

DataWind UK Plc

Annual reports and accounts

Year Ended

31 December 2011

Company Number 06195124



DataWind UK Plc
Reports and Financial Statements
Year ended 31 December 2011

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Directors

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

Secretary and registered office

Stephen Clarke
Unit 1 Chase Centre
8 Chase Road
London, NW10 6QD

Company number

06195124

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

DataWind UK Plc

**Reports and Financial Statements
Year ended 31 December 2011**

Business Development in 2011

The Directors recognise that the results for 2011 are disappointing compared to 2010. By mid-year 2011 we completed development of our first tablet devices. Tablets represent a high growth segment of the computing industry, and also allow us to offer products at costs even lower than our current UbiSurfer netbooks. However due to issues outlined below we were unable to ship any significant volume.

In 2011, we won a contract to supply 100,000 tablets to an Indian government university as part of a government drive to reduce illiteracy and eliminate the digital divide. During 2011, we geared up production to supply these units and by the end of 2011, the tendering authority IIT Rajasthan tried to impose military specification testing criteria. The government has now removed IIT – Rajasthan from the next tender but the management of the PR relating to this issue has taken up significant management time. In addition, the company has had difficulty in getting manufacturers to purchase inventory against the IIT-Bombay letter of credit. However, the company is tendering for the next 1 million unit order.

The board has decided not to recognise any revenue from sales to IIT Rajasthan until the issues referred to above have been resolved. Had IIT accepted the product as specified and production was allowed to continue to ramp up, some \$5 million of revenue would have been recorded from that contract alone, but there would also have been much more progress with commercial and retail customers. The results also reflect the importance and resources the company put into finishing the development of the 7" Tablet GPRS-enabled device for both India and other markets as outlined above which should lead to significant sales this year and particularly in 2013.

Although the Indian government order has not resulted in any immediate revenue, it has created massive consumer interest and demand which has proved difficult to fulfil. Small volumes are now shipping and it is planned to ship substantial volumes in 2013.

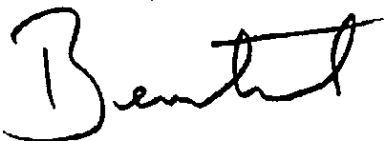
In 2011, the Company completed a wide ranging agreement with Vodafone for wholesale access to its data network globally. This agreement will allow the company to offer its free mobile internet proposition across 17 new countries. In early 2011, we also finalized a distribution agreement for the US, which opens up a market for the company's products significantly larger than the UK.

Developing countries are starting to realize the potential. In Thailand 'The Puea Party promised free tablet PCs for all students - and in Turkey, the company is bidding for FATIH project for 15 million units. In Sri Lanka, Suneet Tuli (CEO of Datawind) had a meeting with the President and his son and interviewed local manufacturers. Governments in Bolivia, Honduras, Nicaragua, Brazil, Panama and Angola are also keen to talk to the company.

The Company is pleased to announce that at the Mobile World Congress show in Barcelona on February 29th, the Company Won First Prize as the UK's most innovative mobile Company based on the impact of its technology globally. We are delighted that this supports the company's strategy going forward.

The lack of shipments has of course impacted cash flow, and we are very grateful for the support shareholders gave us throughout the year and in to 2012. In particular, we would like to thank Nash Fitzwilliams who filled in at the last moment when the original funding source withdrew at the last minute. Funding continues to be tight until the new designs ship in volume although small quantities have begun to be available.

Yours faithfully,



Viscount Bearsted Co-Chairman

DataWind UK Plc
Report of the directors
for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities, and 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 17 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-processing 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 the power of such servers to the client device

The group markets and distributes the Ubisurfer 9" and Tablet 7" internet device which utilises DataWind's technology described above in the United Kingdom, India through its wholly owned subsidiary DataWind Limited registered in England and Wales, in North America through DataWind Net Access Corporation, a Canadian resident company registered in the United States of America and its 99.94% owned subsidiary Datawind Innovations Pvt Ltd registered in India. In 2012 the group plans to expand its operations into 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

DataWind UK Plc

Report of the directors for the year ended 31 December 2011 (*continued*)

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 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.

Dilution

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 and Indian Rupees. A portion of revenue and capital expenditures will be incurred in other currencies, primarily US dollars and Indian Rupees 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.

Financial instruments

On 8th November 2010 the group received a £2,000,000 loan supported by a debenture loan secured on book debts and stock. The loan was repaid on 29th July 2011. On 24th April 2012, the group received a £200,000 unsecured loan repayable on 30th September 2012. £50,000 was repaid on and £150,000 was converted to shares on 30th September 2012. On 15th June 2012, the group received a £20,000 unsecured loan repayable on 30th September 2012. This was converted to shares on 30th September 2012. On 29th July 2012 the group received a £250,000 unsecured loan repayable on 31st December 2012. This was all repaid on 19th August 2012. The group had no other financial instruments.

DataWind UK Plc
Report of the directors
for the year ended 31 December 2011 (*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

Result and dividends

Turnover was £0 8m 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 31st December 2011

Research and development

The group's capitalised development costs relate 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 initial technology was 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 PocketSurfer unit and development of UbiSurfer 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. Trade creditor days were 72 days in 2011 (2010: 82 days).

Post Balance Sheet Events

On 29th February 2012, DataWind UK Plc completed the purchase of DataWind Innovations Private Limited, a company registered in India. The purchase consideration was £2,000.

