

Unaudited Condensed Consolidated Interim Financial
Statements of

DataWind Inc.

Three-month periods ended June 30, 2016 and 2015
(in thousands of Canadian dollars)

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DataWind Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at Jun 30, 2016 and March 31, 2016

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

ASSETS	Note	June 2016	March 2016
Current assets			
Cash and cash equivalents	4	\$ 5,035	\$ 230
Trade and other receivables	5	31,634	29,467
Inventories	6	12,077	10,036
		48,746	39,733
Non-current assets			
Property, plant and equipment	7	212	218
Total Assets		\$ 48,958	\$ 39,951
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 26,650	\$ 18,607
Loans and borrowings	8, 9	11,846	12,291
Total Liabilities		38,496	30,898
SHAREHOLDERS' EQUITY			
Share capital	10	54,760	52,276
Contributed surplus		3,563	3,521
Accumulated other comprehensive loss		(47)	(223)
Deficit		(47,814)	(46,521)
Total Shareholders' Equity		10,462	9,053
Total Liabilities and Shareholders' Equity		\$ 48,958	\$ 39,951

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 month periods ended June 30, 2016 and June 30, 2015

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

	Note	Three Months Ended June 30,	
		2016	2015
Revenue	16	\$ 21,060	\$ 12,397
Cost of goods sold		14,035	9,387
Gross profit		7,025	3,010
Operating expenses:			
Research and development		391	340
Administration cost	11	6,618	3,309
IPO transaction costs		-	-
Foreign exchange loss/(gain)		42	(198)
Total operating expenses		7,051	3,451
Operating profit/ (loss)		(26)	(441)
Finance and other income	12	-	20
Finance expense	12	(1,267)	(965)
Loss before income taxes		(1,293)	(1,386)
Tax expense		-	-
Net loss		(1,293)	(1,386)
Other comprehensive income:			
Unrealized foreign exchange translation gain /(loss)		176	(680)
Net comprehensive loss for the period		\$ (1,281)	\$(2,066)
Net loss per share			
Basic	18	(\$ 0.05)	(\$ 0.06)
Weighted Average number of shares outstanding		23,560,232	22,057,623

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)

Three month periods ended June 30, 2016 and June 30, 2015

(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)
Balance at March 31, 2015		22,057	\$52,168	\$3,339	\$(332)	\$(41,015)	\$14,160
Stock based compensation	10	-	-	32	-	-	32
Net loss		-	-	-	-	(1,386)	(1,386)
Foreign currency translation		-	-	-	(680)	-	(680)
Balance at June 30, 2015		22,057	\$52,168	\$ 3,371	\$(1,012)	\$(42,401)	\$ 12,126
Balance at March 31, 2016		22,111	\$52,276	\$3,521	\$(223)	\$(46,521)	\$9,053
Share issuance		1,513	2,485	-	-	-	2,485
Warrants exercised		-	-	-	-	-	-
Stock based compensation	10	-	-	42	-	-	42
Net loss		-	-	-	-	(1,293)	(1,293)
Foreign currency translation		-	-	-	176	-	176
Balance at June 30, 2016		23,624	\$54,760	\$3,563	\$(47)	\$(47,814)	\$ 10,463

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

DataWind Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Three month periods ended June 30, 2016 and June 30, 2015

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

		Three-month period ended	
		June 30,	
		2016	2015
Cash flows from operating activities	Note		
Net loss for the period		\$ (1,293)	\$ (1,386)
Non-cash items:			
Foreign exchange translation loss/(gain)		42	(880)
Depreciation of property and equipment	7	14	16
Finance expenses	12	1,267	418
Provision for bad debt and slow moving inventory		100	-
Stock based compensation	10	42	32
Changes in non-cash working capital items		172	(1,800)
Trade and other receivables		(2,167)	(2,558)
Inventories		(2,041)	(2,801)
Accounts payable and accrued liabilities		8,043	2,845
Net cash used in operating activities		4,007	(4,314)
Cash flows from investing activities			
Addition of property and equipment during the period	7	(12)	(14)
Net cash used in investing activities		(12)	(14)
Cash flows from financing activities			
Issuance of common shares		2,484	-
Loan received during the period	9	-	4,179
Interest paid during the period		(666)	-
Net cash (used in)/provided by financing activities		1,818	4,179
Net change in cash and cash equivalents		5,813	(149)
Cash and cash equivalents – beginning of period		230	10,698
Exchange gains/(losses)		(1,008)	(234)
Cash and cash equivalents – end of period	4	\$5,035	\$10,315

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 June 30, 2016 and June 30, 2015

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

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 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 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 unaudited consolidated financial statements were approved by the Company's Board of Directors on November 21, 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 June 30, 2016, the Company had a working capital surplus of \$10,250 including \$5,035 in cash. For the quarter ended June 30, 2016 the company had \$1,293 net loss and accumulative deficit of \$47,814. 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 financial statements and the classification used in the 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 financial statements of 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. The majority of the revenues, cost of goods sold and operating expenses within the subsidiaries are transacted in a combination of Indian rupees, British Pounds ("GBP") 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 the period 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 purchase 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 comprehensive loss from the date on which control is obtained.

