b>
Non-cash items:					
Depreciation of property and equipment	7	<b>25</b>	<b>13</b>	<b>62</b>	<b>34</b>
Finance expenses	13	<b>859</b>	<b>99</b>	<b>2,638</b>	<b>124</b>
Stock based compensation	10	<b>59</b>	<b>63</b>	<b>124</b>	<b>422</b>
<b>Changes in non-cash working capital items</b>		<b>434</b>	<b>(1,837)</b>	<b>(878)</b>	<b>(6,342)</b>
Trade and other receivables		<b>(6,169)</b>	<b>(2,178)</b>	<b>(13,620)</b>	<b>(6,505)</b>
Inventories		<b>(2,765)</b>	<b>(3,771)</b>	<b>(3,169)</b>	<b>(5,939)</b>
Accounts payable and accrued liabilities		<b>5,582</b>	<b>(3,393)</b>	<b>7,604</b>	<b>1,006</b>
Net cash used in operating activities		<b>(2,918)</b>	<b>(11,179)</b>	<b>(10,063)</b>	<b>(17,780)</b>
<b>Cash flows from investing activities</b>					
Addition of property and equipment during the period	7	<b>(16)</b>	<b>(6)</b>	<b>(138)</b>	<b>(67)</b>
Net cash used in investing activities		<b>(16)</b>	<b>(6)</b>	<b>(138)</b>	<b>(67)</b>
<b>Cash flows from financing activities</b>					
Issuance of common shares		<b>108</b>	<b>-</b>	<b>108</b>	<b>30,001</b>
Share issue cost		<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,490)</b>
Issuance of special warrants		<b>-</b>	<b>141</b>	<b>-</b>	<b>1,037</b>
Loan received during the period	9	<b>618</b>	<b>5,892</b>	<b>6,941</b>	<b>5,767</b>
Loan repaid during the period	9	<b>-</b>	<b>-</b>	<b>(1,007)</b>	<b>-</b>
Interest paid during the period		<b>(905)</b>	<b>-</b>	<b>(1,146)</b>	<b>-</b>
Net cash (used in)/provided by financing activities		<b>(179)</b>	<b>6,033</b>	<b>4,896</b>	<b>33,315</b>
Net change in cash and cash equivalents		<b>(3,113)</b>	<b>(5,152)</b>	<b>(5,305)</b>	<b>15,468</b>
Cash and cash equivalents – beginning of period		<b>7,337</b>	<b>21,443</b>	<b>10,698</b>	<b>747</b>
Exchange (gains)/losses		<b>(31)</b>	<b>(301)</b>	<b>(1,200)</b>	<b>(225)</b>
Cash and cash equivalents – end of period		<b>\$4,193</b>	<b>\$15,990</b>	<b>\$4,193</b>	<b>\$15,990</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

# DataWind Inc.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended December 31, 2015 and March 31, 2015

(in thousands of Canadian dollars except per share data and except where indicated)

(Unaudited)

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### 1 Corporate information and description of business

DataWind Inc. (the "Company" or "DataWind") was incorporated on April 16, 2014 under the Canada Business Corporations Act (CBCA) and its head office is located at 7895 Tranmere Drive, Suite 207, Mississauga, Ontario, Canada. DataWind is a publicly-traded company listed on the Toronto Stock Exchange (TSX: DW). The Company is a provider of low-cost Internet connectivity for the emerging markets.

On July 8, 2014, and immediately prior to the completion of the initial public offering ("IPO") of Datawind shares on the same date, all issued and outstanding Ordinary shares of Datawind UK Plc. ("Datawind UK"), an entity under common control with the Company, were exchanged for Common shares of the Company on the basis of ten Datawind UK Ordinary shares for one Common share of the Company. Holders of DataWind UK Ordinary shares became shareholders of DataWind and Datawind UK became a wholly-owned subsidiary of DataWind (the "Pre-IPO Reorganization"). This Pre-IPO Reorganization has been accounted for as a reorganization and capital transaction of DataWind such that the consolidated financial statements of DataWind are a continuation of, and reflect, the historic financial position and results of operations of DataWind UK retrospectively based on the carrying values and results of operations presented in the Datawind UK historic consolidated financial statements.