Directors

The directors who held office during the year are given below

Andrew Beeson
Raja Singh Tuli
Suneet Singh Tuli
Lakhbir Singh Tuli
Viscount Bearsted
Jon Brockhouse (appointed 17 August 2012)

DataWind UK Plc

**Report of the directors
for the year ended 31 December 2011 (*continued*)**

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

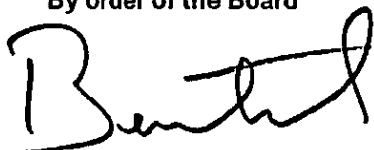
Statement as to disclosure of information to auditors

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.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



**Viscount Bearsted
Director**

DataWind UK Plc

Independent auditor's report

To the Members of DataWind UK Plc

We have audited the financial statements of DataWind UK Plc for the year ended 31 December 2011 which comprise the consolidated and comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated and company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant upon the completion of securing funds, by way of letter of credit secured against advanced order payments, to commence production and fulfil customer orders. In addition to this funding, the directors may need to raise additional funding from shareholders to cover administrative expense and the payment of short term liabilities before production commences. The directors are confident that they will secure the funding to commence production and if necessary raise further funds from the shareholders based on their previous support.

These conditions, disclosed in note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditor's report (*continued*)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Eagle (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

Date: 9 Nov 2012.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

DataWind UK Plc

**Consolidated statement of comprehensive income
for the year ended 31 December 2011**

	Note	2011 £'000	2010 £'000
Revenue	4	872	2,255
Cost of Sales		(665)	(1,876)
Gross Profit		207	379
Research and development		(573)	(527)
Administration Cost		(3,430)	(2,432)
Loss from operations	5	(3,796)	(2,580)
Finance expense	8	(193)	(119)
Loss before tax		(3,989)	(2,699)
Tax expense	9	-	-
Loss from continuing operations		(3,989)	(2,699)
Other comprehensive loss			
Exchange gain arising on translation of foreign operations		18	73
Total comprehensive Loss		(3,971)	(2,626)
Profit/Loss for the year attributable to			
Owners of the parent		(3,989)	(2,699)
Non-controlling interest		-	-
Total comprehensive loss attributable to			
Owners of the parent		(3,971)	(2,626)
Non-controlling interest		-	-

The notes on pages 15 to 42 form part of these financial statements

DataWind UK Plc

Consolidated statement of changes in equity
for the year ended 31 December 2011

	Share Capital	Share Premium	Capital Contribution Reserve	Share Warrants Reserve	Merger Reserves	Foreign Exchange Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	80	4,249	945	-	1,104	-	(3,430)	2,948
Shares Issued	7	1,404	(945)	-	-	-	-	466
Value of warrants included in loans	-	-	-	15	-	-	-	15
Other comprehensive income	-	-	-	-	-	(269)	-	(269)
Loss for the year	-	-	-	-	-	-	(2,129)	(2,129)
Balance at 31 December 2009	<u>87</u>	<u>5,653</u>	<u>-</u>	<u>15</u>	<u>1,104</u>	<u>(269)</u>	<u>(5,559)</u>	<u>1,031</u>
Balance at 1 January 2010	87	5,653	-	15	1,104	(269)	(5,559)	1,031
Equity Shares Issued	13	2,389	-	-	-	-	-	2,402
Value of warrants included in loans	-	-	-	58	-	-	-	58
Other comprehensive income	-	-	-	-	-	73	-	73
Loss for the year	-	-	-	-	-	-	(2,699)	(2,699)
Balance at 31 December 2010	<u>100</u>	<u>8,042</u>	<u>-</u>	<u>73</u>	<u>1,104</u>	<u>(196)</u>	<u>(8,257)</u>	<u>866</u>
Balance at 1 January 2011	100	8,042	-	73	1,104	(196)	(8,257)	866
Equity Shares Issued	23	4,316	-	-	-	-	-	4,339
Other comprehensive income	-	-	-	-	-	18	-	18
Loss for the year	-	-	-	-	-	-	(3,989)	(3,989)
Balance at 31 December 2011	<u>123</u>	<u>12,358</u>	<u>-</u>	<u>73</u>	<u>1,104</u>	<u>(178)</u>	<u>(12,246)</u>	<u>1,234</u>

The notes on pages 15 to 42 form part of these financial statements

DataWind UK Plc

**Company statement of changes in equity
for the year ended 31 December 2011**

	Share Capital	Share Premium	Capital Contribution Reserve	Share Warrants Reserve	Merger Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009							
Shares Issued	80	4,249	945	-	1,104	(26)	6,352
Value of warrants included in loans	7	1,404	(945)	-	-	-	466
Loss for the year	-	-	-	15	-	-	15
	-	-	-	-	-	(36)	(36)
Balance at 31 December 2009	<u>87</u>	<u>5,653</u>	<u>-</u>	<u>15</u>	<u>1,104</u>	<u>(62)</u>	<u>6,797</u>
Balance at 1 January 2010							
Equity Shares Issued	87	5,653	-	15	1,104	(62)	6,797
Value of warrants included in loans	13	2,389	-	-	-	-	2,402
Loss for the year	-	-	-	58	-	-	58
	-	-	-	-	-	(196)	(196)
Balance at 31 December 2010	<u>100</u>	<u>8,042</u>	<u>-</u>	<u>73</u>	<u>1,104</u>	<u>(258)</u>	<u>9,061</u>
Balance at 1 January 2011							
Equity Shares Issued	100	8,042	-	73	1,104	(258)	9,061
Loss for the year	23	4,316	-	-	-	-	4,339
	-	-	-	-	-	(199)	(199)
Balance at 31 December 2011	<u>123</u>	<u>12,358</u>	<u>-</u>	<u>73</u>	<u>1,104</u>	<u>(457)</u>	<u>13,201</u>

