Annual Report

WANdisco plc
Annual Report and Accounts 2012

WANDISCO

In this report

Find out more at **wandisco.com**

WANdisco stands for Wide Area Network Distributed Computing

Bookings ($'000s)

$7,916

2011: $4,618

Our solutions enable globally distributed organisations to meet today's data challenges of secure storage, scalability and availability. WANdisco's products are differentiated by the company's **patented, non-stop data replication technology, serving crucial high availability requirements**, including Hadoop Big Data and Application Lifecycle Management (ALM).

Highlights

"We are incredibly pleased with the progress achieved since our IPO in June. Our revenues have almost doubled during this period in a fast growing market. Our major investments in talented people and complementary IP during 2012 have enabled us to launch new products for the high growth big data market, which we believe ideally positions WANdisco for long-term sustained growth."

David Richards
Chairman and Chief Executive Officer

Revenue ($'000s)
$6,031
2011: $3,878

Deferred revenue ($'000s)
$6,368
2011: $4,466

Net cash ($'000s)
$14,545
2011: $74

Successful Admission to AIM:

- IPO successfully completed, raising $26 million in significantly oversubscribed Placing

Major IPO milestones met:

- Awarded US patent for core Active-Active Data Replication technology
- Footprint extended into China, with office established and first customers secured
- Expansion of enterprise sales team, with key hires from IBM, HP and other global technology firms
- Acquired AltoStor, accelerating product development for the fast-growing Hadoop big data market
- Opened new development centre in Belfast, Northern Ireland to accelerate product delivery and development

New customers secured in numerous markets across multiple product sets:

- New customers include: Apple, Cap Gemini, Cisco, Delta Systems, E-Signal, FINRA, Fujitsu, General Dynamics, Georgia Tech, Honeywell, Huawei, Huntington Bank, McAfee, Nokia, Penn State University, Pioneer Investments, Pitney Bowes, and Ricoh

Continued strong up-sell to existing customers:

- Additional subscription licenses purchased by Emerson, EMC, Fiserv, Hewlett Packard, John Deere, Prudential, Sherwin Williams, Syniverse, Wal-Mart and Wells Fargo

Subscription renewal rate of 114%:

- Renewals received for customers including Cisco Systems, Disney, Juniper Networks, McGraw Hill and Vanguard

Post period end[1]

Strong financial momentum maintained:

- Q1 2013 cash bookings of $3.035 million, representing an increase of 96% year-on-year (Q1 2012: $1.545 million) and annualised subscription renewal rate of 134%

Successfully entered big data market with new products, solutions and partnerships:

- Launched four big data products including WANdisco Distro, our first big data product and the foundation for WANdisco's range of enterprise big data solutions, as well as 'Non-Stop NameNode', our flagship solution
- Filed three new additional patents related to distributed computing with applications in big data
- Established the Non-Stop Alliance Partner Program, with founding partners Hyve Solutions and SUSE

[1] Post period end financial information is unaudited.

Delivering on our commitments

Within product development we intend to invest in high quality engineers, notably to realise our ambitions in the big data market and continue our rapid growth in the software development market.

Introduction

Following the IPO of the Company on 1 June 2012, the Group has consistently delivered on its commitments as a publicly traded company on London's Alternative Investment Market ("AIM"). Our initial aspirations, which were laid out as part of our admission to AIM, have been more than realised and we are excited about the prospects for sustained long-term growth, which we believe are now greater than initially anticipated 11 months ago.

Delivering on our IPO commitments

At the time of the IPO, the Group set out a number of short and medium-term objectives, including two key targets related to sales team expansion and extending the product range. Not only have these all been delivered, they have also occurred more quickly than originally planned.

Sales and marketing expansion

Prior to becoming a listed Group, WANdisco had operated with a small sales team, which did not have the resources to pursue actively the opportunities that were arising from the rapid success of our products within the Application Lifecycle Management (ALM) market. The sales team has now been greatly enhanced with some key hires from companies that operate in adjacent markets and through the opening of a sales and support office in Chengdu, China.

