Consolidated Financial Statements of

DataWind Inc.

For the years ended March 31, 2016 and 2015
(in thousands of Canadian dollars)

Contents

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

DataWind Inc.

We have audited the accompanying consolidated financial statements of DataWind Inc., which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity (deficiency) and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DataWind Inc. as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements as at March 31, 2015 were audited by Deloitte LLP of Ottawa, Canada. Deloitte LLP expressed an unmodified opinion on those statements on July 6, 2015.

MNP LLP

Chartered Professional Accountants,

Licensed Public Accountants

Ottawa, Ontario

November 20, 2016

DataWind Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2016
(in thousands of Canadian dollars except per share data and except where indicated)

ASSETS	Note	2016	2015
Current assets			
Cash and cash equivalents	4	**$ 230**	$ 10,698
Trade and other receivables	5	**29,467**	14,087
Inventories	6	**10,036**	7,163
		39,733	31,948
Non-current assets			
Property and equipment	7	**218**	156
Total Assets		**$ 39,951**	$ 32,104
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	**$ 18,607**	$ 10,671
Loans and borrowings	8,9	**12,291**	7,273
Total Liabilities		**30,898**	17,944
SHAREHOLDERS' EQUITY			
Share capital	11	**52,276**	52,168
Contributed surplus		**3,521**	3,339
Accumulated other comprehensive loss		**(223)**	(332)
Deficit		**(46,521)**	(41,015)
Total Shareholders' Equity		**9,053**	14,160
Total Liabilities and Shareholders' Equity		**$ 39,951**	$ 32,104

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

DataWind Inc.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
years ended March 31, 2016
(in thousands of Canadian dollars except per share data and except where indicated)

	Note	2016	2015
Revenue		**$ 59,675**	$ 31,543
Cost of goods sold		**41,919**	25,496
Gross profit		**17,756**	6,047
Operating expenses:			
Research and development	12	**632**	2,370
Administration cost	13	**17,648**	13,867
IPO transaction costs		**-**	1,688
Foreign exchange translation loss/(gain)		**1,151**	(788)
Total operating expenses		**19,431**	17,137
Operating loss		**(1,675)**	(11,090)
Finance and other income/(expense)	14	**(6)**	124
Finance expense	14	**(3,825)**	(631)
Loss before income taxes		**(5,506)**	(11,597)
Income tax expense	10	-	-
Net loss		**(5,506)**	(11,597)
Other comprehensive income, net of income tax:			
Unrealized foreign exchange translation gain		**109**	383
Net comprehensive loss for the period		**$ (5,397)**	$ (11,214)
Net loss per share			
Basic and diluted		**$ (0.25)**	$ (0.57)
Weighted average number of shares outstanding:			
Basic and Diluted		**22,078,868**	20,204,317

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

DataWind Inc.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

years ended March 31, 2016

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

	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive loss	Deficit	Total Shareholders' Equity (Deficiency)
Balance at March 31, 2014	**11**	**154,317**	**$25,294**	**$2,149**	**$(715)**	**$(29,418)**	**$ (2,690)**
Share consolidation (10:1 basis)	11	(138,886)	-	-	-	-	-
Share issuance	11	6,316	25,837	-	-	-	25,837
Special warrants converted to shares (1:1 basis)	11	235	896	679	-	-	1,575
Share issuance		75	141	-	-	-	141
Share based compensation	11	-	-	511	-	-	511
Net loss		-	-	-	-	(11,597)	(11,597)
Unrealized foreign exchange translation gain		-	-	-	383	-	383
Balance at March 31, 2015		**22,057**	**$52,168**	**$3,339**	**$(332)**	**$(41,015)**	**$14,160**
Share issuances	11	54	108	**-**	**-**	**-**	**108**
Share based compensation	11	**-**	**-**	**182**	**-**	**-**	**182**
Net loss	11	**-**	**-**	**-**	**-**	**(5,506)**	**(5,506)**
Unrealized foreign exchange translation gain		**-**	**-**	**-**	**109**	**-**	**109**
Balance at March 31, 2016		**22,111**	**$52,276**	**$3,521**	**$(223)**	**$(46,521)**	**$9,053**

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

DataWind Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
years ended March 31, 2016
(in thousands of Canadian dollars except per share data and except where indicated)

