

DataWind UK Plc

Annual report

For the period ended

31 December 2007

27



BDO

BDO Stoy Hayward
Chartered Accountants

DataWind UK Plc

Annual report and financial statements for the period ended 31 December 2007

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Directors

Andrew Beeson
Raja Singh Tuli
Suneet Singh Tuli
Lakhbir Singh Tuli
Viscount Bearsted

Secretary and registered office

Paul Gothard
3 Bloomsbury Place
London
WC1A 2QA

Company number

06195124

Auditors

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey, KT17 1HS

DataWind UK Plc

Chairman's statement

After successfully raising £4m in a private placement in May 2007, we completed the development of the PocketSurfer2 mobile internet device and launched it into the UK market in September 2007. We finalised a distribution agreement with Widget UK Ltd for the UK market and began selling the PocketSurfer2 in most of the leading electronic retail stores in the UK such as PC World, Maplin and John Lewis as well as online through Amazon and others. The TV shopping channel Ideal Shopping has been a particularly successful sales channel and we have received much publicity in the press and other media for producing a true mobile internet device.

The technology we have developed allows a significant reduction in data consumption and corresponding costs so eliminating monthly charges in addition to delivering a richer and faster mobile web experience. It is evident that our market - the Mobile Internet - is becoming the goal for mobile companies and is fast becoming a key product segment in the retail sector.

Our engineering team overcame many challenges in completing the product, preparing it for launch onto the market and developing several enhancements to both the device itself and the software. Our Chinese manufacturer, component supply channels and quality assurance teams have all worked tirelessly to ensure seamless manufacturing, and establishing robust load-tested backend billing and server technology were the key priorities for our engineering team and I am proud of the hard work, endless hours and successful results that were produced.

Additionally, we negotiated and secured wholesale wireless data access agreements which allowed us to launch our 'free-usage' business model in the UK. This results in simplifying the customer's buying experience by eliminating long-term monthly fees and contracts yet delivering a richer and faster mobile web experience.

With regard to management, we are very pleased to have recruited David Elder as Chief operating Officer for Europe. David is a seasoned manager with direct experience in companies like Psion and TomTom.

Business Development in 2008

During 2008 we expanded our retail channels in the UK as well as entering into distribution agreements in Germany and Spain. In addition to expanding our sales operations in Europe, we shipped PocketSurfer2's to Nigeria and Australia further reflecting the global appeal of the product, and we are in advanced discussions to enter the Indian and US markets, both of which hold very significant potential for the company. We believe the PocketSurfer2 will prove to be particularly appealing to developing countries, most of which have high mobile telephone penetration but minimal internet access.

As we reach a critical mass of initial users in the marketplace, we have started to develop our advertising engines and related server technology to generate recurring revenue. In an important recent development we have negotiated a wireless data access agreement with Vodafone which will enable us to offer the PocketSurfer2 with unlimited and completely free for life internet access in the UK coupled with roaming capability in Europe for a small charge.

We have developed various enhancements to the product including a trackpad and simplified text entry and continue to develop the product and back-end software to further improve the user experience. Our manufacturing costs have been reduced and are set to decline further despite these enhanced features. There are a number of new products in the pipeline. We are also developing further our advertising engines and related server technology to start generating recurring revenue as we reach a critical mass of users.

DataWind UK Plc

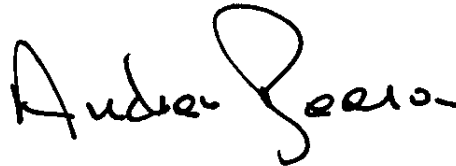
Chairman's statement (*continued*)

During the early part of 2008 we commenced the work required for an IPO which we were advised would be able to be completed at a significant uplift from the private placement valuation, and we engaged a large investment bank to take us public. However since market conditions have deteriorated, we are currently pursuing a policy of cash conservation until we become cash flow positive. With the IPO market effectively closed, we shall be raising additional capital through a smaller private placement in the next few months in order to continue investing in the market development and R&D opportunities outlined above, which we are confident of completing even in these difficult conditions.

With regard to the management we further enhanced the team by recruiting Paul Gothard as our Chief Financial Officer, who has significant public company experience. Additionally we constituted a Remuneration Committee comprising our non-executive directors and are in the process of setting up the Audit Committee.

The year 2007 showed a very promising start to an exciting business that holds a lot of potential and in the coming years I am confident that the dedicated and passionate team at DataWind and its distributors will deliver its fullest potential.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Andrew Beeson', with a stylized flourish at the end.