We now boast a global sales team in excess of twenty staff, the majority of whom are in North America aligned to our largest market but with an increasingly international footprint. The result of this expansion is only partly reflected in the results here, but the 71% growth in year-on-year bookings in 2012 serves to highlight the potential for further sales growth.

Product development

During the second half of the year, the Group broadened its product range through both investment in new software, such as the purchase of smartSVN, and through the recruitment of specialist talent by way of our acquisition of AltoStor on 16 November.

Having identified a major growth opportunity through the application of WANdisco's patented "active-active replication" technology within the big data market, the Group set about investing in complementary IP and expertise to develop new products for this fast growing market.

The acquisition of AltoStor and its founders, Dr Konstantin Shvachko and Jagane Sundar, provided WANdisco with unrivalled expertise in Apache Hadoop – the proven open source big data technology which is the backbone of many of the world's largest and most important databases.

This investment in Hadoop expertise, in addition to our own in-house development capacity and the opening of the new cost effective development office in Belfast, gave us the ability to deliver our new portfolio of products for the big data market substantially ahead of schedule.

Employees

In line with our growth ambitions we have considerably expanded our employee base across both our main operating locations in Sheffield, United Kingdom, and in San Ramon, United States. Our newly opened offices in Belfast, Northern Ireland, and Chengdu, China, have further added to the Group's wealth of expertise in software engineering and sales. We now have more than 100 employees across the globe and a strong culture which we believe will help us continue to attract employees of the highest calibre.

Focus and opportunity

Since the year end, the growth potential of the Group has been highlighted further with the rapid launch of new products for use within the big data industry.

Independent analyst firm Wikibon has stated that the overall big data market reached $11.4 billion in 2012, ahead of Wikibon's previous forecast. The big data market is projected to reach $18.1 billion in 2013, an annual growth of 61%. This puts it on target to exceed $50 billion by 2017. That translates to a 33% compound annual growth rate over the five-year period. Apache Hadoop is described by independent analyst firm IDC as the "de facto big data platform" and is used by companies such as Yahoo!, Facebook, Twitter, LinkedIn and many others.

This growth is fuelled by an increased awareness among enterprises that big data can yield huge benefits in many diverse markets, notably financial services, pharmaceuticals and retail. These mainstream markets require enterprise features such as high availability and disaster recovery.

By utilising our core, patented DConE replication technology, which forms the basis of our products for the ALM market, and combining it with the unparalleled expertise that we now have within the Apache Hadoop community, we have been able to deliver a series of enterprise-ready Apache Hadoop products for Big Data.

The WANdisco Distro forms the foundation for the Group's enterprise-level big data products, and when combined with our Non-Stop NameNode it guarantees availability for Apache Hadoop users.

In order to expand the possible routes to market for our new product suite, we have established the Non-Stop Alliance Partner Programme to provide partners with the technology, resources, expertise and support for global Apache Hadoop deployments. Founding partners participating in the Non-Stop Alliance Partner Programme include Hyve Solutions and SUSE.

First quarter 2013 trading update[1]

Underpinning our confidence for 2013 is the strong momentum we have witnessed in the business during the first quarter.

While delivery of new products to support Apache Hadoop has been progressing ahead of expectations, the growth of our Subversion Multisite products has also been better than expected. In the first quarter of 2013, bookings have risen by 96% to $3.035 million when compared to the $1.545 million achieved in the same quarter last year.

Notable new customers signed in the first quarter included General Atomics, FutureWei (a division of Huawei), Société Générale and Maxim. In addition, the Group saw significant growth in existing customer accounts including Home Depot, Nokia, John Deere and McAfee, all of whom expanded their use of WANdisco products within their organisations.

The annualised renewal rate by booking value was 134%. Renewals included Sony, McGraw Hill, Raytheon, Vanguard, Borg Gais and Blue Shield. When one particularly large increased renewal is excluded the underlying rate of renewal is 117%.