	Note	2016	2015
Cash flows from operating activities			
Net loss for the year		**$ (5,506)**	$ (11,597)
Cash flows from operating activities			
Adjustments for:			
Foreign exchange translation loss/(gain)		**1,151**	(789)
Depreciation of property and equipment	7	**87**	67
Finance Expenses		**3,825**	631
Share based compensation	11	**182**	511
		(261)	(11,177)
Changes in non-cash working capital items			
Trade and other receivables		**(15,380)**	(10,467)
Accounts payable and accrued liabilities		**7,936**	2,021
Inventories		**(2,873)**	(5,580)
Net cash used in operating activities		**(10,578)**	(25,203)
Cash flows from investing activities			
Addition of property and equipment	7	**(141)**	(61)
Net cash used in investing activities		**(141)**	(61)
Cash flows from financing activities			
Issuance of common shares on exercise of warrants		**108**	26,874
Proceeds of loans during the year	9	**6,024**	7,148
Loans repaid during the year		**(1,167)**	-
Interest paid during the year		**(3,525)**	(631)
Net cash provided by financing activities		**1,440**	33,391
Net change in cash and cash equivalents		**(9,279)**	8,127
Cash and cash equivalents – beginning of year		**10,698**	747
Effect of foreign exchange rates on balances of cash held in foreign currencies		**(1,189)**	1,824
Cash and cash equivalents – end of year	4	**230**	10,698

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

1 Description of business

DataWind Inc. (the "Company" or "DataWind") was incorporated on April 16, 2014 under the Ontario Business Corporations Act 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 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 based on 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 UK 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. Basis of presentation

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These audited consolidated financial statements were approved by the Company's Board of Directors on November 20, 2016. Amounts reported are in thousands of Canadian dollars, except where noted.

Going Concern
These financial statements have been prepared based on the going concern assumption, which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

As at March 31, 2016, the Company had a working capital surplus of $8,835 including $230 in cash. For the period ended March 31, 2016 the company had $5,506 net loss and accumulative deficit of $46,521. The Company anticipates having sufficient funds to discharge its current liabilities and meet its corporate administrative expenses for at least the next twelve months. However, the Company may require additional financing, through various means including but not limited to equity financing, to continue its growth in unit's sale. There is no assurance that the Company will be successful in raising the additional required funds.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the consolidated statements of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

Basis of measurement
These consolidated financial statements have been prepared on a historical cost basis except for share-based compensation, which is measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The expenses within the consolidated statements of loss and comprehensive loss are presented by function.

Presentation currency
The presentation currency of Company's consolidated financial statements is the Canadian dollar.

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. Most of the revenues, cost of goods sold and operating expenses within the subsidiaries are transacted in a combination of Indian Rupees, British Pounds and US dollars. Presenting these consolidated financial statements in Canadian dollars allows investors to more easily compare the Company's results with most of its direct competitors and limits foreign currency fluctuation.

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The results of the subsidiaries acquired in year ended March 31, 2015 are included from the date of acquisition and onward. All transactions and balances between these companies have been eliminated on consolidation.

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

The subsidiaries of DataWind Inc. as at March 31, 2016 all of which have been included in these consolidated financial statements are as follows:

Name	**Country of incorporation**	**Proportion of ownership**
DataWind UK Plc[1]	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 (Pty) Ltd	South Africa	100%
DataWind Innovation Pvt. Ltd.	India	99.99%

[1] Effective July 8, 2014, DataWind UK Plc has been re-registered as DataWind UK Ltd as it is no longer a public limited company

3. Significant accounting policies

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used for the consolidated financial statements. The Company has determined that it only has one operating segment.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive because 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, considering 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.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currencies of the primary operating subsidiaries, being the currency of the primary economic environment in which the entities operate 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 re-translated using the closing rate. The resulting exchange gains and losses are recognized in the statement of loss and comprehensive loss. 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 subsidiaries are translated into the Company's functional and 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 loss.

Property and equipment

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

property and equipment	18% - 20% per annum on a declining basis
Furniture and fixture	26% - 31% per annum on a declining basis
Vehicles	39% per annum on a declining basis
Office equipment	26% - 95% 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.

The Company's accounting policy used is as follows:

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 loss and comprehensive loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's loans and receivables comprise of cash and cash equivalents and trade and other receivables in the consolidated statement of financial position.

Cash and cash equivalents

Cash and cash equivalents includes cash in 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

The Company generates revenue from two main sources, by selling hardware and by providing data service. Devices are sold either as standalone, or bundled with the Company's proprietary internet delivery platform, for one year.