Andrew Beeson
Co-Chairman

DataWind UK Plc

Report of the directors for the period ended 31 December 2007

The directors present their report together with the audited financial statements for the period from incorporation (30 March 2007) to 31 December 2007

Principal activities, review of business and future developments

The company's principal activity is that of a holding company

DataWind UK Plc (the group) has created an *Internet Delivery Platform* that achieves a reduction in bandwidth (load) usage and client device costs while maintaining a familiar user experience. Based on a patent portfolio of 11 US patents granted, DataWind's technology accelerates the delivery of web-content across wireless networks, and reduces data consumption

The complexity of the web continues to multiply, requiring significant processing power and memory to render and manipulate the average web page. Such processing power is difficult to harness in a battery-powered handheld environment. DataWind's technology helps overcome such limitations, and remotely delivers the processing power commonly available in high-end graphics servers

DataWind's acceleration and data-reduction is accomplished through the use of proprietary algorithms resident on DataWind's application servers that operate as a gateway between the primary (internet based) content server selected by the user and the end user

DataWind's architecture creates a live parallel-processor environment, wherein both the client device and a high-end server process web pages in parallel to enhance the user experience on the client handheld device. Connected to the internet backbone with significantly greater bandwidth and processing power than is possible with a cellular handheld device, the DataWind servers remotely deliver to the client device the power of such servers

The group markets and distributes the PocketSurfer2 mobile internet device which utilises DataWind's technology described above in the United Kingdom through its wholly owned subsidiary DataWind Limited registered in England and Wales and in North America through DataWind Net Access, Corporation, a Canadian resident company registered in the United States of America. In 2008 the group plans to expand its operations into Europe, Australia and India

The principal risks and uncertainties that face the company include

Limited Operating History

DataWind must, among other things, successfully implement its sales and marketing strategy, respond to competitive developments, attract, retain and motivate qualified personnel and commercialise its products in a highly competitive environment. DataWind is a relatively new business and there is no guarantee that it will be successful on the scale necessary to make DataWind a commercially viable business

No Guarantee of Product Development

The wireless data communications industry is an emerging industry that is characterised by rapid technological change, evolving industry standards and frequent new product introductions. Accordingly, DataWind's future success depends upon its ability to enhance its current products and develop and introduce new products which offer enhanced performance and functionality at competitive prices

Reliance on Manufacturers

DataWind's manufacturing activity depends on obtaining adequate supplies of functional components, such as displays, semi-conductors, batteries, printed circuit boards and flash memory, on a timely basis. DataWind purchases several key components and licenses certain software used in the manufacture and operation of its products from a variety of sources. Moreover, DataWind depends on, but has limited control over, the quality and reliability of the products supplied to it. If DataWind cannot supply products

DataWind UK Plc

Report of the directors for the period ended 31 December 2007 (continued)

due to a lack of components, or is unable to redesign products with other components in a timely manner, its business will be significantly harmed. A supplier could discontinue or restrict supplying components or licensing software to DataWind with or without penalty. If a supplier discontinues or restricts supplying a component or licensing software, DataWind's business could be harmed by the resulting product manufacturing and delivery delays. In addition, if a component supplier fails to meet DataWind's supplier requirements, such as product quality standards, and as a consequence some of DataWind's products are unacceptable, DataWind's sales and operating results could be adversely affected. A supplier could also file for bankruptcy, which would have an adverse financial impact on DataWind.

Competitive Industry

DataWind is engaged in an industry that is highly competitive and rapidly evolving. No technology has been exclusively or commercially adopted as the industry standard for wireless data communication. Accordingly, both the nature of the competition and the scope of the business opportunities afforded by the market in which DataWind competes is currently uncertain. DataWind's competitors, including many new market entrants, may implement new technologies before DataWind does. In addition, DataWind's competitors may deliver new products and solutions earlier, or provide more attractively priced, enhanced or better quality products and solutions than DataWind does.

Working Capital

DataWind will require additional sources of capital over the next few years. No assurances can be given that DataWind will be successful in obtaining the working capital that it requires to continue its business operations. If DataWind is successful in raising additional capital through equity financings, the existing investors may suffer substantial dilution of their holdings.

Illiquidity and Volatile Share Price

Future issues of DataWind's shares could lower the price per DataWind share and dilute investors' voting power and relative holdings. DataWind may issue further shares in subsequent offerings or may issue further shares to finance future acquisitions. DataWind cannot predict the size of future issues of its shares or the effect, if any, that future issues of its shares will have on their value.