The subsidiaries of DataWind Inc. as at June 30, 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

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:

Plant 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 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 our 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 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 goods are shipped to retailer 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. 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. 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 recorded on a straight-line basis over the vesting period, 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 equity-settled employee benefits reserve.

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.

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.

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:

Estimates

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 warranties 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.

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.

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 *Construction 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

	<u>Jun 30, 2016</u>	<u>Mar 31, 2016</u>
Cash	\$ 5,035	\$ 230
Short-term investments	-	-
Total	<u>\$ 5,035</u>	<u>\$ 230</u>

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

	<u>Jun 30, 2016</u>	<u>Mar 31, 2016</u>
Trade receivables	\$ 30,902	\$ 29,750
Allowance for doubtful debts	529	1,108
Trade receivables – net	<u>30,373</u>	<u>28,642</u>
Other receivables	<u>1,261</u>	<u>825</u>
Total financial assets other than cash and cash equivalents classified as loans and receivables	<u>31,634</u>	<u>29,467</u>
Total trade and other receivables	<u>31,634</u>	<u>29,467</u>
Current portion	<u>31,634</u>	<u>29,467</u>

6. Inventories

	<u>Jun 30, 2016</u>	<u>Mar 31, 2016</u>
Work in progress	1,308	1,613
Finished goods	<u>10,830</u>	<u>8,517</u>
Total	<u>12,138</u>	<u>10,130</u>
Provision for slow moving inventory	61	94
Inventories – net	<u>12,077</u>	<u>10,036</u>

**7. Property, plant and equipment
Cost**

	<u>Balance at April 01, 2016</u>	<u>Additions</u>	<u>Foreign Exchange Adjustments</u>	<u>Balance at June 30, 2016</u>
Plant and equipment	\$ 147	\$ -	(\$3)	\$ 144
Furniture and fixture	49	1	(1)	49
Vehicles	29	-	-	29
Office equipment	190	11	(2)	199
Total	<u>\$ 415</u>	<u>\$ 12</u>	<u>(\$6)</u>	<u>\$ 421</u>
Accumulated depreciation	<u>Balance at April 01, 2016</u>	<u>Additions</u>	<u>Foreign Exchange Adjustments</u>	<u>Balance at June 30, 2016</u>
Plant and equipment	\$ 44	\$ 4	(\$ 6)	\$ 43
Furniture and fixture	14	2	-	16
Vehicles	23	1	-	24
Office equipment	116	7	4	126
Total	<u>\$ 197</u>	<u>\$ 14</u>	<u>(\$2)</u>	<u>\$ 209</u>
Net book value				<u><u>\$ 212</u></u>

Cost	<u>Balance at April 01, 2015</u>	<u>Additions</u>	<u>Foreign Exchange Adjustments</u>	<u>Balance at March 31, 2016</u>
Plant and equipment	\$ 82	\$ 62	\$ 3	\$ 147
Furniture and fixture	21	28	-	49
Vehicles	28	-	1	29
Office equipment	133	51	6	190
Total	<u>\$ 264</u>	<u>\$ 141</u>	<u>\$ 10</u>	<u>\$ 415</u>
Accumulated depreciation	<u>Balance at April 01, 2015</u>	<u>Additions</u>	<u>Foreign Exchange Adjustments</u>	<u>Balance at March 31, 2016</u>
Plant and equipment	\$ 20	\$ 24	\$ -	\$ 44
Furniture and fixture	4	10	-	14
Vehicles	18	4	1	23
Office equipment	66	49	1	116
Total	<u>\$ 108</u>	<u>\$ 87</u>	<u>\$ 2</u>	<u>\$ 197</u>
Net book value				<u><u>\$ 218</u></u>

8. Current liabilities

	Jun 30, 2016	Mar 31, 2016
Trade payables	\$ 18,241	\$ 13,399
Other payables	2,802	417
Accruals	1,804	1,651
Total liabilities measured at amortized cost	22,847	15,467
Other payables - tax and social security payments	2,386	1,784
Deferred income	1,417	1,357
Loans and borrowings (Note9)	11,846	12,291
Total current liabilities	38,496	30,898