Revenue from sales of devices

Revenue from the sales of devices 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 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 risk and reward is transferred to customers.

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. The revenue and receivable is reduced by the value of returned units.

Revenue from connection and data fees

Revenue received in respect of the connection and data fees is deferred and recognised over the initial subscription period of one year. The allocation of revenues is determined proportionately based on the stand alone expected value of each bundled component. The Internet access component of revenues relies on the Company's core intellectual property while the hardware is relatively commoditized. The amount of revenue allocated to data connection is estimated based on industrial average.

Provided the amount of revenue can be measured reliably and it is probable that the Company will receive any consideration, revenue for services is recognised in the period in which they are rendered.

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 calculated separately for each awarded option. Awards with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective grants, based on the Company's estimate of stock options that will ultimately vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the Contributed surplus. 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 (the estimated selling price in the ordinary course of business less any applicable selling expenses) using FIFO (first in first out) method. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Amortisation of the asset is included with the administration expenses in the consolidated statement of loss and comprehensive loss.

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

Equity – 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. Contributed surplus within equity, includes amounts in connection with share-based compensation. Retained earnings include all current and prior period earnings (losses).

Income taxes

The Company's deferred income tax assets and liabilities are recognized for the future tax consequences attributable to tax loss carry forwards, non-refundable investment tax credits 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.

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income taxes payable and are subject to a 20-year carry forward period. An estimate of the refundable investment tax credit on scientific research and development expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the credits will be received. The expenditures are reduced by the amount of the estimated investment tax credit.

Critical accounting estimates and judgments

The preparation of consolidated 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 consolidated 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:

<u>Estimates</u>

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

Judgements

Data Revenue

When product sales include both hardware bundled with internet access the Company has allocated its internet revenues such that a 70 percent margin is achieved on this business line. This ratio is in line with industry standards for data resale in the respective geographies and in line with the expected returns generated at the time of the initial public offering. The internet access component of revenues relies on the Company's core intellectual property while the hardware is relatively commoditized.

Warranty claims

The Company generally offers one-year warranty on most of its products. The Company does not provide for any future warranty claims as any claims are reverted to the manufacturer. The contract manufacturers repair units in India at co-located facilities. Contract manufacturers provide one-year warranty terms to DataWind Inc. As the only costs associated with the warranty process assumed by DataWind Inc. relate to shipping, no provisions for warranty work have been accrued.

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Management estimates the net realizable values of inventories, considering the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. The Company has provided $94 in the year 2016 (2015: nil) against slow moving inventories.

Estimation uncertainty

The 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 we believe will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated 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 was issued by the IASB in November 2009 amended on October 28, 2010, will replace IAS 39 *Financial Instruments: Recognition and Measurement*. During the current year, the IASB issued the final version of IFRS 9, incorporating impairment of Financial Instruments with the classification, measurement and hedge accounting phases that had been issued earlier. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Financial liabilities held for trading are measured at "fair value through net results" ("FVTNR"), and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The standard proposes a lifetime expected loss model for impairment of trade receivables. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. At this time, management is still evaluating the impact of IFRS 9 on the consolidated financial statements.

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

In May 2014, the IASB issued IFRS 15. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 C*onstruction Contracts* and related Interpretations. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. This guidance is effective for annual reporting periods beginning on or after January 1, 2018 and early application is permitted. The standard is to be applied using one of the following methods: retrospective or modified retrospective with the cumulative effect of initially applying the standard as an adjustment to opening equity at the date of initial application. The Company plans to adopt

IFRS 15 at the beginning of April 1, 2019, and is currently assessing the potential effects of these changes on its consolidated 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 for annual reporting periods beginning on or after January 1, 2019 with retroactive application and with early adoption permitted. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

4. Cash and cash equivalents

	2016	2015
Cash	**$230**	$1,667
Short-term investments	**-**	9,031
Total	**$230**	$10,698

All cash and cash equivalents are held in high rated banks -Barclays Bank plc, Bank of Montreal and HDFC bank in India. Cash equivalents are held in diverse government bonds and treasury bills.