Outlook

The rapid sales growth of our existing products, combined with the increased potential of our big data products, which launched ahead of schedule, means the Board expects to deliver higher customer bookings than initially anticipated in 2013. Our continued investment in our sales and development teams should help to accelerate growth further in the medium term. The reception that our big data products have received within this fast growing sector provides confidence of rapid adoption for highly critical applications. Consequently, the Board believes that sales in this area will be significant and will be delivered in the relatively short term.

Our rapid growth within the ALM market continues as a result of the widespread adoption of our DConE replication technology via our Subversion Multisite products.

The Board looks to the future with confidence.

David Richards
Chairman and Chief Executive Officer

[1] Post period end financial information is unaudited.

Our technology in use
ESO reaches for the stars

The European Southern Observatory (ESO) is Europe's foremost inter-governmental astronomy organisation and the world's most productive astronomical observatory.

Atacama Large Millimeter/submillimeter Array (ALMA), one of ESO's key projects, is a state-of-the-art telescope located 5,000 metres above sea level in the Chilean Andes and it is used to study light with wavelengths of around a millimeter, between infrared light and radio waves. This telescope helped in the discovery of a new planetary system.

Performance and reliability requirements:

Software developers working on the project are based at ALMA in the Chilean Andes, at three additional observation sites in Chile, and at locations in the United States, Japan and Germany. They would all access a single server in Munich, Germany, facing long wait times due to poor and unpredictable wide area network performance, which resulted in delayed research efforts. In addition, the network was unreliable and downtime was frequent, especially at the distant remote observatory site, leaving developers without server access for several hours at a time.

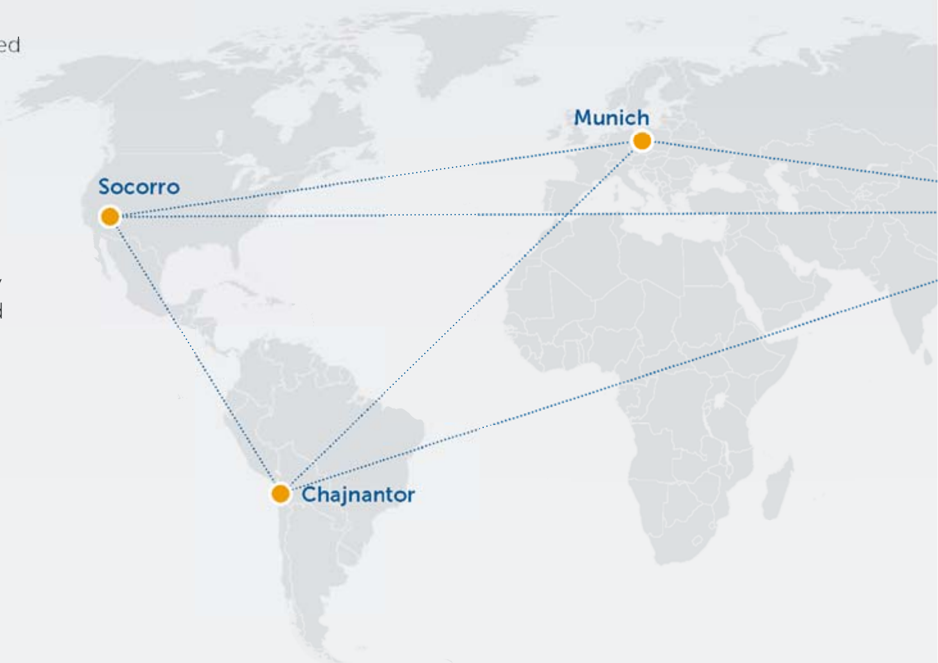
"Slow and unreliable satellite-based network access from our remote observatory, located 5,000 metres above sea level in the Chilean Andes made access to the source code repository in Germany quite unpredictable for our developers based there," said Erik Allaert, European Divisional Software Manager for ESO. "At the same time, we needed to improve network performance between all of our development sites in America, Japan and Europe."