### 2. Approval of financial statements

These condensed consolidated interim financial statements (the "financial statements") of the Company were authorized for issue in accordance with a resolution of the board of directors on February 12, 2016.

### 3. Basis of preparation and presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### *Statement of compliance*

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2015 as they do not include all of the information required in annual financial statements, prepared under International Financial Reporting Standards ("IFRS").

The accounting policies and methods of computation as disclosed in the Company's year ended March 31, 2015 audited consolidated financial statements have been applied consistently to all periods presented in these financial statements.

#### *Presentation currency*

All amounts presented in these financial statements are in thousands of Canadian dollars ("CAD") unless otherwise stated.

While each of the Company's subsidiaries has its own functional currency, the functional currency of the parent company, DataWind Inc., is the Canadian dollar. The majority of the revenues, cost of goods sold and operating

expenses within the subsidiaries are transacted in a combination of Indian rupees and US dollars. Presenting these financial statements in Canadian dollars allows investors to more easily compare the Company's results with most of its direct competitors.

#### *Seasonality*

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year as the Company continues to experience growth. The Company's revenue and earnings have not historically been subject to quarterly seasonality as the Company's production levels have yet to exceed demand.

#### *Basis of consolidation*

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. All transactions and balances between these companies have been eliminated on consolidation.

The financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, and liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of operations from the date on which control is obtained.

The subsidiaries of Datawind Inc. as at December 31, 2015, all of which have been included in these financial statements, are as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Proportion of ownership</b>
Datawind UK Plc <sup>1</sup>	United Kingdom	100%
Tablet Investments Ltd	United Kingdom	100%
Tablet (Guernsey) Investments Ltd	Guernsey	100%
DataWind Limited	United Kingdom	100%
DataWind Net Access Corporation	Canada	100%
DataWind Innovation Pvt. Ltd.	India	99.99%

<sup>1</sup> Effective July 8, 2014, Datawind UK Plc has been re-registered as Datawind UK Ltd as it is no longer a public limited company

## **4. Significant accounting policies**

### *Foreign currency translation*

These financial statements are presented in Canadian Dollars, which is the Company's functional and presentation currency. The functional currency for the subsidiaries, being the currency of the primary economic environment in which the entities operates, are British Pounds (£) and Indian Rupees (Rs).

Items included in the financial statements of each entity are measured using their respective functional currencies and foreign currency transactions are initially recorded in the functional currency of each entity by applying the exchange rate in effect at the date of the transaction. At the end of each reporting period monetary items are translated using the closing rate. All exchange (gains) and losses are included in other comprehensive income in the financial statements. Non-monetary items measured in terms of historical cost are translated at the exchange rate at the date of the transaction and non-monetary items measured in terms of fair value are translated at the exchange rate at the date when the fair value was determined.

At the end of each reporting period the results and financial position of the subsidiary are translated into the Company's presentation currency. Assets and liabilities are translated at the closing rate. Revenues and expenses are translated using the average rate for the reporting period, as an approximation to the exchange rate at the date of each transaction. All exchange (gains) and losses on translation are included in other comprehensive income.

### *Property and equipment*

Items of property and equipment are initially recognised at cost. Depreciation is provided on all items of office and computer equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Office and computer equipment

33% per annum on a declining basis

An asset's residual value, useful life and depreciation method are reviewed at each financial year and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

### *Financial assets*

The Company classifies its financial assets into one category only as discussed below, depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity and fair value through profit and loss.

### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of operations. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### *Cash and cash equivalents*

Cash and cash equivalents includes cash on-hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

### *Financial liabilities*

The Company classifies its financial liabilities in one category only. Other financial liabilities include the following items:

- Loans and borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

## *Revenue*

### *Revenue from sales of goods*

Revenue from the sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are considered to be met as follows:

- At the time the device is picked up by the third party distribution company for cash on delivery sales
- At the time when the retailer receives delivery for retail sales.

Where a customer has a right of return for defective units, the Company replaces the unit or gives a credit to the customer when the unit is returned. Defective units are aggregated and forwarded to their respective manufacturer for warranty replacement with the Company's contract manufacturers on a monthly basis. Contract manufacturers provide one-year warranty terms to Datawind Inc. Returned goods do not attract duties or tariffs upon re-entry. As the only costs associated with the warranty process assumed by Datawind Inc. relate to shipping, no provisions for warranty work have been accrued.