5. Trade and other receivables

	2016	2015
Trade receivables	**$ 29,750**	$ 13,146
Allowance for doubtful debts	**(1,108)**	(275)
Trade receivables – net	**28,642**	12,871
Other receivables	**825**	1,216
Total financial assets other than cash and cash equivalents classified as loans and receivables	**29,467**	14,087
Total trade and other receivables	**29,467**	14,087
Current portion	**29,467**	14,087

6. Inventories

	2016	2015
Work in progress	**1,613**	-
Finished goods	**8,517**	7,163
Total	**10,130**	7,163
Provision for slow moving inventory	**(94)**	-
Inventories – net	**10,036**	7,163

$41,919 (2015 - $25,496)worth of inventory has been expensed out in cost of sales for the year ended March 31, 2016.

7. Property and equipment

Cost	**Balance at April 01, 2015**	**Additions**	**Foreign Exchange Adjustments**	**Balance at March 31, 2016**
Plant and equipment	$ 82	$ 62	$ 3	$ 147
Furniture and fixture	21	28	-	49
Vehicles	28	-	1	29
Office equipment	133	51	6	190
Total	$ 264	$ 141	$ 10	$ 415

Accumulated depreciation	**Balance at April 01, 2015**	**Additions**	**Foreign Exchange Adjustments**	**Balance at March 31, 2016**
Plant and equipment	$ 20	$ 24	$ -	$ 44
Furniture and fixture	4	10	-	14
Vehicles	18	4	1	23
Office equipment	66	49	1	116
Total	$ 108	$ 87	$ 2	$ 197
Net book value				**$ 218**

Cost	**Balance at April 01, 2014**	**Additions**	**Foreign Exchange Adjustments**	**Balance at March 31, 2015**
Plant and equipment	$ 85	$ 1	$(4)	$ 82
Furniture and fixture	23	-	(2)	21
Vehicles	27	-	1	28
Office equipment	60	60	13	133
Total	$ 195	$ 61	$ 8	$ 264

Accumulated depreciation	Balance at April 01, 2014	Additions	Foreign Exchange Adjustments	Balance at March 31, 2015
Plant and equipment	$ 17	$ 12	$ (9)	$ 20
Furniture and fixture	6	3	(5)	4
Vehicles	13	6	(1)	18
Office equipment	24	46	(4)	66
Total	$ 60	$ 67	$ (19)	$ 108
Net book value				**$ 156**

8. Current liabilities

	2016	2015
Trade payables	**$ 13,399**	$ 8,867
Other payables	**417**	1,043
Accruals	**1,651**	98
Total liabilities measured at amortized cost	**15,467**	10,008
Other payables - tax and social security payments	**1,784**	597
Deferred income	**1,356**	66
Loans and borrowings (Note 9)	**12,291**	7,273
Total current liabilities	**30,898**	17,944

	2016	2015
up to 3 months	**$ 29,541**	$ 17,878
3 to 6 months	**-**	66
6 to 12 months	**1,357**	-
Total current liabilities	**30,898**	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. ("the Subsidiaries") at the flat rate of 17% per year paid quarterly. These demand loans are recorded as short-term loans because the lender has a right to demand repayment by providing three months' notice. The Subsidiaries hold syndicated debt of $12,291 as at March 31, 2016 (2015: $7,273) which is used to purchase inventory. The accrued interest payable on this syndicated debt at March 31, 2016 amounted to $371. Debt of $1,165 was repaid during the year ended March 31, 2016 (2015: $Nil). The Subsidiaries have initiated a legal action against one investor for alleged breaches of such lender's construed obligations under its lending arrangement with the Subsidiaries and is in active negotiations with representatives of the syndicated group to renegotiate the terms of the facility. The status of the debt and repayment terms will remain uncertain until these negotiations are complete. Of the total amount outstanding at March 31, 2016, repayment has been demanded on $5,595 of loans which were due and payable in March 2016. The Subsidiaries are in default of these repayment obligations and continues to carry the balance of the debt and any unpaid but accrued interest at 17% as a current liability. Additional legal claims may be made by the company against certain individuals associated with Subsidiaries who have interfered with these negotiations or taken other actions which may have caused damage to the company. Management has determined that it may be necessary to place Subsidiaries under administration to and force a mediated settlement as part of these negotiations.