Global 24/7 high-speed operations achieved

After looking at leading version control solutions, ESO selected WANdisco. WANdisco turns distributed servers into mirrors of each other, so every server is in sync. Developers at every location enjoy LAN-speed performance for all operations and have access to the most up-to-date changes, regardless of where those changes originated.

WANdisco enables LAN-speed collaboration between ESO's globally distributed developers from any location, allowing them to work as if they were all at one location. With WANdisco's patented replication technology, all repositories are fully readable, writeable and continuously in sync and downtime and data loss are completely eliminated because the repositories are turned into mirrors of each other, providing continuous hot-backup and automatic failover across every site.

WANdisco's replication at ALMA



Responding to catastrophe

The March 2011 tsunami in Japan was disastrous, claiming more than 15,000 lives. In addition, it had catastrophic results for ESO, causing a three-month outage for the organisation's Tokyo location. However, with WANdisco's patented replication solution in place, users there simply connected to ESO servers in Germany. When the Tokyo servers were brought back online, they were immediately and automatically re-synchronised with servers at other sites in less than two hours.

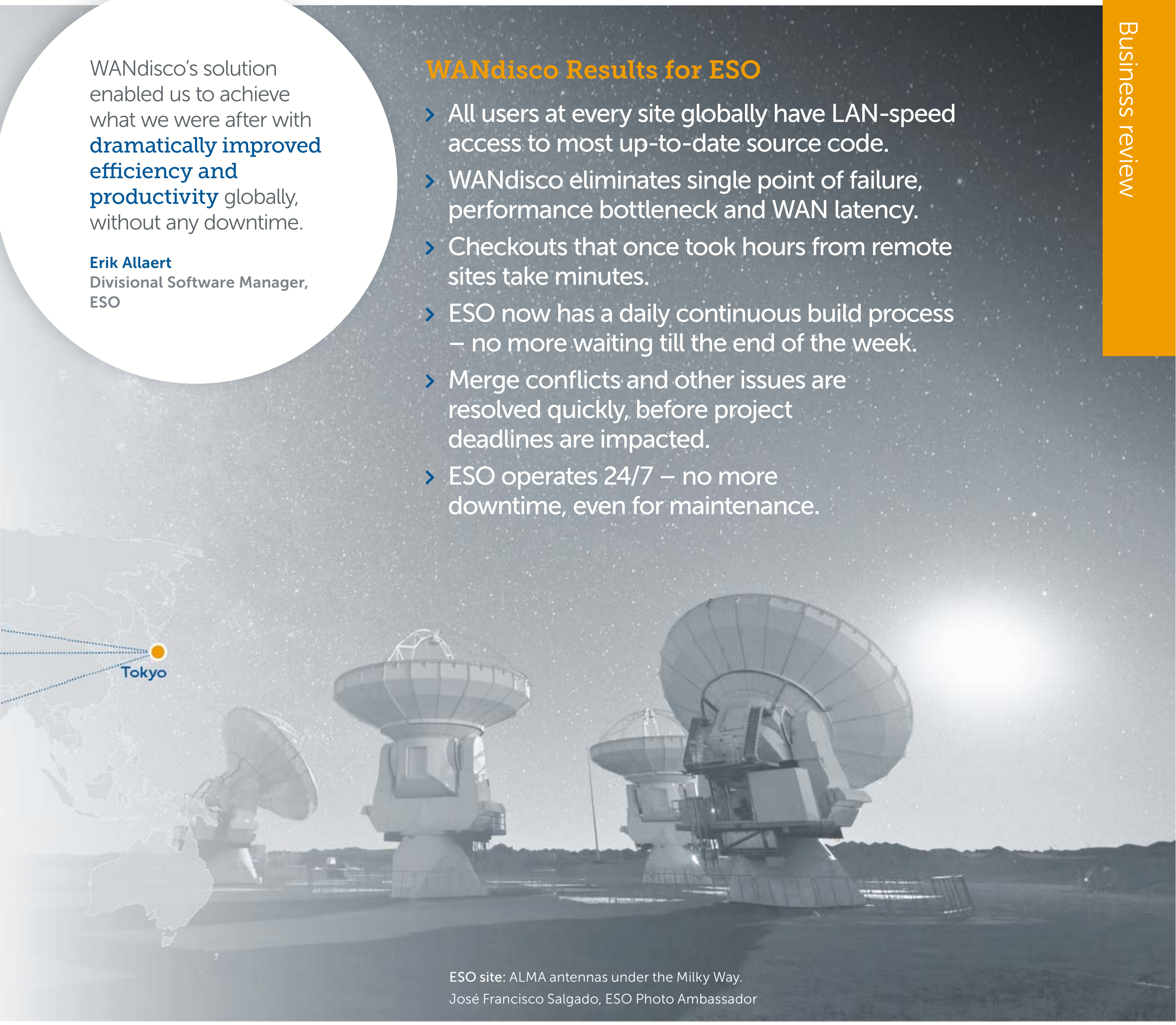
To read more about our work and to see more examples of what we have done for other customers visit wandisco.com