### *Revenue from connection and data fees*

The Company measures revenue associated with Internet access at the fair value of the services provided. Revenue for Internet access is recorded commencing on the date access is activated and recognized over a period of twelve months from the activation date

### *Share-based compensation*

The Company has a stock option plan for executives and other key employees. The Company measures and recognizes compensation expense based on the grant date fair-value of the stock options issued using the Black-Scholes pricing model. The offsetting credit is recorded in contributed surplus. Compensation expense is recorded on a straight-line basis over the vesting period, based on the Company's estimate of stock options that will ultimately vest. At each reporting period, the Company revises its estimate of the stock options expected to vest. The impact on the change in estimate, if any, is recognized over the remaining vesting period. Consideration paid by employees on the exercise of options and related amounts of contributed surplus are recorded as issued capital when the shares are issued.

### *Research and development costs*

All research and development expenditures are expensed as incurred unless a development project meets the criteria for capitalization. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No internally generated intangible assets have been recognized to date.

### *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value using weighted average price. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### *Earnings per share*

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similarly to basic earnings per share, except that the weighted average number of shares outstanding is increased to include additional shares for the

effects of all dilutive potential common shares, warrants and share options granted to employees and directors. The effects of anti-dilutive potential common shares are ignored in calculating diluted EPS.

#### *Share capital – Options and Warrants*

Financial instruments (Options and Warrants) issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

#### *Income taxes*

The Company's deferred income tax assets and liabilities are recognized for the future tax consequences attributable to tax loss carry forwards and to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change of statutory tax rates is recognized in income in the period of enactment or substantive enactment. Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

#### *Critical accounting estimates and judgments*

The preparation of financial statements in compliance with IFRS requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Warranty claims*

The Company generally offers one-year warranties on most of its products. The Company has not provided for any future warranty claims as any claims will be reverted back to the manufacturer.

#### *Inventories*

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. The Company has provided against all old stock of devices and components which do not relate to the new Tablet devices. The total provision amounts to \$170 for the nine months ended December 31, 2015 (nine months ended December 31, 2014: Nil) and \$85 for the three months ended December 31, 2015 (three months ended December 31, 2014: Nil).

#### *Provisions*

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

#### *Estimation uncertainty*

Critical accounting policies and estimates utilized in the normal course of preparing the Company's financial statements require the determination of future cash flows utilized in assessing net recoverable amounts of accounts receivable; allowance for bad debts; useful lives of property and equipment; provision for inventory at the lower of cost and net

realizable value, stock-based compensation and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

These estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that are believed to materially affect the methodology or assumptions utilized in these financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents the quantification of the overall impact of these movements on the Company's financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

#### *Future changes in accounting policies*

##### **IFRS 9 Financial Instruments ("IFRS 9")**

IFRS 9 issued in July 2014, replaces IAS 39 Financial Instruments: recognition and measurement ("IAS 39"). This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities and introduces a new hedge accounting model. This IFRS, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

##### **IFRS 15 Revenue from Contracts with Customers ("IFRS 15")**

Issued in May 2014, IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The main principle of this standard is that an entity shall recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Adoption of this IFRS is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

##### **IFRS 16 Leases ("IFRS 16")**

In January 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretive guidance.

Significant changes were made to lessee accounting with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors.

IFRS 16 is effective January 1, 2019 with earlier application permitted for companies that have also adopted IFRS 15, Revenue from Contracts with Customers. The Company is currently evaluating the impact of IFRS 16 on its financial statements.

## **5. Cash and cash equivalents**

	<u><b>December 31, 2015</b></u>	<u><b>March 31, 2015</b></u>
Cash	\$ 3,411	\$ 1,667
Short-term investments	782	9,031
Total	<u>\$ 4,193</u>	<u>\$ 10,698</u>

All cash and cash equivalents are held in high rated banks -Barclays Bank plc, Bank of Montreal and The Housing Development Finance Corporation Limited (HDFC) bank in India. Cash equivalents are held in diverse government bonds and treasury bills.