10. Income taxes and investment tax credits

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to before income taxes, shown as follows:

	2016	2015
Expected tax rates	**26.50%**	26.50%
Expected tax benefit from loss	**(1,459)**	(3,073)
Increase in taxes from permanent differences	**65**	59
Benefit of loss carry forwards and temporary differences not recognized	**1,382**	2,926
Rate differential on tax jurisdictions	**12**	88
	-	-

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all the future tax assets will be realized. The realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those losses can be carried forward and temporary differences are deductible. The amount of the deferred tax assets considered realizable could change materially in the near term, based on future taxable income during the carry-forward period.

At March 31, 2016, deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2016	**2015**
Tax losses (i)	**$50,547**	$46,765
SR&ED expenditures	**1,505**	-
Share issuance costs (ii)	**738**	984
Other	**90**	-

(i) Related to tax losses that are non-capital in nature; these tax losses begin to expire in 2022.
(ii) Share issuance costs will expire in 2020.

11. Share capital

The Company is authorised to issue an unlimited number of commons shares with no par value. On July 8th, 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 for gross proceeds of $30.1M. This amount does not include the issuance costs of $5.4M. In addition, 234,889 existing special warrants were exchanged for common shares of DataWind Inc. on a 1:1 basis (see consolidated statement of changes in shareholder' equity). Warrants were exercised in November 2015 resulting in issuance of 53,625 shares. As at March 31, 2016, there were 22,111,248 common shares outstanding.

<u>Warrants</u>
Each warrant entitles the holder to purchase one common share of the Company. The Company's outstanding warrants at March 31, 2016 are 2,752,639 (2015: 3,662,101). 53,625 (536,250 warrants pre-10:1 consolidation) were exercised during the year. The weighted average exercise price of the exercisable warrants is $3.65. As of Mar 31, 2016, the exercisable warrants of 2,752,639 have an exercisable value of $8.5 M.

<u>Option Plan</u>
The Company's share option scheme (the "Scheme") was approved on July 14, 2008. Under the scheme the remuneration committee recommend the granting of options to employees of the Company subject to achieving various performance

determined by the board of directors. Options are granted with a fixed exercise price and have a vesting period of 3 years. Options were valued using the Black-Scholes option pricing model. Options will be settled by issuing equity shares of the Company. The number shares reserved for issuance under the stock option plan is 15% of the issue outstanding shares of the Company.

As at March 31, 2016, there are 22,111,248 common shares, 3,290,180 options and 2,752,639 warrants outstanding.

	Shares	***Options***	***Warrants***
Restated to reflect 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 fiscal year 2015	-	823,389	-
Expired during fiscal year 2015	-	(67,467)	-
Exercised during fiscal year 2015	75,000	-	(75,000)
Total as at March 31, 2015	22,057,623	2,945,112	3,662,102
*Correction	-	67,467	-
Granted during fiscal year 2016	-	296,000	-
Expired during fiscal year 2016	-	(18,399)	(855,838)
Exercised during fiscal year 2016	53,625	-	(53,625)
Total as at Mar 31, 2016	22,111,248	3,290,180	2,752,639

* Management found the un-expired options.

A reconciliation of option movements over the year to March 31, 2016 is shown below:

	2016		2015	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at start of year	2,945,112	$3.50	2,189,190	$3.24
Granted during the year	296,000	$2.26	823,389	$3.97
Correction for last year	67,467	$6.90		
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(18,399)	($5.26)	(67,467)	($6.90)
Outstanding at end of year	3,290,180	$ 3.45	2,945,112	$3.50
Exercisable at end of year	2,664,291	$3.55	2,769,190	$3.39

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

	2016 Weighted average	**2015 Weighted average**
Share price at grant date	$2.26	$2.25
Exercise price	$4.26	$4.75
Expected life of options (years)	5.00	3.00
Expected volatility	50%	50%
Risk free rate	0.7%	0.7%
Weighted average fair value per option	$0.98	$0.52

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 expected life of options.

The total charge for the year relating to employee share based payment plans was $182 (2015 - $511,000) all of which related to equity settled share-based payment transactions.

A reconciliation of warrants movements over the year to March 31, 2016 is shown below:

	2016		2015	
	Number	**Weighted average exercise price**	**Number**	**Weighted Average Exercise Price**
Outstanding at start of year	3,662,102	$3.48	3,228,664	$3.24
Granted in the year	-	-	508,438	$4.75
Exercised during the year	(53,625)	($2.01)	(75,000)	($1.88)
Expired during the year	(855,838)	($3.03)	-	-
Outstanding at end of year	2,752,639	$3.65	3,662,102	$3.48
Exercisable at end of year	2,752,639	$3.65	3,662,102	$3.48

12. Research and development

Claims for Scientific Research and Experimental Development (SR&ED) credits of $696 (2015: $Nil) and Industrial Research Assistance Program (IRAP) funding of $200 (2015: $Nil) have been recorded as a reduction of research and development expense during the year.