WANdisco's solution enabled us to achieve what we were after with **dramatically improved efficiency and productivity** globally, without any downtime.

Erik Allaert
Divisional Software Manager, ESO

WANdisco Results for ESO

- All users at every site globally have LAN-speed access to most up-to-date source code.
- WANdisco eliminates single point of failure, performance bottleneck and WAN latency.
- Checkouts that once took hours from remote sites take minutes.
- ESO now has a daily continuous build process – no more waiting till the end of the week.
- Merge conflicts and other issues are resolved quickly, before project deadlines are impacted.
- ESO operates 24/7 – no more downtime, even for maintenance.



ESO site: ALMA antennas under the Milky Way.
José Francisco Salgado, ESO Photo Ambassador

Substantial growth across the board

The Group has delivered a strong financial performance driven by substantial growth in subscriptions.

The subscription model for selling the Group's products has once again proved its worth

- Bookings increase by 71% to $7.916 million (2011: $4.618 million)
- Revenue increases by 56% to $6.031 million (2011: $3.878 million)
- Deferred revenue increased to $6.368 million (2011: $4.466 million)
- Net cash balances at year end of $14.5 million

As our full year results highlight, the Group has experienced rapid growth in 2012. This growth is expected to continue as the products achieve wider adoption throughout both the software developer community and the big data industry.

The admission of the company's shares to the Alternative Investment Market in London on 1 June 2012 was a transformational event, affording the Group an opportunity to raise significant amounts of financial resources which in turn gave the Group the capacity to expand its sales team and product base. New funds raised at the time of the IPO were $23.2 million through the issue of 8,333,334 new Ordinary Shares at a placing price of 180 pence per share. In consequence, the Group is now broadly owned as to 50% by the professional investing community and 50% by current and former employees of the Company.

Immediately following the IPO, the cash available for investment was $23.5 million. The table on the following page demonstrates how these funds were utilised over the subsequent seven months to 31 December 2012.

Since the IPO there have been two significant corporate transactions. The investment of $1.0 million in the smartSVN software products has proven to be advantageous in terms of broadening the Group's product offering for the ALM market. Furthermore, the $4.9 million paid to the vendors of the AltoStor, Inc. business (of which $1.5 million was paid in cash immediately on completion) has been invaluable in terms of improving the Group's knowledge base of the Apache Hadoop technology, as well as rapidly accelerating our ability to launch products designed to overcome some of the major issues in the big data marketplace.