**6. Trade and other receivables**

	<b><u>December 31, 2015</u></b>	<b><u>March 31, 2015</u></b>
Trade receivables	\$ 26,452	\$ 12,871
Other receivables	1,255	1,216
Total financial assets classified as loans and receivables	27,707	14,087
Total trade and other receivables	27,707	14,087
Current portion	\$ 27,707	\$ 14,087

**7. Property and equipment**

<b>April 1, 2015</b>	<b>Property and equipment</b>	<b>Accumulated depreciation</b>	<b>Net Book Value</b>
Opening balance	\$ 264	(\$ 108)	\$ 156
Addition in assets	138	-	138
Depreciation for the period	-	(62)	(62)
Foreign exchange adjustments	-	19	19
<b>December 31, 2015</b>	<b>\$402</b>	<b>(\$151)</b>	<b>\$ 251</b>
April 1, 2014			
Opening balance	\$ 195	(\$ 60)	\$ 135
Addition in assets	61	-	61
Depreciation for the year	-	(67)	(67)
Foreign exchange adjustments	8	19	27
<b>March 31, 2015</b>	<b>\$ 264</b>	<b>(\$ 108)</b>	<b>\$ 156</b>

**8. Current liabilities**

	<b><u>December 31, 2015</u></b>	<b><u>March 31, 2015</u></b>
Trade payables	\$ 12,984	\$ 8,867
Other payables	988	1,043
Accruals	1,832	98
Total liabilities measured at amortized cost	15,804	10,008
Other payables - tax and social security payments	1,281	597
Deferred income	1,190	66
Loans and borrowings (Note 9)	13,208	7,273
Total current liabilities	\$ 31,483	\$ 17,944

	<b>December 31, 2015</b>	<b>March 31, 2015</b>
up to 3 months	<b>\$ 30,799</b>	\$ 17,878
3 to 6 months	<b>684</b>	66
6 to 12 months	-	-
Current portion	<b>\$ 31,483</b>	\$ 17,944

## 9. Loans and borrowings

There are no undrawn and committed facilities available to the Company. A syndicated group of private investors agreed to provide private loans to Tablet Investments Ltd. and Tablet (Guernsey) Investments Ltd. at the flat rate of 17% per year paid quarterly. These loans are recorded as short-term loans because no repayment terms are agreed with investors. The overall Company holds syndicated debt of \$13,208 as at December 31, 2015 (March 31, 2015: \$7,273) which is used to purchase inventory. Debt of \$Nil was repaid in the three months up to December 31, 2015 and \$1,007 was repaid during the nine-month period ended December 31, 2015.

## 10. Share capital

### *Authorized*

The Company is authorized to issue an unlimited number of common shares with no stated par value.

The following is a continuity of the common shares:

### **April 1, 2015**

#### *Issued*

#### **Shares outstanding at April 1, 2015**

Shares issued during the year

#### **Shares outstanding at December 31, 2015**

<b>Number of Shares</b>	<b>Share Capital</b>
22,057,623	\$ 52,168
53,625	108
<b>22,111,248</b>	<b>\$ 52,276</b>

### **April 1, 2014**

#### *Issued*

#### **Shares outstanding at April 1, 2014**

Share issuance

Special warrants

Warrants exercised

#### **Shares outstanding at December 31, 2014**

<b>Number of Shares</b>	<b>Share Capital</b>
15,431,734	\$ 25,294
6,316,000	25,837
234,889	896
75,000	141
<b>22,057,623</b>	<b>\$ 52,168</b>

On July 8, 2014, Datawind UK completed a reverse takeover of the Canadian entity Datawind Inc. and concurrently consolidated its share capital on a 10:1 basis and issued 6,316,000 new shares. In addition, 234,889 existing special warrants were exchanged for common shares of the Company on a 1:1 basis.

### Warrants

Each warrant entitles the holder to purchase one common share of the Company. The Company's outstanding warrants as at December 31, 2015 are 3,111,276 (December 31, 2014- 3,662,102). A total of 53,625 warrants were exercised during the nine-month period ended December 31, 2015 (December 31, 2014- 309,889) and 53,625 warrants were exercised during the three-month period ended December 31, 2015 (December 31, 2014: 75,000). 497,201 warrants

expired during the nine-month period ended December 31, 2015 (December 31, 2014- Nil) and 246,770 warrants expired during the three-month period ended December 31, 2015 (December 31, 2014: Nil).