	Jun 30, 2016	Mar 31, 2016
up to 3 months	\$ 37079,	\$ 29,541
3 to 6 months	-	-
6 to 12 months	1,417	1,357
Total current liabilities	38,496	30,898

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 demand loans are recorded as short-term loans because no repayment terms are agreed with investors and they can be called with 3 months' notice. The Company holds syndicated debt of \$11,846 as at June 30, 2016 (March 2016: \$12,127) which is used to purchase inventory. The accrued interest payable on this syndicated debt at June 30, 2016 amounted to \$629. No debt amount was repaid during the quarter ended June 30, 2016 (March 2016: \$1,167). The company has initiated a legal action against one investor for alleged breaches of such lender's construed obligations under its lending arrangement with the subsidiary 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 June 30, 2016, repayment has been demanded on \$9,413 out of loans which were due and payable in June 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 against by the company against certain individuals associated with Tablet 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 Tablet under administration to force a mediated settlement as part of these negotiations.

10. Share capital

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's equity). On April 4th, 2016, Datawind Inc. issued 1,495,000 shares. Warrants were also exercised in June 2016 resulting in issuance of 17,500 shares. As at June 30, 2016 there were 23,623,748 (March 31, 2016: 22,111,248) common shares outstanding.

Warrants

Each warrant entitles the holder to purchase one common share of the Company. The Company's outstanding warrants at June 30, 2016 are 3,589,839 (March 31, 2016: 2,752,639). 17,500 (175,000 warrants pre 10:1 consolidation) were issued during the quarter ended June 30, 2016. The weighted average exercise price of the warrants in issue is \$3.08.

Option Plan

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.

As at June 30, 2016, there are 23,623,748 common shares, 3,300,180 options and 3,589,839 warrants outstanding.

	<u>Share</u>	<u>Options</u>	<u>Warrants</u>
Total as at March 31, 2015	22,057,623	2,945,112	3,662,102
Granted during fiscal year 2015	-	-	-
Expired during fiscal year 2015	-	-	(318,356)
Exercised during fiscal year 2015	-	-	-
Total as at June 30, 2015	22,057,623	2,945,112	3,343,747
Total as at Mar 31, 2016	22,111,248	3,290,180	2,752,639
Share issued during the period	1,495,000	-	-
Granted during the period	-	10,000	837,200
Exercised during the period	17,500	-	-
Total as at Jun 30, 2016	23,623,748	3,300,180	3,589,839

A reconciliation of option movements over the quarter ended to June 30, 2016 is shown below:

	<u>Jun 30, 2016</u>		<u>Mar 31, 2016 (Annual)</u>	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of year	3,290,180	\$3.45	2,945,112	\$3.50
Granted during the period	10,000	2.8	296,000	\$2.26
Correction for last period	-	-	67,467	\$6.90
Expired during the period	-	-	(18,399)	(\$5.26)
Outstanding at end of period	3,300,180	\$ 3.45	3,290,180	\$ 3.45
Exercisable at end of period	2,954,987	\$3.55	2,769,190	\$3.39

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

	Jun 30, 2016 Weighted average	Mar 31, 2016 Weighted average
Share price at grant date	\$2.26	\$2.26
Exercise price	\$3.45	\$4.26
Expected life of options (years)	5.00	5.00
Expected volatility	50%	50%
Risk free rate	0.7%	0.7%
Weighted average fair value per option	\$0.98	\$0.98

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 quarter relating to employee share based payment plans was \$41,967 (Jun 30,2015: \$32,275) all of which related to equity settled share-based payment transactions.

A reconciliation of warrants movements over the quarter ended to June 30, 2016 is shown below:

	Jun 30, 2016		Mar 31, 2016 (Annual)	
	Number	Weighted average exercise price	Number	Weighted Average Exercise Price
Outstanding at start of year	2,752,639	\$3.65	3,662,102	\$3.48
Granted in the year	837,200	2.8	-	-
Exercised during the year	-	-	(53,625)	(\$2.01)
Expired during the year	-	-	(855,838)	(\$3.03)
Outstanding at end of year	3,589,839	\$3.45	2,752,639	\$3.65
Exercisable at end of year	3,589,839	\$3.45	2,752,639	\$3.65

11. Administration cost

	Jun 30, 2016	Jun 30, 2015
Salaries	1,249	1,205
Selling and marketing	4,113	917
Travel	181	268
Legal and professional*	463	239
Depreciation of property and equipment	14	16
Share based compensation	42	32
Other	556	632
	6,618	3,309

12. Finance income and expense

	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>
Finance and other income	-	\$20
Finance expense	<u>(1,267)</u>	<u>(965)</u>
	<u>\$(1,267)</u>	<u>\$(945)</u>

13. Related parties

An Ontario numbered company

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 quarter ended June 30, 2016, the Company incurred \$220 in costs (June 30, 2015: \$283). No further amounts are due.