The AltoStor acquisition was partly funded through the issue of 525,911 new Ordinary Shares and $1.5 million by way of cash. The cash consideration has been treated as initial purchase consideration, as well as $0.8 million of the share consideration, of which $0.3 million was made available to the vendors immediately on completion, and $0.5 million is deferred. The balance of the amount paid to the vendors ($2.6 million) is to be treated under IFRS 2 as a share-based payment in the post acquisition period, due to the conditionality that attaches to the release of the shares to the vendors.

The subscription model for selling the Group's products has once again proved its worth in that each renewal gives us the opportunity to extend our engagement with our customers. This model also provides us with a high degree of confidence in terms of forecasting future revenues. As a result of cash bookings increasing year-on-year by 71%, the balance on the deferred revenue account has also increased from $4.466 million to $6.368 million, a rise of 43%.

Cash flows since IPO on 1 June 2012	$'000
Pre IPO cash	253
Cash raised from IPO (net of costs)	23,197
Syntevo software purchase	(1,000)
AltoStor Acquisition	(1,500)
Cash receipts	3,609
UK Payroll costs	(2,374)
US Payroll costs	(3,572)
Operating working capital	(1,412)
IPO costs	(2,656)
Cash at year end	14,545

Cash bookings

$7.9m

+71%

2011: $4.6m // **2012: $7.9m**

Revenue

$6.0m

+56%

2011: $3.9m // **2012: $6.0m**

Revenue for the year under review was $6.031 million, representing a 56% increase over the prior year result of $3.878 million.

During the year, as in previous years, the Group has invested substantially in new product development. This investment has contributed strongly to the growth in revenues and it is anticipated that such investment will continue. In the year ended 31 December 2012, the total capitalised development expenditure was $2.912 million, resulting in an intangible asset in the statement of financial position of $2.454 million. This asset is being amortised over two years.

Clearly, as a result of, inter alia, the IPO and its associated costs, the Group has incurred a number of exceptional costs during the year amounting to $2.656 million. These have been excluded from the calculation of the underlying results, as has the exceptional gain of $776,000 arising from the translational foreign exchange difference due to the sterling cash deposits that the Group held at the year end. In consequence, the net exceptional costs charged in the year amounted to $1.880 million.

The substantial investment in the sales team and software engineers since the IPO has resulted in an accounting loss in terms of underlying EBITDA. While the Group was EBITDA positive on this basis in the year to 31 December 2011, when it had limited funds to invest in growth, the recent level of investment has resulted in an adjusted loss before interest, tax, depreciation and amortisation of $3.002 million.

The adoption of the Group's products by our target customers continues apace which is a testament to the quality of the software and individuals that develop and support it. As a result it is clear that wider adoption will transform the financial position of the Group going forward and help to build upon the successful IPO.

Nick Parker
Chief Financial Officer

"The adoption of the Group's products by our target customers continues apace which is a testament to the quality of the software and individuals that develop and support it."

Board of Directors

WANdisco is led by a seasoned team of software executives who have served on the boards and advisory boards of a number of Silicon Valley start-up ventures and large corporates. The team consists of individuals who have built companies from inception to successful exit and people who are regarded as worldwide authorities in the field of distributed computing, network protocols and Java development.

1. David Richards

Position

President, CEO
and Co-founder

Committees

Remuneration

Experience

David is CEO, President and co-founder of WANdisco and has quickly established WANdisco as one of the world's most promising technology companies.

Since co-founding the Company in Silicon Valley in 2005, David has led WANdisco on a course for rapid international expansion, opening offices in the UK, Japan and China. David spearheaded the acquisition of AltoStor, which accelerated the development of WANdisco's first products for the big data market. The majority of WANdisco's core technology is now produced out of the Company's flourishing software development base in David's hometown of Sheffield, England, and in Belfast, Northern Ireland.

David has become recognised as a champion of British technology and entrepreneurship. In 2012, he led WANdisco to a hugely successful listing on London Stock Exchange (WAND:LSE), raising over $23 million to drive business growth.