#### Option Plan

The Company's share option plan (the "Plan") was approved on July 8, 2014 in conjunction with the IPO by the board of directors. Options are granted with a fixed exercise price and have a contractual life of 10 years and vesting period of 3 years. Options were valued using the Black-Scholes option pricing model. Options will be settled by issuing common shares of the Company.

As at December 31, 2015, there are 22,111,248 (December 31, 2014-22,057,623) common shares, 3,290,180 (December 31, 2014- 2,890,612) options and 3,111,276 (December 31, 2014-3,662,102) warrants outstanding.

	<u>Share</u>	<u>Options</u>	<u>Warrants</u>
Before IPO April 1, 2014 (10:1) consolidation	15,431,734	2,189,190	3,228,664
Special warrants issued Q1 2015	-	-	234,889
Strategic advisory warrants	-	-	508,438
Special warrants converted to common shares July 7, 2014	234,889	-	(234,889)
Issued in IPO July 7, 2014	6,316,000	-	-
Granted during the year 2014-15	-	823,389	-
Expired during the year 2014-15	75,000	(67,467)	(75,000)
Total as at March 31, 2015	22,057,623	2,945,112	3,662,102
Correction/ Granted 2015-2016	-	363,467	-
Expired during the period December 31, 2015	-	(18,399)	(497,201)
Exercised during the period December 31, 2015	53,625	-	(53,625)
Total as at December 31, 2015	22,111,248	3,290,180	3,111,276

A reconciliation of option movements over the period up to December 31 is shown below after giving effect to a 10:1 post-IPO consolidation:

	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<b>Number</b>	<b>Weighted Average Exercise Price</b>	<b>Number</b>	<b>Weighted Average Exercise Price</b>
Outstanding at start of period April 1	2,945,112	\$3.50	2,189,190	\$3.39
Granted during the period 2014 – 2015	-	-	768,889	\$3.87
Correction/ Granted 2015 – 2016	363,467	\$2.49	-	\$6.90
Expired during the period	(18,399)	\$ 5.26	(67,467)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at end of period	3,290,180	\$3.38	2,890,612	\$3.44
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at end of period	2,934,321	\$3.42	2,871,323	\$3.43
	<hr/>	<hr/>	<hr/>	<hr/>

The fair value per option granted and the assumptions used in the calculation are as follows:

	December 31, 2015	December 31, 2014
Share price at grant date	\$2.26	\$2.70
Weighted average exercise price	\$2.18	\$3.80
Weighted average vesting period (years)	5.00	2.73
Expected volatility	50%	38%
Risk free rate	0.7%	1.8%
Weighted average fair value per option	\$0.98	\$0.72

The expected volatility is based upon publicly available volatility measures of comparable companies. The risk free rate of return is the yield based on Canadian government bonds of a term consistent with the option life.

The total charge for the nine-month period ended December 31, 2015 relating to the employee share based payment plan was \$124 (December 31, 2014 - \$422) and for the three-month period ended December 31, 2015 was \$59 (December 31, 2014: \$63) all of which related to equity settled share-based payment transactions.

A reconciliation of warrant movements over the period up to December 31 is shown below after giving effect to a 10:1 post-IPO consolidation:

	December 31, 2015		December 31, 2014	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at start of period April 1	3,662,102	\$3.48	3,228,664	\$3.24
Special warrants issued Q1	-	-	234,889	\$3.81
Special warrants issued in Q2	-	-	508,438	\$4.75
Warrants exercised in Q2	-	-	(234,889)	\$3.81
Warrants exercised in Q3	(53,625)	\$1.96	(75,000)	\$1.82
Expired during the period	(497,201)	\$2.88	-	-
Outstanding at end of period	3,111,276	\$3.60	3,662,102	\$3.48
Exercisable at end of period December 31, 2015	3,111,276	\$3.60	3,662,102	\$3.48

## 11. Research and development

	Three-month period ended		Nine-month period ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Salaries of R&D employees	\$ 355	\$ 557	\$ 1,071	\$ 1,380
Materials & third party	30	-	67	-
	<b>\$385</b>	<b>\$557</b>	<b>\$1,138</b>	<b>\$1,380</b>

The Company is constantly involved in research and development (R&D) for improvements in the current products, technology and applications. R&D expense consist of salaries of staff working in R&D department and materials used for the research and development. The Company also pays third parties for the research and development.