The Company has unused non-refundable investment tax credits of $300 (2015 - $153) to offset against future federal income taxes. The credits begin to expire in 2035.

13. Administration cost

	2016	2015
Salaries	**$6,130**	$3,394
Selling and marketing	**5,113**	2,423
Travel	**1,248**	1,182
Legal and professional*	**1,307**	819
Depreciation of property and equipment	**87**	67
Amortization*	**240**	30
Bad debts	**833**	25
Share based compensation	**182**	511
Other*	**2,508**	5,416
	$17,648	$13,867

** Comparative 2015 balances are re-classified from published figures to disclose amortization, legal and professional costs discretely from Other costs.*

14. Finance income and expense

	2016	2015
Finance and other income (expense)	**$(6)**	$124
Finance expense	**(3,825)**	(631)
	$(3,831)	$(507)

15. Related parties

During the year ended March 31, 2016 DataWind entered the following related party transactions. Except for inventory financing, all amounts owing to related parties have been paid during year with no outstanding balances.

Tablet Investments Ltd. and Tablet (Guernsey) Investments Ltd**.** holds unsecured third party syndicated debt of $12,291 (2015: $7,273) as at March 31, 2016. This debt was restructured in Q3 2015 to a flat rate of 17%. Tablet Investments Ltd. and Tablet (Guernsey) Investments Ltd**.** uses this debt to purchase inventory which it then resells to DataWind Innovations Pvt. Ltd. at a markup to cover the interest and operating costs of Tablet Investments. A total interest of $1,693 was paid during the year ended March 31, 2016 (2015: $631) Ownership of purchased inventory is maintained within Tablet Investments Pvt. Ltd. until it is sold to DataWind Innovations Ltd. 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. Refer to Note 9 for a summary of litigation involving Tablet Investments Ltd

<u>An Ontario numbered company</u>

External transactions with 1003715 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, Suneet, and Lakhbir Tuli. During the year, the Company incurred $972 in costs (2015: 283). In addition to these costs, during the year 296 options were granted to Lakhbir Tuli. Costs of $48 related to the options have been included in administration cost in the consolidated statement of loss and comprehensive loss. . No further amounts are due.

16. Commitments and contingencies

At March 31, 2016, the Company had operating lease agreements in respect of properties for which the payments extend over several years.

	2016	2015
Total payment to end of lease under non-cancellable operating leases expiring:		
No later than one year	**$222**	$ 150
Later than one year and not later than 5 years	**$254**	$115

17. Financial instruments

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

	At March 31, 2016		**At March 31, 2015**	
Financial Assets	**Carrying Value**	**Maximum Exposure**	**Carrying Value**	**Maximum Exposure**
Cash and cash equivalents	230	230	10,698	10,698
Trade and other receivables	29,467	29,467	14,087	14,087
Total financial assets	$29,697	$29,697	$24,785	$24,785

Cash and Cash Equivalents in bank

All the cash is held in high rated banks -Barclays Bank plc and Bank of Montreal and HDFC.

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

Interest Rate Risk

Cash and cash equivalents are not invested in any fixed instruments. The Company has a syndicated debt facility which is repayable on 3 months' notice. The fair value of this debt will fluctuate with changes in prevailing interest rates, if the debt is replaced. Consequently, the Company is exposed to interest rate risk in the short term.

Concentration Risk

At March 31, 2016, the Company had a customer whose trade receivable balances individually represented 80.27% of the Company's total accounts receivable. The Company had 70% of its revenue from a single customer.

Credit Risk Analysis

The Company has provided for $1,108 (Note 5) against the doubtful trade receivables, during the year ending March 31, 2016. The Company's management considers that all the above financial assets that are not impaired or past due for each of the March 31 reporting dates under review are of good credit quality. At March 31, 2016, the Company has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at March 31, 2016, analysed by the length of time past due, are:

Age of receivables that are past due but not impaired

	2016	2015
61-90 days	125	198
91-120 days	85	637
>120 days	1,727	2,008
Total	1,937	2,843

Foreign exchange risk

Foreign exchange risk arises when individual group entities enter 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 group 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.