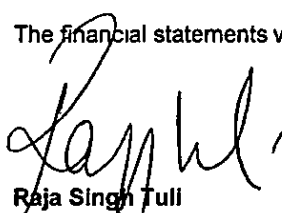
The notes on pages 15 to 42 form part of these financial statements

DataWind UK Plc

**Consolidated statement of financial position
at 31 December 2011**

	Notes	2011 £'000	2010 £'000	01 Jan 2010 £'000 Restated
Assets				
Non-current assets				
Property, plant and equipment	10	2	5	4
Intangible assets	11	415	948	1,419
		<u>417</u>	<u>953</u>	<u>1,423</u>
Current assets				
Inventories	13	306	721	162
Trade and other receivables	14	463	1,180	1,528
Cash and cash equivalents	3	1,283	1,516	281
		<u>2,052</u>	<u>3,417</u>	<u>1,971</u>
Total Current Assets		2,052	3,417	1,971
Total assets		2,469	4,370	3,394
Liabilities				
Current liabilities				
Trade and other payables	15	(1,235)	(1,547)	(1,778)
Loans and borrowings	16	-	(1,957)	(585)
		<u>(1,235)</u>	<u>(3,504)</u>	<u>(2,363)</u>
Total liabilities		(1,235)	(3,504)	(2,363)
NET ASSETS		1,234	866	1,031
Issued capital and reserves attributable to owners of the parent				
Share capital	18	123	100	87
Share premium reserve	19	12,358	8,042	5,653
Warrants reserve	20	73	73	15
Merger Reserve	21	1,104	1,104	1,104
Foreign Exchange Reserves	22	(178)	(196)	(269)
Retained earnings		(12,246)	(8,257)	(5,559)
		<u>1,234</u>	<u>866</u>	<u>1,031</u>
TOTAL EQUITY		1,234	866	1,031

The financial statements were approved by the board of directors and authorised for issue on


Raja Singh Tuli
 Director
 Company Registration No 06195124

8 Nov 2012

The notes on pages 15 to 42 form part of these financial statements

DataWind UK Plc

Company statement of financial position
at 31 December 2011

	Note	2011 £000's	2010 £000's	01-Jan-2010 £000's Restated
Assets				
Non-Current Assets				
Investments in subsidiaries	12	1,154	1,154	1,154
		<u>1,154</u>	<u>1,154</u>	<u>1,154</u>
Current assets				
Trade and other receivables	14	11,126	8,751	6,152
Cash and cash equivalents		1,131	1,359	126
Total Current Assets		<u>12,257</u>	<u>10,110</u>	<u>6,278</u>
Total Assets		<u>13,411</u>	<u>11,064</u>	<u>7,432</u>
Liabilities				
Current liabilities				
Trade and Other Payables	15	(210)	(245)	(50)
Loans and Borrowings		-	(1,957)	(585)
Total Liabilities		<u>(210)</u>	<u>(2,202)</u>	<u>(635)</u>
NET ASSETS		<u>13,201</u>	<u>9,062</u>	<u>6,797</u>
Issued capital and reserves				
Called up share capital	18	123	100	87
Share Premium account	19	12,358	8,042	5,653
Merger reserve	21	1,104	1,104	1,104
Warrants reserve	20	73	73	15
Profit and loss account		(457)	(258)	(62)
TOTAL EQUITY		<u>13,201</u>	<u>9,062</u>	<u>6,797</u>

The financial statements were approved by the board of directors and authorised for issue on


Raja Singh Tuli
Director

8 Nov 2012

Company Registration No 0619512

The notes on pages 15 to 42 form part of these financial statements

DataWind UK Plc

**Consolidated statement of cash flows
for the year ended 31 December 2011**

		Group		Company	
	Note	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash flows from operating activities					
Loss after tax		(3,989)	(2,699)	(199)	(196)
Finance expense	8	193	119	193	119
Loss from operations for the year		(3,796)	(2,580)	(6)	(77)
Adjustments for					
Depreciation of property, plant and equipment	10	3	3	-	-
Amortisation of intangible fixed assets	11	524	542	-	-
Finance expense	8	(145)	(110)	(145)	(110)
		(3,414)	(2,145)	(151)	(187)
Inc/(Dec) in trade and other receivables		717	363	(2,575)	(2,599)
Inc/(Dec) in inventories		415	(562)	-	-
Inc/(Dec) in trade and other payables		(290)	(231)	165	195
Foreign Exchange gains/Losses of operations		-	6	-	-
Net cash flows from operating activities brought forward		(2,572)	(2,569)	(2,561)	(2,591)
Investing activities					
Purchases of property, plant and equipment		-	(4)	-	-
Cash used in investing activities		-	(4)	-	-
Financing activities					
Issue of ordinary shares, net of issue costs		4,339	2,402	4,339	2,402
Proceeds from Borrowings	16	-	2,000	-	2,000
Repayment of Borrowings		(2,000)	(600)	(2,000)	(600)
Net cash (used in)/from financing activities		2,339	3,802	2,339	3,802
Net increase/(decrease) in cash and cash equivalents		(233)	1,229	(228)	1233
Cash and cash equivalents at beginning of year		1,516	281	1,359	126
Exchange gains on cash and cash equivalents		-	6	-	-
Cash and cash equivalents at end of year	3	1,283	1,516	1,131	1,359

The notes on pages 15 to 42 form part of these financial statements

**Notes forming part of the financial statements
for the year ended 31 December 2011**

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These are the first financial statements for the Group and the Company prepared in accordance with IFRS.