## 12. Administration cost

	Three-month period ended		Nine-month period ended	
	<b>December 31, 2015</b>	December 31, 2014	<b>December 31, 2015</b>	December 31, 2014
Salaries	<b>\$ 1,517</b>	\$ 1,020	<b>\$ 4,062</b>	\$ 2,654
Selling and marketing	<b>1,134</b>	928	<b>2,889</b>	1,504
Legal and professional	<b>424</b>	74	<b>932</b>	218
Travel	<b>390</b>	263	<b>913</b>	916
Depreciation of property and equipment	<b>25</b>	13	<b>62</b>	34
Rent	<b>42</b>	32	<b>243</b>	106
Share based compensation	<b>59</b>	63	<b>124</b>	422
Insurance	<b>22</b>	38	<b>138</b>	124
Other	<b>473</b>	738	<b>1,386</b>	1,187
	<b>\$4,086</b>	\$3,169	<b>\$10,749</b>	\$7,165

## 13. Finance income and expense

	Three-month period ended		Nine-month period ended	
	<b>December 31, 2015</b>	December 31, 2014	<b>December 31, 2015</b>	December 31, 2014
Interest income	-	\$36	<b>\$21</b>	\$72
Interest expense	<b>(859)</b>	(99)	<b>(2,638)</b>	(124)
	<b>\$(859)</b>	\$(63)	<b>\$(2,617)</b>	\$(52)

## 14. Related parties

During the Nine-month period ended December 31, 2015 DataWind entered into the following related party transactions. With the exception of inventory financing, all amounts owing to related parties have been paid during the Nine-month period with no outstanding balances.

Tablet Investments holds syndicated debt of \$13,208 (March 31, 2015: \$7,273) as at December 31, 2015 which is used to purchase inventory on the Company's behalf in exchange for 5% of inventory costs, which are remitted to Tablet Investments after cash payment is received in full for the devices. This debt was restructured in Q3 2015 to a flat rate of 17%. Debt of \$Nil was repaid in the three months and \$1,007 was repaid during the nine-month period ended December 31, 2015. Ownership of purchased inventory is maintained within Tablet Investments. There was one director in common with Tablet Investments, being Viscount Nicholas Bearsted, who was also a shareholder in both entities prior to its acquisition. Viscount Nicholas Bearsted is a director and co-chairman of the Company.

### Datawind Research Inc.

Transactions with Datawind Research Inc., a company which is 100% owned by a director of the Company, are performed in the normal course of business and relate to the purchase of product development services prior to initial public offering. \$2,500 was incurred during the nine-month period ending December 31, 2014 and was paid subsequent to initial public offering on July 8, 2014. There was no activity with this entity during the nine-month period ended December 31, 2015.

1003161 Ontario Inc.

Transactions with 1003161 Ontario Inc., a company under common ownership, are performed in the normal course of business and relate to managerial services provided to the Company by Raja (Co-Chair Board of Directors), Suneet (C.E.O), and Lakhbir Tuli prior to the initial public offering. \$283 was incurred in the period ending June 30, 2014 and was fully paid on July 8, 2014. There was no activity with this entity during the nine-month period ended December 31, 2015.

**15. Commitments and contingencies**

At December 31, 2015 the Company had operating lease agreements in respect of properties for which the payments extend over a number of years.

	<b>December 31, 2015</b>	December 31, 2014
Total payments to end of lease under non-cancellable operating leases expiring:		
No later than one year	<b>\$189</b>	\$ 125
Later than one year and not later than 5 years	<b>\$285</b>	\$154

**16. Financial instruments**

Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below.