Fluctuations in Foreign Currencies

DataWind is exposed to foreign exchange risk as a result of transactions in currencies other than DataWind's functional currency of the British pound. A substantial majority of DataWind's purchases of manufactured units are denominated in US dollars. A portion of revenue and capital expenditures will be incurred in other currencies, primarily US dollars and possibly Euros. If the British pound depreciates relative to the US dollar, DataWind's costs will increase. As a result, exchange rate fluctuations may materially affect DataWind's operating results in future periods.

In May 2007 DataWind UK Plc raised £3.5m (net of costs) via a private placement to further expand the business in the United Kingdom and Europe.

DataWind Net Access Corporation was acquired in a share for share exchange valued at approximately £1.2m in May 2007.

Financial instruments

At 31 December the group had not used any financial instruments other than cash balances.

DataWind UK Plc

Report of the directors for the period ended 31 December 2007 (*continued*)

Key performance indicators

The directors consider the following to be key performance indicators by which progress in the development of the business may be assessed

- The level of current and future sales to our distributors by unit and £ value
- Future expansion into new markets
- Improvements to the manufacturing process to reduce unit cost of manufacturer

Results and dividends

Turnover was £1 0m for the period

The consolidated profit and loss account is set out on page 9 and shows the loss for the period

The directors do not recommend the payment of a dividend for the period ended 31 December 2007

Research and development

The group's capitalised development costs relates to the technology allowing data compression and significant data transmission speeds for mobile internet devices

The group acquired capitalised development costs of approximately £2 0m with the acquisition of DataWind Net Access Corporation. The group continued to capitalise research and development up to September 2007 when the PocketSurfer2 was released and where the technology was fully developed and in use. The capitalised development costs are subsequently being amortised over 5 years.

The group additionally expenses development costs related to software upgrades and general improvements to the PocketSurfer2 unit.

Policy and practice on payment of creditors

The group does not have a specific policy on creditors but provides payment to suppliers on agreed terms on a supplier by supplier basis. The number of average days purchases of the company represented by trade creditors is 57.

Directors

The directors of the company for the period were

Andrew Beeson	Appointed 25 April 2007
Raja Singh Tuli	Appointed 30 March 2007
Suneet Singh Tuli	Appointed 30 March 2007
Lakhbir Singh Tuli	Appointed 4 May 2007
Viscount Bearsted	Appointed 4 May 2007

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

DataWind UK Plc

Report of the directors for the period ended 31 December 2007 (*continued*)

Statement of directors' responsibilities

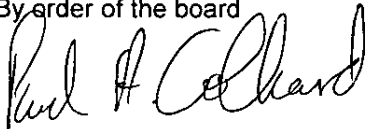
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the board



Paul Gothard,

Secretary
20 October 2008

DataWind UK Plc

Report of the independent auditors

Independent auditor's report to the shareholders of DataWind UK Plc

We have audited the group and parent company financial statements (the "financial statements") of DataWind UK Plc for the period ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company reconciliation of movements in shareholders' funds, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

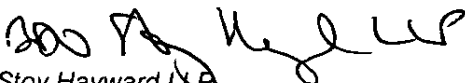
DataWind UK Plc

Report of the independent auditors (*continued*)

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2007 and of its loss for the period then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements


BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Epsom
Date

20 October 2008

DataWind UK Plc

Consolidated profit and loss account for the period to 31 December 2007

	Note	2007 £'000
Turnover	1,2	1,034
Cost of sales		(1,087)
Gross loss		(53)
Administration expenses		(1,363)
Operating loss	3	(1,416)
Interest receivable and similar income	6	78
Loss on ordinary activities before taxation		(1,338)
Taxation on loss on ordinary activities	7	-
Loss on ordinary activities after taxation for the period	14	(1,338)

The results for the period are derived from continuing operations acquired during the period

The group has no recognised gains or losses other than its loss for the period

The notes on pages 13 to 22 form part of these financial statements

DataWind UK Plc

Reconciliation of movements in group shareholders' funds For the period to 31 December 2007

	Group 2007	Company 2007
	£'000	£'000
Loss for the financial period	(1,338)	(61)
Proceeds of ordinary shares issued for cash	3,516	3,516
Ordinary shares issued for the acquisition of DataWind Net Access Corp	1,154	1,154
Capital contribution (see note 18)	827	827
	<hr/>	<hr/>
Shareholders' funds at 31 December	4,159	5,436
	<hr/>	<hr/>