In line with the transitional provisions set out in IFRS1, the directors have reviewed the Balance Sheets, Income Statements and Cashflow Statements for the comparative periods set out in the financial statements to consider whether any adjustments are required in order to align the numbers previously reported under UK GAAP with IFRS. In the opinion of the directors, there were no areas giving rise to material measurement differences to previously reported net assets or profit before tax. Accordingly, the only adjustments affecting the Balance Sheets, Income Statements and Cashflow Statements were presentational in nature.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Going Concern

The financial statements have been prepared on a going concern basis.

The group made a loss for the year ended 31 December 2011 of £3,989,000 and had net assets of £1,234,000 at that date.

The group's ability to continue as a going concern is reliant upon the successful trading of its subsidiary undertaking's Datawind Limited, Datawind Net Access Corporation and Datawind Innovations Private Limited in order to generate positive cash flow in order to meet liabilities as they fall due.

The group is currently in negotiations with new suppliers relating to production of the 7" Tablet, which will allow them to fulfil contractual obligations. Advanced payments have been received for a number of these contractual obligations. The directors are investigating securing letters of credit to provide to suppliers, based on the advanced payments that have been received.

The cash flow forecast indicates that production will take a number of months to satisfy the outstanding orders and therefore additional funding may be required to cover administrative expenses and the payment of short term liabilities when they fall due.

Whilst the directors are confident that they will be able to secure letters of credit against the advanced payments and therefore commence production, and if necessary secure additional funding from shareholders, based on past support provided, until such time as it is completed, there remains material uncertainties that may cast doubt on the company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

No adjustments have been made to the carrying value of assets or liabilities to reflect this uncertainty.

Notes forming part of the financial statements
for the year ended 31 December 2011

1 Accounting policies (*continued*)

Changes in accounting policies

- a) New standards, interpretations and amendments effective from 1 January 2011

The following new standards, interpretations and amendments, applied for the first time from 1 January 2011, have had an effect on the financial statements

International Financial Reporting Standards

• **IFRB 2010/08 First Time Adopters**

The company has taken advantage of IFRB 2010/08 which allows first time adopters not to have to present comparative information for the disclosure required by the Amendment to IFRS 7 for

- Any annual and interim period, including any statement of financial position, presented within an annual comparative period ending before 31 Dec 2009, or
- Any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009

• **Revised IAS 24 Revised definition of a related party**

The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive

- *Providing a partial exemption for government-related entities* – Until now, if a government controlled, or significantly influenced, an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised Standard requires such entities to disclose information about individually and collectively significant related party transactions only
- *Providing a revised definition of a related party* The structure of definition of a related party has been simplified and inconsistencies eliminated. Examples have also been added. The revised definition will mean that some entities will have more related parties for
- *which disclosures will be required* The entities that are most likely to be affected are those that are part of a group that includes both subsidiaries and associates, and entities with shareholders that are involved with other entities

• **Revised standard IFRS 3 'Business Combination'**

Including

- (i) Clarification that the treatment of contingent consideration arising in business combinations occurring before the effective date of IFRS 3(R) continues to be treated under the old requirements
- (ii) Limiting the choice to measure non-controlling interests at a proportionate share in recognised amounts of the acquiree's identified net assets to present ownership interests with other components of the non-controlling interest being measured at fair value
- (iii) The inclusion or otherwise in the cost of investment of replacement share-based payment awards provided to employees of the acquiree

**Notes forming part of the financial statements
for the year ended 31 December 2011**

1 Accounting policies (*continued*)

Forthcoming standards, that can materially affect financial statements presentations

- **IAS1 clarifying comprehensive income**

This Amendment requires companies to group together items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss section of the income statement. The Amendment also seeks to reaffirm existing requirements that items in profit or loss and OCI should be presented as either a single statement or two consecutive primary statements.

b) The following new standards, interpretations and amendments, are also effective for the first time in these financial statements but none have a material effect on the group so have not been listed,

- IFRS 10 Consolidated Financial Statements
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IFRIC 14 IAS 19 Limit on a defined benefit asset, minimum funding requirement and their interaction
- Improvements to IFRS(2010)
- Disclosures-transfers of financial assets (amendments to IFRS 7)
- Sever Hyperinflations and removal of fixed dates for first time adopters (Amendments to IFRS 1)
- Deferred tax recovery of underlying assets (Amendments to IAS 12)
- IDRF Joint arrangements
- IFRS Disclosure of Interest in other entities
- IFRS fair value Measurement
- IAS Separate financial statements
- IAS28 Investments in Associates and Joint Ventures
- IAS 19 Employee benefits
- IFIC 20 stripping cost in the production phase of the surface mine
- Disclosure offsetting financial assets and financial liabilities (Amendments to IFRS 7)
- Government loans (Amendments to IFRS 1)
- Offsetting financial assets and financial liabilities (Amendments to IAS 32)
- IFRS 9 Financial Instruments

The following principal accounting policies have been applied

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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 income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Property, plant and equipment

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

Office and Computer equipment - 33% per annum straight line

**Notes forming part of the financial statements
for the year ended 31 December 2011**

1 Accounting policies (*continued*)

Financial Assets and Financial Liabilities

Financial Assets

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

Other than financial assets in a qualifying hedging relationship, the Group accounting policy for category is 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), but also incorporate other types of contractual monetary asset. 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 Group 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 comprehensive income. 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 Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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

Financial Liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other financial liabilities include the following items

- Bank borrowings and the Group's perpetual preference shares 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.
- Liability component of convertible loan notes are measured as described in separate note provided below.
- 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.