As at March 31, 2016, the Company has most of its receivables in Indian Rupee and payables in US dollar, Indian Rupee, British Pound and Euro. A 10% strengthening in the Canadian dollar against these currencies as at March 31, 2016 would have decreased net assets of the Company by $1,056 (a 10% weakening would have had the equal but opposite effect). This analysis assumes that all other variables remain constant. Foreign currency denominated financial assets and liabilities which expose the Company to currency risk in Canadian dollar are disclosed below in Canadian Dollar:

	GBP	EUR	USD	INR	Total
March 31, 2016					
Financial Assets				27,404	27,404
Financial Liabilities	6,240	2,216	15,490	3,645	27,591
Total Exposure	(6,240)	(2,216)	(15,490)	23,759	(187)
March 31, 2015					
Financial Assets				10,824	10,824
Financial Liabilities	3,827	2,043	7,160	1,006	14,036
Total Exposure	(3,827)	(2,043)	(7,160)	9,818	(3,212)

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.

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:

As at March 31, 2016	Carrying Amount	Contractual Cash Flows	Up to 3 months	3 to 6 months	6 to 12 months
Accounts payable and accrued liabilities	$ 18,607	$ 18,607	$17,250	$ -	$1,357
Loans and borrowings	12,291	12,291	12,291	-	-
Total	$ 30,898	$ 30,898	$ 29,541	$-	$1,357

As at March 31, 2015	Carrying Amount	Contractual Cash Flows	Up to 3 months	3 to6 months	6 to 12 months
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	$ -

18. 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 unit accounting for the largest proportion of the Company's business, generating 96.2% of its external revenues for the year ended March 31, 2016 (2015: 80.7%).

The Company's reportable segment are aligned as operating segment 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 unit performance based on profit or loss from operations calculated in accordance with IFRS but excluding the effects of share-based payments.

Revenue by geographic area

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

		2016	2015	
India	96.2%	57,407	25,469	80.7%
Africa	2.5%	1,483	-	0.0%
North America	1.0%	618	5,076	16.1%
Other	0.3%	168	998	3.2%
Total		59,676	31,543	

Non-Current Assets by geographic area

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

		2016	2015	
India	100.0%	218	156	100.0%
Total		218	156	

19. Capital management

The Company's objective is to maintain sufficient capital base 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.

As at March 31, 2016, total managed capital was comprised of shareholders' equity of $9,100 (2015: $14,200). There were no changes in the Company's approach to capital management during the period.

Capital

The Company's objective when managing capital is to ensure that funds are raised in an appropriate, cost-effective manner. The Company's primary concern is to maintain its ability to continue as a going concern to provide returns for shareholders and stakeholders in the Company.

The Company considers its capital to comprise its common share capital and accumulated deficit. Changes to equity during the year are detailed in the consolidated statements of changes in shareholders' equity on page 5.

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.

20. Loss per share attributable to common shareholders

	Year Ended March 31,	
	2016	**2015**
Net loss for the year	**$ (5,506)**	(11,597)
Net loss per share		
Basic and diluted	**$ (0.25)**	$ (0.57)
Weighted average number of shares outstanding		
Basic (000)	**22,079**	20,204

Fully diluted EPS is the same as Basic EPS because the stock options and warrants were antidilutive for the period.

For the year ended March 31, 2016, 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 due to losses.

21. 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 considering business achievement, fulfillment of individual objectives and overall job performance. Directors, executive officers and employees participate in the Company's stock option plans (Note 11).The following summarizes key management personnel and directors' compensation for the years ended March 31, 2016 and 2015:

	2016	2015
Salaries and directors' fees	**$ 1,522**	$ 1,354
Share-based payments (Note 11)	**182**	511
Total compensation cost	**1,704**	1,865

Director fee of $155 is payable at year ended March 31, 2016 (2015: $37)

22. Subsequent event

On April 4, 2016, the Company completed a $2.99 million bought deal financing (the "2016 Financing") with Haywood Securities Inc. ("Haywood"). Pursuant to the 2016 Financing, a total of 1,495,000 units (the "Units") were issued at a price of $2.00 per Unit for total aggregate proceeds to us of approximately $2,990. Each Unit consisted of one Common Share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "2016 Warrant"). Each 2016 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of $2.80 for a period of twelve months following closing of the 2016 Financing.