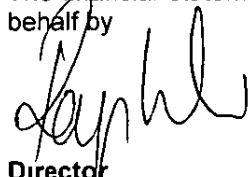
The notes on pages 13 to 22 form part of these financial statements

DataWind UK Plc

Balance Sheets at 31 December 2007

	Note	Group 2007 £'000	Company 2007 £,000
Fixed assets			
Intangible assets	8	1,995	-
Tangible assets	9	2	-
Investment in subsidiaries	10	-	1,154
		<hr/>	<hr/>
		1,997	1,154
Current assets			
Stocks	11	72	-
Debtors	12	798	3,204
Cash at bank and in hand		2,374	1,089
		<hr/>	<hr/>
		3,244	4,293
Creditors: amounts falling due within one year	13	(1,082)	(11)
		<hr/>	<hr/>
Net current assets		2,162	4,282
		<hr/>	<hr/>
Total assets less current liabilities		4,159	5,436
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	75	75
Share premium account	16	3,491	3,491
Merger reserve	17	1,104	1,104
Capital contribution	18	827	827
Profit and loss reserve	14	(1,338)	(61)
		<hr/>	<hr/>
Shareholders' funds		4,159	5,436
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 20 October 2008 and were signed on its behalf by


Director

The notes on pages 13 to 22 form part of these financial statements

DataWind UK Plc

Consolidated cash flow statement for the period to 31 December 2007

	2007	2007
	£'000	£'000
Reconciliation of operating losses to net cash outflows from operating activities		
Loss for the financial period		(1,416)
Amortisation of research and development costs		121
Decrease in stocks		118
Increase in debtors		(797)
Increase in creditors		509
		<hr/>
Net cash outflow from operating activities		(1,465)
Returns on investments and servicing of finance		
Interest received	78	
	<hr/>	
Net cash inflow from returns on investments and servicing of finance		78
Taxation		-
Capital expenditure		
Purchase of tangible fixed assets	(2)	
Purchase of intangible fixed assets	(60)	
	<hr/>	
Net cash outflow from capital expenditures		(62)
Acquisitions		
Cash acquired with subsidiary undertakings	307	
	<hr/>	
Net cash inflow from acquisitions		307
Financing		
Issue of ordinary share capital	3,516	
	<hr/>	
		3,516
		<hr/>
Increase in cash in the period		2,374
		<hr/>
Reconciliation and analysis of movement in net funds		
Net cash at 30 March 2007 (incorporation)		-
Increase in net cash		2,374
		<hr/>
Net cash at 31 December 2007		2,374
		<hr/>

DataWind UK Plc acquired DataWind Net Access Corporation in a non-cash transaction via a share for share purchase for £1,154,000 – see note 19

The notes on pages 13 to 22 form part of these financial statements

DataWind UK Plc

Notes forming part of the financial statements for the period ended 31 December 2007

1 Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of DataWind UK Plc and all of its subsidiary undertakings as at 31 December 2007 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition. Intra-group sales and losses are eliminated on consolidation. During the period the company acquired DataWind Net Access Corporation in a share for share transaction and has utilised merger relief available under S131 of the Companies Act 1985 and has therefore created a merger reserve equal to the value of the net assets acquired less the nominal value of the shares issued.

Fixed asset investments

Fixed asset investments are stated at cost less provision for diminution in value.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Turnover

Revenue from the sales of PocketSurfer2 devices is recognized when title is transferred to the customer and all significant contractual obligations that affect the customer's final acceptance have been fulfilled. Revenue received in respect of the connection and data fees are accrued in full at the time of activation of the device and released over the initial subscription period.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Office and computer equipment - 33 1/3% per annum straight line

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

DataWind UK Plc

Notes forming part of the financial statements for the period ended 31 December 2007 (*Continued*)

1 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

In accordance with SSAP 20, foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Research and Development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable,
- the project is technically feasible and commercially viable,
- current and future costs are expected to be exceeded by future sales, and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the group starts to benefit from the expenditure.