Notes forming part of the financial statements
for the year ended 31 December 2011

1 Accounting policies (*continued*)

Revenue

Revenue from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where a buyer has a right of return, the company replaces the unit or gives a credit to the customer when it is received. Any faulty units are returned to the manufacturer for credit against the cost of new production. Where there are known returns after the year end, a provision for the lost revenue is allowed in the current year. Any credits from the manufacturer are recognised on the date credits are received.

Revenue received in respect of the connection and data fees are deferred and recognised over the initial subscription period.

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

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Inventories

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

Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond.

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.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

In-process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for development costs below are not met.

Research and development asset has finite useful life of 5 years starting from 2007, which is expected to be zero at the end of 2012.

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

DataWind UK Plc

Notes forming part of the financial statements for the year ended 31 December 2011

1 Accounting policies (*continued*)

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that

- it is technically feasible to develop the product for it to be sold,
- adequate resources are available to complete the development,
- there is an intention to complete and sell the product,
- the Group is able to sell the product,
- sale of the product will generate future economic benefits, and
- Expenditure on the project can be measured reliably

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is shown within administration cost in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Notes forming part of the financial statements
for the year ended 31 December 2011

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on

- the initial recognition of goodwill,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either

- the same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

Non-recognition of deferred tax assets

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised

In assessing the probability that taxable profits will be available, the following are considered

- Whether the Group has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised before they expire,
- Whether it is probable that the Group will have taxable profits before the unused tax losses expire,
- Whether the unused tax losses result from identifiable causes which are unlikely to recur, and
- Whether tax planning opportunities are available to the Group that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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

**Notes forming part of the financial statements
for the year ended 31 December 2011**

2 Critical accounting estimates and judgements (Continued)

Revenue recognition

The Group has recognised revenue amounting to £872,000 for sales of goods to different customers within and outside UK during 2011. In 2011, the Group won a contract to supply the IIT Rajasthan with 100,000 tablet devices. The contract is currently in dispute and therefore the Group has not included any sales revenue on the Contract until the dispute is resolved.

Warranty claims

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

Inventory

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. The Group has provided against all old stock of devices and components which do not relate to the new Tablet devices. The total provision amounts to £648,000 in the year.

Determination of fair values of intangible assets acquired in business combinations

The fair values of patents and trademarks acquired in a business combination are based on the discounted estimated royalty payments that would have been avoided as a result of the trademark or a patent being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the asset. Based on the discounted cash flow, there is no requirement to provide for an impairment in value.

Non-recognition of deferred tax asset

Deferred tax on carry forward losses can only be recognised where it is probable that taxable profits will be available in future to utilise these losses. From historical data and future UK sales forecasting it is not probable that future profits will be available within the UK to utilise these losses in the foreseeable future.

3 Financial instruments - Risk Management

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Finance Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks,

• ***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

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

**Notes forming part of the financial statements
for the year ended 31 December 2011**

3 Financial instruments - Risk Management (Continued)

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

Financial Assets

	2011		2010		01 Jan 10	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure	Carrying value	Maximum exposure
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and Cash equivalents	1,283	1,283	1,516	1,516	281	281
Trade and other receivables	463	463	1,180	1,180	1,528	1,528
Total Financial Assets	1,746	1,746	2,696	2,696	1,809	1,809

- **Cash in Bank**

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

- **Foreign exchange risk**

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group 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 Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

Net foreign currency financial assets/(liabilities)

	Sterling			US Dollar			Total		
	2011	2010	01 Jan 10	2011	2010	01 Jan 10	2011	2010	01 Jan 10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
US Dollar	4	7	28	39	240	126	43	247	154
Sterling's	1,240	1,269	127				1,240	1,269	127
Total net exposure	1,244	1,276	155	39	240	126	1,283	1,516	281

**Notes forming part of the financial statements
for the year ended 31 December 2011**

3 Financial Instruments - Risk Management (Continued)

- Liquidity risk**

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

The Group'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 Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its cash balances.

The Board receives rolling 12-month cash flow projections on a monthly basis.

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

At 31 December 2011	Up to 3 months £'000	3 and 6 months £'000	6 and 12 months £'000
Trade and other payables	198	247	790
Loans and borrowings	-	-	-
Total	198	247	790
At 31 December 2010	Up to 3 months £'000	3 and 6 months £'000	6 and 12 months £'000
Trade and other payables	263	309	975
Loans and borrowings	-	-	1,957
Total	263	309	2,932
At 1 January 2010	Up to 3 months £'000	3 and 6 months £'000	6 and 12 months £'000
Trade and other payables	303	356	1,119
Loans and borrowings	-	-	585
Total	303	356	1,704

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

3 Financial instruments - Risk Management (Continued)

Capital

The Group considers its capital to comprise its Ordinary share capital, share premium and accumulated retained earnings. Changes to equity during the year are detailed in the Group Statement of Changes in Equity on page 10.