With over 15 years' executive experience in the software industry, David sits on a number of advisory and executive boards of Silicon Valley start-up ventures. A passionate advocate of entrepreneurship, he has established many successful start-up companies in enterprise software and is recognised as an industry leader in enterprise application integration and its standards.

David is a frequent commentator on a range of business and technology issues, appearing regularly on Bloomberg and CNBC. Profiles of David have appeared in a range of leading publications including the Financial Times, the Daily Telegraph and the Daily Mail.

David holds a BSc degree in computer science from the University of Huddersfield, England.

2. James Campigli

Position

Chief Operating Officer
and Co-founder

Committees

Audit

Experience

James has over 25 years of software industry experience at both early-stage and public companies. In his current role James is responsible for WANdisco's operational management, including oversight of marketing, human resources, and legal affairs. In his previous role as a founder and chief technology officer (CTO) of Librados, an application integration software provider, James was responsible for overall product strategy and product messaging. James was also a member of the management team that led the company's acquisition by NetManage, Inc. Following its acquisition, James joined NetManage as CTO for the Librados products group.

Prior to Librados, James was the vice president of product management for Insevo, a middleware company specializing in enterprise application integration. James also held senior product management, product marketing and consulting management positions at BEA Systems and SAP AG. James holds a BA from the University of California, Berkeley.

For biographies of our full management team visit our website wandisco.com

3. Nick Parker

Position

Chief Financial Officer
and Company Secretary

Committees

N/A

Experience

Nick has over 25 years of experience in finance positions and in particular in London Stock Exchange listed companies. Nick is an experienced business professional and chartered accountant (Institute of Chartered Accountants in England and Wales) and today serves as WANdisco's CFO, where he oversees the Group's finance, accounting and investor relations functions. Prior to WANdisco, Nick was the Dyson Group PLC CFO for over eight years from 2000 to 2008. He was previously, from 2008 to 2011, the chief executive of Sheffield Wednesday Football Club, where he was involved in the sale of the English football team to private investors, and was also the vice president of corporate development at Carclo PLC, where he oversaw numerous acquisitions and disposals in both the UK and overseas. Nick holds a BA in accountancy and economics from the University of Exeter, UK.

4. Paul Walker

Position

Non-executive Director

Committees

Remuneration and Audit

Experience

Paul served as chief executive officer of The Sage Group Plc from 1994 to 2010. Paul joined Sage Group Plc as company accountant in 1984 and served as its finance director from 1987 until 1994. Paul has been a non-executive director of Experian plc since June 2010 and has been a non-executive director of Diageo Plc since June 2002. He has also served as non-executive chairman of Perform plc since 2011, is currently chair of the Newcastle Science City Partnership and is a director of the Entrepreneurs' Forum. Paul previously served as a non-executive director of MyTravel Group Plc from December 2000 to December 2004.

5. Ian Duncan

Position

Non-executive Director

Committees

Remuneration and Audit

Experience

Ian was group finance director of Royal Mail Holdings plc from 2006 to 2010. Prior to Royal Mail Holdings plc, Ian served for eight years as chief financial officer and senior vice president of Westinghouse Electric Company LLC in Pennsylvania, US. Between 1993 and 1998 Ian was at British Nuclear Fuels plc latterly as corporate finance director. Prior to this Ian was an associate director at Lloyds Merchant Bank Limited and a manager at Dresdner Kleinwort Wasserstein Limited. Ian qualified as a chartered accountant at Deloitte and Touche in 1985. Ian is currently a non-executive director and Chair of the audit committee at Babcock International Group plc, Fiberweb plc and the Mouchel Group.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

Principal activity

The principal activity of the Group is the development and provision of global collaboration software.

Business review and future developments

A review of the Group's operations and future developments is covered in the Chairman and Chief Executive Officer's Report on pages 2 and 3. This report includes sections on strategy and markets and considers key risks and key performance indicators.

Financial results

Details of the Group's financial results are set out in the Consolidated Income Statement and other components on pages 20 to 43.