	<b>At December 31, 2015</b>		<b>At March 31, 2015</b>	
<b>Financial Assets</b>	<b><u>Carrying Value</u></b>	<b><u>Maximum Exposure</u></b>	<b><u>Carrying Value</u></b>	<b><u>Maximum Exposure</u></b>
Cash and cash equivalents	\$ 4,193	\$ 4,193	\$ 10,698	\$ 10,698
Trade and other receivables	27,707	27,707	14,087	14,087
Total financial assets	<b>\$ 31,900</b>	<b>\$31,900</b>	<b>\$ 24,785</b>	<b>\$ 24,785</b>

The Company is exposed through its operations to the following financial risks:

*Credit risk*

The Company's maximum exposure to credit risk in relation to trade receivables is equal to the carrying value of trade receivables. The Company does not hold any collateral or other credit enhancements as security over these balances. The Company has established a credit insurance policy with a global insurance provider. When insurance is not available, the Company attempts to hold post dated cheques.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with reasonable rating are accepted.

*Foreign exchange risk*

Foreign exchange risk arises when individual Company entities enter into transactions denominated in a currency other than their functional currency. The Company's policy is, where possible, to allow Company entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Company entities have liabilities denominated in a currency other than their functional currency (and have insufficient

reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Company.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Company, of liabilities due for settlement and expected cash reserves. Management has negotiated with a Canadian Bank to provide a hedging facility between the most active currency conversions namely the Indian Rupee versus US Dollar, if and when the Company deems it necessary.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	<b>Trade Payable's</b>		<b>Cash and cash equivalents</b>	
	<b><u>At Dec. 31, 2015</u></b>	<b><u>At Mar 31, 2015</u></b>	<b><u>At Dec. 31, 2015</u></b>	<b><u>At Mar 31, 2015</u></b>
Canadian Dollar	\$ 1,363	\$ 1,609	\$ 1,787	\$ 9,575
Pounds Sterling	8	618	1,200	878
US Dollar	11,369	5,635	-	-
Rupees	244	1,005	1,206	245
Total	<b>\$ 12,984</b>	<b>\$ 8,867</b>	<b>\$ 4,193</b>	<b>\$ 10,698</b>

#### *Liquidity risk*

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 45 days. The Company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its borrowings.

The following table sets out the contractual maturities of financial liabilities:

<b>As at December 31, 2015</b>	<b><u>Carrying Amount</u></b>	<b><u>Contractual Cash Flows</u></b>	<b><u>Up to 3 months</u></b>	<b><u>3 to 6 months</u></b>	<b><u>6 to 12 months</u></b>
Accounts payable and accrued liabilities	\$ 18,275	\$ 18,275	\$17,591	\$ 684	-
Loans and borrowings	13,208	13,208	13,208	-	-
Total	\$ 31,483	\$ 31,483	\$ 30,799	\$684	-

  

<b>As at March 31, 2015</b>	<b><u>Carrying Amount</u></b>	<b><u>Contractual Cash Flows</u></b>	<b><u>Up to 3 months</u></b>	<b><u>3 to 6 months</u></b>	<b><u>6 to 12 months</u></b>
Accounts payable and accrued liabilities	\$ 10,671	\$ 10,671	\$ 10,605	\$66	-
Loans and borrowings	7,273	7,273	7,273	-	-
Total	\$17,944	\$17,944	\$17,878	\$66	-

## 17. Segmented Information

IFRS 8 *Operating Segments* defines an operating segment as (a) a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance and (c) for which discrete financial information is available. For management purposes the Company's activities are attributable to a single operating segment. Consequently, the Company does not present any operating segment information.

The Company operates three regional business units: India, UK, and Canada; with the Indian segment accounting for the largest proportion of the Company's business, generating 95.0% (December 31, 2014: 78.4%) of its external revenues for the nine-month period ended December 31, 2015 and 90.4% for the three-month period ended December 31, 2015 (December 31, 2014: 81.2%).

The Company's reportable segments are aligned as operating segments consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer.

The Company evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding the effects of share-based payments.

Inter-segment sales are priced at cost and applied consistently throughout the current and prior period, if any.

### *Revenue by geographic area*

The location of the customer determines the geographic areas for revenue.