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

Financial Assets

Loans and borrowings

	2011	2010	01 Jan 10
	£'000	£'000	Restated £'000
Cash and cash equivalents	1,283	1,516	281
Trade and other receivables	463	1,180	1,528
Total financial assets	<u>1,746</u>	<u>2,696</u>	<u>1,809</u>

Financial Liabilities

Financial liabilities at amortized cost

	2011	2010	01 Jan 10
	£'000	£'000	Restated £'000
Trade and other payables	1,235	1,547	1,778
Loans and borrowing	-	1,957	585
Total financial liabilities	<u>1,235</u>	<u>3,504</u>	<u>2,363</u>

• **Financial Instrument Risks**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Group's exposure to financial risks was reduced on 29 July 2011, when the Group repaid a £2,000,000 loan. Except for this repayment, there have been no substantive changes in the Group'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.

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

3 Financial instruments - Risk Management (Continued)

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

A summary of the financial instruments held by category is provided below

4 Revenue

	2011 £'000	2010 £'000	01 Jan 10 £'000
Sales of goods	872	2,255	2,139
	<u>872</u>	<u>2,255</u>	<u>2,139</u>

5 Expenses by nature

	2011 £'000	2010 £'000	01 Jan 10 £'000
Depreciation of property, plant and equipment	3	3	2
Research and development costs (Current year expenditures)	573	527	405
Research and development cost (Amortization of capitalized asset)	524	542	591
Foreign exchange (gains)/losses	9	6	(12)
Operating lease expense Property	58	60	60
Staff cost (see note 6)	757	628	630
Auditors Remuneration (Consolidated Audit)	15	15	15
Auditors Remuneration (Subsidiary Co Audit)	8	8	8
Auditors Remuneration (Taxation Services)	3	3	-
Change in inventories of finished goods and work in progress	(370)	562	-
Write down of inventories to net realizable value	648	-	-
	<u> </u>	<u> </u>	<u> </u>

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

6 Staff costs

Staff costs (including directors) comprise:

	2011 £'000	2010 £'000	01 Jan 10 £'000
Wages and Salaries	687	603	570
Share based payment expenses (see note 25)	45	3	39
Social Security contribution and similar taxes	25	22	21
	<u>757</u>	<u>628</u>	<u>630</u>

The average number of employees (including directors) during the year was 22 (2010 22)

Key Management personnel compensation

Key management personnel compensation are those persons having authority and responsibility for planning, direction and controlling the activities of the Group, including the directors of the company.

Salary	343	146	143
Share based payment expense	-	-	-
	<u>343</u>	<u>146</u>	<u>143</u>

7 Segment Information

In 2011, Group has no other divisions, sales to all other countries operate from one location only

	2011 £'000	2010 £'000	01 Jan 10 £'000
UK	673	1,501	1,564
Other	199	754	575
	<u>872</u>	<u>2,255</u>	<u>2,139</u>

8 Finance income and Expense

	2011 £'000	2010 £'000	01 Jan 10 £'000
Interest received in Bank Deposits	-	-	(3)
Interest expense on financial liabilities measured at amortised cost	193	119	15
Net finance expense	<u>193</u>	<u>119</u>	<u>12</u>

DataWind UK Plc

Notes forming part of the financial statements
for the year ended 31 December 2011

9 Taxation

	2011 £'000	2010 £'000	01 Jan 10 £'000
<i>Group</i>			
Current tax charge	-	-	-
Deferred tax charge	-	-	-
Total tax charge for the year	-	-	-
Loss on ordinary activities before taxation	3,989	2,477	-
Loss on ordinary activities multiplied by the standard rate of tax in the UK of 26% (2010 28%)	(1,037)	(694)	-
Unutilised tax losses carried forward	1,037	694	-

10 Property Plant and Equipment

	Computer Equipment £'000
Balance at 1 January 2009	4
Additions	3
Balance at 31 December 2009	7
Balance at 1 January 2010	7
Additions	4
Balance at 31 December 2010 and 31 December 2011	11

Accumulated Depreciation

	Computer Equipment £'000
Balance at 1 January 2009	1
Depreciation charge for the year	2
Balance at 31 December 2009	3
Balance at 1 January 2010	3
Depreciation charge for the year	3
Balance at 31 December 2010	6
Balance at 1 January 2011	6
Depreciation charge for the year	3
Balance at 31 December 2011	9

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

10 Property Plan and Equipment (continued)

Net Book Value

At 1 January 2010	4
At 31 December 2010	5
At 31 December 2011	2

11 Intangible Assets

	Development cost £'000
Balance at 1 January 2009	2,752
Foreign exchange rate movements	(301)
Balance at 31 December 2009	<u>2,451</u>
Balance at 1 January 2010	2,451
Foreign exchange rate movements	251
Balance at 31 December 2010	<u>2,702</u>
Balance at 1 January 2011	2,702
Foreign exchange rate movements	21
Balance at 31 December 2011	<u><u>2,723</u></u>
 Accumulated Amortisation	 Development cost £'000
Balance at 1 January 2009	575
Amortisation charge for the year	516
Foreign exchange rate movements	(59)
Balance at 31 December 2009	<u>1,032</u>
Balance at 1 January 2010	1,032
Amortisation charge for the year	542
Foreign exchange rate movements	180
Balance at 31 December 2010	<u>1,754</u>
Balance at 1 January 2011	1,754
Amortisation charge for the year	524
Foreign exchange rate movements	30
Balance at 31 December 2011	<u><u>2,308</u></u>

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

11 Intangible Assets (continued)

Accumulated Amortisation (continued)

Net Book Value

At 1 January 2010	1,419
At 31 December 2010	948
At 31 December 2011	415

12 Subsidiaries

	Company Group Undertakings £'000
Cost or valuation	
At 31 December 2011, 31 December 2010 and 1 January 2010	1,154