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Operating leases

Payments under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

DataWind UK Plc

Notes forming part of the financial statements
for the period ended 31 December 2007 (*Continued*)

2 Group segmental reporting

	Turnover	Loss before Tax
	2007 £'000	2007 £'000
Geographical analysis		
UK	710	(1,311)
North America	324	(105)
	<hr/>	<hr/>
	1,034	(1,416)
	<hr/>	<hr/>
Interest and other income		78
		<hr/>
		(1,338)
		<hr/>
Net assets		2007 £'000
UK		2,175
North America		1,984
		<hr/>
		4,159
		<hr/>

The groups only business segment is the marketing and distribution of mobile internet devices

3 Operating loss

	2007 £'000
Loss is stated after charging/(crediting)	
Staff costs (note 4)	333
Research and development – current years expenditure	401
Research and development – amortisation of capitalised expenditure	121
Auditors' remuneration – fees for the audit of the group's annual accounts	7
Auditors' remuneration – fees for the audit of the parent company	4
Auditors' remuneration – taxation services	4
Net exchange differences on foreign currency deposits	(22)

DataWind UK PLC

Notes forming part of the financial statements
for the period ended 31 December 2007 (Continued)

4 Employees

Staff costs (including directors) consist of

	Group 2007 £'000	Company 2007 £'000
Salaries and wages	316	156
Social security costs	17	9
	<hr/>	<hr/>
	333	165
	<hr/>	<hr/>

The average number of employees (including directors) during the year was as follows

	Group 2007	Company 2007
Management	2	2
Sales and marketing	5	-
Software support	5	-
Administration	3	-
	<hr/>	<hr/>
	15	2
	<hr/>	<hr/>

5 Directors' remuneration

	2007 £'000
Directors emoluments	207
	<hr/>

6 Interest receivable and similar income

	Group 2007 £,000	Company 2007 £'000
Interest receivable	56	32
Net exchange differences on foreign currency balances	22	-
	<hr/>	<hr/>
	78	32
	<hr/>	<hr/>

DataWind UK PLC

Notes forming part of the financial statements
for the period ended 31 December 2007 (*Continued*)

7 Taxation

Group	2007 £'000
Current tax charge	-
Deferred tax charge	-
Net tax charge	-
Loss on ordinary activities before taxation	(1,338)
Loss on ordinary activities multiplied by the standard rate of tax in the UK of 30%	(535)
Unutilised tax losses carried forward	535
	-

At 31 December 2007, the Group had estimated tax losses of £1,338,000 which, subject to the agreement of the relevant tax authorities, are available to carry forward against future trading profits. A deferred tax asset of £535,000 has not been recognised in the financial statements in respect of these losses because of the uncertainty as to the timing of future profits arising within the Group. DataWind Net Access Corporation has losses of £1,681,000 that arose pre-acquisition that the group may be able to set-off against future profits.

8 Intangible fixed assets

Group	Research and development £'000
Cost	
Acquired with subsidiary undertakings	2,056
Additions	60
Disposals	-
At 31 December 2007	2,116
Amortisation	
Provided for the year	121
Disposals	-
At 31 December 2007	121
Net book value	
At 31 December 2007	1,995

DataWind UK PLC

Notes forming part of the financial statements
for the period ended 31 December 2007 *(Continued)*

9 Tangible fixed assets

Group	Computer equipment £'000
<i>Cost</i>	
Additions	2
Disposals	-
	<hr/>
At 31 December 2007	2
	<hr/>
<i>Depreciation</i>	
Provided for the year	-
Disposals	-
	<hr/>
At 31 December 2007	-
	<hr/>
<i>Net book value</i>	
At 31 December 2007	2
	<hr/>

10 Investments in subsidiaries

Company	2007 £'000
Shares in group undertakings	
Additions	1,154
Disposals	-
	<hr/>
At 31 December 2007	1,154
	<hr/>

The following were the principal subsidiary undertakings at the end of the period and these have all been included in the consolidated financial statements

Subsidiary undertakings	Country of registration	Class	% shares held
DataWind Limited	England	Ordinary	100
DataWind Net Access Corporation	U S A	Ordinary	100

The principal activities of the subsidiary undertakings are the marketing and distribution of the PocketSurfer2 mobile internet device

DataWind UK PLC

Notes forming part of the financial statements
for the period ended 31 December 2007 *(Continued)*

11 Stocks

	Group 2007 £'000	Company 2007 £'000
Finished goods	72	-
	<hr/>	<hr/>

12 Debtors

	Group 2007 £'000	Company 2007 £'000
Trade debtors	774	-
Amounts owed by group undertakings	-	3,202
Prepayments and accrued income	24	2
	<hr/>	<hr/>
	798	3,204
	<hr/>	<hr/>

13 Creditors – amounts falling due within one year

	Group 2007 £'000	Company 2007 £'000
Trade creditors	786	-
Other taxation and social security	109	-
Accruals and deferred income	187	11
	<hr/>	<hr/>
	1,082	11
	<hr/>	<hr/>