		Three-month period ended		Nine-month period ended	
		<b>December 31, 2015</b>	December 31, 2014	<b>December 31, 2015</b>	December 31, 2014
India	90.4%	14,014	81.2% 6,932	95.0% 39,804	78.4% 16,245
Outside of India	9.6%	1,487	18.8% 1,609	5.0% 2,109	21.6% 4,473
<b>Total</b>		<b>\$ 15,501</b>	<b>\$ 8,541</b>	<b>\$ 41,913</b>	<b>\$ 20,718</b>

## 18. Capital management

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management. The Company currently has not paid any dividends to its shareholders.

### *Capital*

As at December 31, 2015, total managed capital was comprised of shareholders' equity of \$11 million. There were no changes in the Company's approach to capital management during the period. Changes to equity during the period are detailed in the Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency).

### *Financial instrument risks*

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

## **19. Loss per share attributable to common shareholders**

	Three-month period ended		Nine-month period ended	
	<b>December 31, 2015</b>	December 31, 2014	<b>December 31, 2015</b>	December 31, 2014
Net loss for the period	\$ (509)	\$ (2,012)	\$ (3,702)	\$ (6,922)
Net loss per share				
Basic and diluted	\$ (0.02)	\$ (0.09)	\$ (0.17)	\$ (0.35)
Weighted average number of shares outstanding				
Basic (000)	22,089	21,990	22,068	19,650

Fully diluted EPS has been excluded due to its antidilutive nature.

For the period ended December 31, 2015 the number of shares, options and warrants that could potentially dilute basic earnings per share in the future were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive because of losses.

The weighted average number of shares outstanding for the comparative periods ended December 31, 2014 has been adjusted retrospectively to give effect to the 10:1 share consolidation that took place during fiscal 2015.

## **20. Key management personnel and director compensation**

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and are defined as the Chief Officers of the Company and the Company's Board of Directors. The Company's compensation program is administered by the Board of Directors and specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay in light of business achievement, fulfillment of individual objectives and overall job performance. Directors, executive officers and employees participate in the Company's stock option plans (Note 10).

The following summarizes key management personnel and directors' compensation for the periods ended December 31, 2015 and 2014:

	Three-month period ended		Nine-month period ended	
	<b>December 31, 2015</b>	December 31, 2014	<b>December 31, 2015</b>	December 31, 2014
Salaries and directors' fees	\$ 195	\$ 397	\$ 769	\$ 1,114
Share-based payments	35	63	100	422
Total compensation cost	\$ 230	\$ 460	\$ 869	\$ 1,536

## 21. Comparative figures

Certain comparative information in the Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency) for the nine-month period ended December 31, 2015 has been retrospectively restated to reflect immaterial adjustments between equity balances identified subsequent to the date originally reported. There is no impact on net loss or cash flows for the period. Furthermore, there is no impact on any balances reported as at March 31, 2015.

In addition, certain immaterial adjustments were made in the current quarter to the foreign exchange (gain)/loss amounts presented in the Condensed Consolidated Interim Statements of Operations and Comprehensive Loss. These immaterial adjustments are described below:

- For the three- and nine-month comparative periods ended December 31, 2014, foreign exchange (gain)/loss has been retrospectively restated as (\$101) and (\$226) for the three- and nine-month periods, respectively. As originally reported, these amounts were included in other operating expense line items; there is no impact on net loss or cash flows for the period;
- For the three-month period ended June 30, 2015, an immaterial adjustment was made to foreign exchange (gain)/loss to report a gain of (\$198) for the three-month period then ended. This amount has also been included in the foreign exchange (gain)/loss for the nine-month period ended December 31, 2015. As originally reported, this amount had been incorrectly recorded as other comprehensive income. As a result of this immaterial adjustment, net loss reported for the three-month period ended June 30, 2015 is reduced by \$198 and there is an improvement in loss per share of \$0.01; there is no impact on cash flows for the period.
- For the three and nine month comparative periods ended December 31, 2014, issue of special warrants of \$141 is added in the Cash flow from financing activities' in cash flow with resulting change in the Exchange (gains)/ losses with the same value in cash flow. There has been no change in the net loss for the period due this minor adjustment in cash flow.
- For the three and nine month comparative periods ended December 31, 2014, the weighted average number of shares has been changed to 21,990,000 from 21,983,000 and 19,651,000 from 19,662,000, respectively. There has been no change in EPS due this minor change in weighted average number of shares.