The principal subsidiaries of Datawind UK Plc, all of which have been included in these consolidated financial statements, are as follows

Name	Country of incorporation	Proportion of ownership interest at 31 December		
		2011	2010	01 Jan 10
Datawind Limited	United Kingdom	100%	100%	100%
Datawind Net Access Corporation	Canada	100%	100%	100%

13 Inventories

	2011 £'000	2010 £'000	01 Jan 10 £'000
Finished Goods	306	524	162
Work in progress	-	200	-
	306	724	162

Notes forming part of the financial statements
for the year ended 31 December 2011

14 Trade and Other receivables	Group			Company		
	2011 £'000	2010 £'000	01 Jan 10 £'000	2011 £'000	2010 £'000	01 Jan 10 £'000
Trade receivables	365	1,059	1,138	-	-	-
Amount owed by Group Undertakings	-	-	-	11,126	8,751	6,152
Trade receivables - net	<u>365</u>	<u>1,059</u>	<u>1,138</u>	<u>11,126</u>	<u>8,751</u>	<u>6,152</u>
Total financial assets other than cash and cash equivalents classified as loans and receivables	365	1,059	1,138	11,126	8,751	6,152
Prepayments	98	121	390	-	-	-
Total trade and other receivables	<u>463</u>	<u>1,180</u>	<u>1,528</u>	<u>11,126</u>	<u>8,751</u>	<u>6,152</u>
Current portion	463	1,180	1,528	-	-	-

As at 31 December, 2011 receivables of £463,000 were past due, but not impaired

DataWind UK Plc

**Notes forming part of the financial statements
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15 Trade and other Payables

	Group			Company		
	2011 £'000	2010 £'000	01 Jan 10 £'000	2010 £'000	01 Jan 10 £'000	
Trade payables	593	794	1,001	45	50	
Other payables						
Accruals	581	696	746	-	-	
Amount owed to subsidiary undertaking	-	-	-	200	-	
Total financial liabilities, excluding loans and borrowings classified as financial liability measured at amortized cost	1,174	1,490	1,747	245	50	
Other payables - tax and social security payments	61	57	31	-	-	
Loan	-	1,957	585	1,957	585	
Total Trade and Other Payables	1,235	3,504	2,363	2,202	635	

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

15 Trade and other Payables (continued)

Maturity analysis of the financial liabilities, excluding loans and borrowing, classified as financial liabilities measured at amortized cost, is as follows (the amounts shown are undiscounted and represent the contractual cash-flows)

	2011 £'000	2010 £'000	01 Jan 10 £'000
Up to 3 months	198	263	303
3 to 6 months	247	2,266	941
6 to 12 months	790	975	1,119
	<u>1,235</u>	<u>3,504</u>	<u>2,363</u>

Notes forming part of the financial statements
for the year ended 31 December 2011

16 Loans and borrowings

There are no any undrawn and committed facilities available to the company

	Book Value 2011 £'000	Fair Value 2011 £'000	Book Value 2010 £'000	Fair Value 2010 £'000	Book value 01 Jan 10 £'000	Fair Value 01 Jan 10 £'000
Current						
Secured Convertible debt	-	-	1,957	1,957	585	585
			<u>1,957</u>	<u>1,957</u>	<u>585</u>	<u>585</u>

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

16 Loans and borrowings (continued)

Principle terms and debt repayment schedule of the Group's loans and borrowings are as follows as at 31 Dec 2010

	Currency	Nominal rate %	Year of maturity
Secured Convertible Debt	Sterling	12%	2011

The currency profile of the Group's loan and borrowings is as follows

Secured Convertible Debt	2011 £'000	2010 £'000	01 Jan 10 £'000
Sterling	-	1,957	585
	<u>-</u>	<u>1,957</u>	<u>585</u>

17 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2010 28%) The reduction in the main rate of corporation tax to 25% was substantively enacted on 5 July 2011

Company does not have any deferred tax assets

There are no unremitted foreign earnings, as none of the foreign subsidiary has made any profits

DataWind UK Plc

Notes forming part of the financial statements
for the year ended 31 December 2011

18 Share Capital

	Authorized (Group)				01 Jan 10 £'000
	2011 Number	2011 £'000	2010 Number	2010 £'000	
Ordinary shares of 1p each	300,000,000	300	300,000,000	300	200
Total	300,000,000	300	300,000,000	300	200
	Issued and fully paid (Group)				01 Jan 10 £'000
	2011 Number	2011 £'000	2010 Number	2010 £'000	
Ordinary shares of 1p each	99,673,805	100	87,060,019	87	80
Debt conversion rights exercised	525,000	5	215,086	1	-
Other issue for cash during the year	23,017,768	18	12,398,700	12	7
At end of the year	123,216,573	123	99,673,805	100	87

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

19 Share Premium	2011 Number	2011 £'000	2010 Number	2010 £'000	01 Jan 10 Number	01 Jan 10 £'000
Balance at 1 January	99,673,805	8,042	87,060,019	5,653	79,607,519	4,249
Costs incurred in private placements	-	(322)	-	(190)	-	(54)
Shares Issued during the year	23,542,768	4,638	12,613,786	2,579	7,452,500	1,458
Balance at year end	<u>123,216,573</u>	<u>12,358</u>	<u>99,673,805</u>	<u>8,042</u>	<u>87,060,019</u>	<u>5,653</u>