14 Profit and loss reserve

	Group 2007 £'000	Company 2007 £'000
Loss for the period	(1,338)	(61)
	<hr/>	<hr/>
At 31 December 2007	(1,338)	(61)
	<hr/>	<hr/>

DataWind UK PLC

Notes forming part of the financial statements for the period ended 31 December 2007 *(Continued)*

15 Share capital

Group and company

	Authorised	
	2007 Number (thousands)	2007 £'000
Ordinary shares of £0.001 each	200,000	200
	<u>200,000</u>	<u>200</u>
Allotted, called up and fully paid		
	2007 Number (thousands)	2007 £'000
Ordinary shares of £0.001 each	74,557	75
	<u>74,557</u>	<u>75</u>

On incorporation, 2 new ordinary shares were issued for cash of £2 on incorporation

On 4 May 2007, 50,314,980 new ordinary shares were issued at £0.01967 per share to the shareholders and debenture-shareholders of DataWind Net Access Corporation in acquiring 100% of the share capital in DataWind Net Access Corporation

During May 2007, 24,242,447 new ordinary shares were issued in a private placement at £0.165 per share raising £3,516,000 net of expenses

Warrants

A total of 10,277,458 warrants, convertible into an equivalent number of shares, were outstanding as at 31 December 2007. The warrants, all originally vested in and issued by DataWind Net Access Corporation between 2002 and 2007, have exercise prices ranging from £0.01 to £0.165 and have exercise periods ranging from 5 to 10 years

DataWind UK PLC

Notes forming part of the financial statements for the period ended 31 December 2007 *(Continued)*

16 Share premium account

	Group 2007 £'000	Company 2007 £'000
24,442,447 shares issued in a private placement	3,491	3,491
At 31 December 2007	3,491	3,491

17 Merger Reserve

	Group 2007 £'000	Company 2007 £'000
50,314,980 shares issued in a share for share exchange to acquire DataWind Net Access Corporation	1,104	1,104
At 31 December 2007	1,104	1,104

In preparing the financial statements for the year ended 31 December 2007, the company has utilised merger relief available under S131 of the Companies Act 1985 in respect of the shares issued to acquire DataWind Net Access Corporation in the period

18 Capital contribution

As part of the private placement undertaken in May 2007 it was agreed that the loans due to Raja Singh Tuli and Suneet Singh Tuli, directors of the company of £827,000 by DataWind Net Access Corporation would be converted to 4,989,640 shares in DataWind UK PLC. This was duly completed in August 2008.

19 Acquisitions

Acquisition of DataWind Net Access Corporation

The group acquired DataWind Net Access Corporation (an unquoted company) during the year for a total consideration of £1,154,000.

In its last financial year to 31 December 2006, DataWind Net Access Corporation made a loss of £145,000. For the period since that date to the date of acquisition (4 May 2007), DataWind Net Access Corporation's management accounts show further losses of £169,000 on a turnover of £28,000.

DataWind UK PLC

Notes forming part of the financial statements for the period ended 31 December 2007 (Continued)

19 Acquisitions (continued)

The fair values of assets and liabilities acquired are as follows:

	£'000
Intangible fixed assets	2,056
Stock	190
Debtors	1
Creditors	(1,400)
Cash	307

Net assets acquired	1,154
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Consideration

Consideration satisfied by:

50,314,980 shares issued	1,154
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As DataWind Net Access Corporation is an unquoted company the fair value of the shares issued is deemed to be equal to the fair value of the assets and liabilities acquired and therefore no goodwill is recognised on consolidation

20 Operating lease commitments

At 31 December 2007 the group had lease agreements in respect of properties for which the payments extend over a number of years (company - £nil)

	2007 £'000
Annual commitments under non-cancellable operating leases expiring	
Within two to five years	46

21 Related party transactions

During the year the group sub-contracted its research and development costs to DataWind Research, a company owned by Mr Raja Singh Tuli, a director and shareholder. Costs incurred in the year were £643,000 and at 31 December 2007 no balance was outstanding.

Additionally the Group's capitalised development asset of £2,056,000 was acquired with DataWind Net Access Corporation. DataWind Net Access Corporation originally acquired the capitalised development asset from 3294340 Canada Inc (known as Technologie NovImage) for £450,000 in April 2003 and incurred further development of £1,606,000 which was subcontracted to DataWind Research. 3294340 Canada Inc is a company owned by Raja Singh Tuli, a director and shareholder.

22 Losses of holding company

Of the losses in the year, a loss of £61,000 is dealt with in the accounts of DataWind UK PLC. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the company alone.