14. Commitments and contingencies

At June 30, 2016, the Company had operating lease agreements in respect of properties for which the payments extend over several years.

	<u>Jun 30, 2016</u>	<u>Mar 31, 2016</u>
Total payment to end of lease under non-cancellable operating leases expiring:		
No later than one year	\$178	\$222
Later than one year and not later than 5 years	\$212	\$254

15. Financial instruments

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

	<u>At June 30, 2016</u>		<u>At March 31, 2016</u>	
Financial Assets	<u>Carrying Value</u>	<u>Maximum Exposure</u>	<u>Carrying Value</u>	<u>Maximum Exposure</u>
Cash and cash equivalents	5,035	5,035	230	230
Trade and other receivables	31,634	31,634	29,467	29,467
Total financial assets	<u>\$36,669</u>	<u>\$36,669</u>	<u>\$29,697</u>	<u>\$29,697</u>

Cash and Cash Equivalents

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. Consequently, the Company is exposed to interest rate risk in the short term.

Concentration Risk

At June 30, 2016, the Company had a customer whose accounts receivable balances individually represented 87.1% of the Company's total accounts receivable.

Credit Risk Analysis

The company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. At June 30, 2016, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired.

Foreign exchange risk

Foreign exchange risk arises when individual group 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 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.

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.

Net foreign currency

	United Kingdom		Canada		India		Total	
	<u>At Jun</u>	<u>At Mar</u>	<u>At Jun</u>	<u>At Mar</u>	<u>At Jun</u>	<u>At Mar</u>	<u>At Jun</u>	<u>At Mar</u>
	<u>30,</u>	<u>31,</u>	<u>30,</u>	<u>31,</u>	<u>30,</u>	<u>31,</u>	<u>30,</u>	<u>31,</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
Canadian Dollar	-	-	\$3,081	\$123	-	-	\$ 3,081	\$ 123
Pounds Sterling	19	19	-	-	-	-	19	19
US Dollar	-	-	-	-	-	-	-	-
Indian Rupees	-	-	-	-	1,935	88	1,935	88
Total net exposure (in CAD \$)	\$ 19	\$ 19	\$ 3,081	\$ 123	\$ 1,935	\$ 88	\$ 5,035	\$ 230

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 June 30, 2016	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>Up to 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>
Accounts payable and accrued liabilities	\$ 26,650	\$ 26,650	\$24,223	\$ -	\$1,427
Loans and borrowings	11,846	11,846	11,846	-	-
Total	\$ 38,496	\$ 38,496	\$ 37,069	\$-	\$1,427

As at March 31, 2016	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>Up to 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>
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

16. 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 99.4% of its external revenues for the quarter ended June 30, 2016 (Jun 30, 2015: 99.0%).

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.

		Jun 30, 2016	June 30, 2015	
India	99.4%	21,606	12,278	99.0%
North America	0.6%	125	100	0.8%
Other	0.0%	5	20	0.2%
Total		21,735	12,397	

Non-Current Assets by geographic area

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

		Jun 30, 2016	Mar 31, 2016	
India	100.0%	212	218	100.0%
Total		212	218	

17. 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.

As at June 30, 2016, total managed capital was comprised of shareholders' equity of \$10.5 million (March 31, 2016: \$9.2). 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 Statements of Changes in Shareholders' Equity.

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.

18. Loss per share attributable to common shareholders

	Period Ended,	
	Jun 30, 2016	June 30, 2015
Net loss for the year	\$ (1,293)	\$ (1,386)
Net loss per share		
Basic and diluted	\$ (0.05)	\$ (0.06)
Weighted average number of shares outstanding		
Basic ('000)	23,560	22,057

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

For the quarter ended June 30, 2016 there are no dilutive options and 669,100 warrants that could potentially dilute basic earnings per share in the future but which were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive because of losses.

19. 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 quarter ended June 30, 2016 and June 30, 2015:

	June 30, 2016	June 30, 2015
Salaries and directors' fees	\$ 349	\$ 1,205
Share-based payments (Note 11)	42	32
Total compensation cost	391	1,237

Director fee of \$112 is payable at quarter ended June 30, 2016 (March 2016: \$155)