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

20 Warrant reserve	2011 £'000	2010 £'000	01 Jan 10 £'000 Restated
At 1 January 2011	73	15	-
Value of warrants included in loans	-	58	-
At 31 December 2011	<u>73</u>	<u>73</u>	<u>-</u>

21 Merger reserve	Group 2011 £'000	Company 2010 £'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 2011 and 2010	<u>1,104</u>	<u>1,104</u>

In preparing the financial statements for the year ended 31 December 2011 and 2010, the company has utilised the merger relief provisions available under the Companies Act 2006 in respect of the shares issued to acquire DataWind Net Access Corporation

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

22 Foreign Exchange Reserve	£'000
Balance at 31 Jan 2009	Nil
Loss on foreign exchange translations during the year	(269)
Balance at 31 December 2009	(269)
Balance at 1 January 2010	(269)
Profit on foreign exchange translations during the year	73
Balance at 31 December 2010	(196)
Profit on foreign exchange translations during the year	18
Balance at 31 December 2011	(178)

Reserves

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Convertible debt option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Merger Reserve	Shares have been issued at a premium to their nominal value on acquisition of another company
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into sterling
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

23 Related Party - Datawind Research and Development Ltd

	Sale of Goods	Purchase of R&D Services	Amounts owed by related party	Amount owed to related party
	£,000	£'000	£'000	£'000
01-Jan-10	-	405	-	-
2010	-	527	-	-
2011	-	573	300	-

Details of Directors Remunerations' are given in note 7

24 Share based payments

The company's share option scheme (the "scheme") was approved on 14 July 2008 and all options were granted as of this date. Under the scheme the remuneration committee recommend the granting of options over shares in the company to employees of the group subject to achieving various performance targets to the board of directors. Options are granted with a fixed exercise price and have a contractual life of 10 years. Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

A reconciliation of option movements over the year to 31 December 2011 is shown below:

	Number (thousands)	Weighted average exercise price
Outstanding at 31 December 2010	18,938,855	£0.16
Options not issued from 2010	(2,132,787)	£0.33
Granted 2011	220,000	£0.20
Outstanding at 31 December 2011	17,026,068	£0.14
Exercisable at 31 December 2011	17,026,068	£0.14

Date of grant	29.07.2011
Share price at grant date	£0.20
Exercise price	£0.20
Shares under option	220,000
Vesting period (years)	5
Expected volatility 44%	25.68%
Risk free rate 1.38%	1.38%
Fair value per option	£0.09

DataWind UK Plc

Notes forming part of the financial statements for the year ended 31 December 2011

24 Share based payments (continued)

The expected volatility is based upon the historical volatility of the CBOE NASDAQ-100 Volatility IndexSM. The expected life is the average expected period to exercise. The risk free rate of return is the yield on 5% treasury government bonds of a term consistent with the option life. A reconciliation of option movements over the year to 31 December 2011 is shown below.

The total charge for the year relating to employee share based payment plans was £45,000 (2010: £3,000), all of which related to equity settled share-based payment transaction.

No share options have expired during the period.

25 Events after the reporting date

Datawind UK Plc has acquired 99.94% holding in Datawind Innovation Private Limited (formerly Unique Mobinet Surfers Private Limited) on 29th February 2012, a company whose principal activity is providing call centre support for customers. The principal reason for this acquisition was to build on relationships established by Datawind Innovation Private Limited with key Indian customers. On 20 November 2011 the company signed a formal agreement to allow Unique Mobinet Surfers Private Limited to use its name, Datawind, for selling its products in Indian markets.

Fair value of consideration paid		£'000
Cash		2
Total Consideration Paid		<u>2</u>
Recognised amounts of identifiable assets acquired and liabilities assumed		
Cash and Cash Equivalents		474
Property, plant and equipment		9
Inventories		53
Trade and other receivables		16
Trade and other payables		(24)
Customer deposits		(406)
Borrowings		(138)
Total identifiable net liabilities		<u>(16)</u>
Parents proportionate of total net liabilities	99.94% of	£16,000 (16)
Non-controlling interest	0.06% of	£16,000 (-)
Goodwill		18

26 Losses of the holding company

Of the losses in the year, a loss of £199,000 (2010: £75,000) is dealt with in the accounts of DataWind UK Plc. The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone.

DataWind UK Plc

**Notes forming part of the financial statements
for the year ended 31 December 2011**

27 Operating lease commitments

At 31 December 2011 the group had lease agreements in respect of properties for which the payments extend over a number of years (company - £nil)

	2011 £'000	2010 £'000
Total payment to end of lease under non-cancellable operating leases expiring		
No Later than one year	25	18
Later than one year and not later than 5 years	16	40

28 Ultimate controlling party

As at 31 December 2011, there is not deemed to be a single controlling party

29 Notes supporting statement of cash flows

	2011 £'000	2010 £'000
Cash available on demands	1,283	1,516
	1,283	1,516
Significant non-cash transactions are as follows		
	2011 £'000	2010 £'000
Debt converted into equity	-	-
	-	-
	-	-

30 Five year record

	2011	2010	2009	2008	2007 Other
	IFRSs £'000	IFRSs £'000	GAAP (UK) £'000	GAAP (UK) £'000	GAAP (UK) £'000
Revenue	872	2,255	2,139	3,385	1,034
Loss from operations	(3,796)	(2,580)	(2,453)	(3,035)	(1,363)
Loss before tax	(3,989)	(2,699)	(2,168)	(2,557)	(1,338)
Loss after tax	(3,989)	(2,699)	(2,168)	(2,557)	(1,338)
Basic earnings per share in pence	-	-	-	-	-