Dividends

The Directors do not recommend the payment of a dividend.

Going concern

After making enquiries, the Directors have confidence the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Report and Accounts. This is described in more detail in Note 1.

Annual General Meeting

On page 45 is the notice of the Company's first Annual General Meeting to be held at 12.00 noon on 12 June 2013 at the offices of DLA Piper UK LLP in Sheffield.

Directors

The Directors who served on the Board and on Board Committees during the year are set out on pages 8 and 9.

Under the Articles of Association of the Company, no person who was a Director as at the date of Admission shall be required to retire at the Company's Annual General Meeting following Admission. In future years one-third of the Directors are required to retire at the Annual General Meeting and can offer themselves for re-election.

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Information on Directors' remuneration and share option rights is given in the Remuneration Committee Report on page 14.

Substantial shareholders

The Company is informed that, at 25 April 2013, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of shares	% of issued Ordinary Share capital
Dr Yeturu Aahlad	3,425,091	15.99%
Cazenove Capital	1,627,473	7.60%
Legal & General Investment Management Ltd	1,595,676	7.45%
Blackrock Investment Management	697,080	3.25%
Mr Mohammad Naeem Akhtar	692,454	3.23%

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2012 and at 25 April 2013 were as follows:

	Number of shares	% of Ordinary issued share capital
Executive Directors		
David Richards	3,383,153	15.79%
James Campigli	1,844,143	8.61%
Non-Executive Directors		
Paul Walker	111,111	0.52%

None of the Directors had any interest in the share capital of any subsidiary company. Further details of options held by the Directors are set out in the Remuneration Committee Report on page 14.

The middle market price of the Company's Ordinary Shares on 31 December 2012 was 440 pence and the range during the period since admisson to AIM and the year end was 180 pence to 455 pence with an average price of 329 pence.

Research and development

The Group expended $2,912,000 during the year (2011: $1,207,000) on research and development of which $2,912,000 (2011: $1,207,000) was capitalised within intangible assets and $nil (2011: $nil) was charged to the income statement. In addition, an amortisation charge of $1,801,000 (2011: $980,000) has been recognised against previously capitalised costs.

Derivatives and financial instruments

The Group's policy and exposure to derivatives and financial instruments is set out in Note 21.

Employee involvement

It is the Group's policy to involve employees in its progress, development and performance. Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. The Group is a committed equal opportunities employer and has engaged employees with broad backgrounds and skills.

It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues.

Political and charitable donations

During the year ended 31 December 2012 the group made political donations of $nil (2011: $nil) and charitable donations of $nil (2011: $nil).

Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations.

The ratio, expressed in days, between the amount invoiced to the Group by its suppliers during the year to 31 December 2012 and the amount owed to its trade creditors at 31 December 2012 was 45 days (2011: 43 days).

Risks relating to the Group and its business

Technological risks

The Group's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in working practices which could affect both the potential profitability and saleability of the Group's product offering. Staying abreast of technological changes may require substantial investment.

The Group's existing software products need to develop continually in order to meet customer requirements. The technology used in the Group's products and used in Subversion is still evolving and is highly complex and may change rapidly. Research and development by other companies may render any of the Group's products in development or currently available obsolete.

Intellectual property protection

The Group protects its intellectual property through a variety of methods, including proprietary information and invention agreements and non-disclosure agreements entered into by WANdisco and its employees through the Group's terms and conditions of software licence agreements.

The Group also has a patent in the US and a number of patents that it has applied for and a number of trade marks registered in the US. Any failure to protect the Group's intellectual property may result in another party copying or otherwise obtaining and using its proprietary technology without authorisation.

There may not be adequate protection for the intellectual property in every country in which the Group sells its products and policing unauthorised use of proprietary information is difficult and expensive.

Due to the Group's size and previously limited cash resources, it has historically taken only limited action to protect its key intellectual property and it may not be able to detect and prevent infringement of its intellectual property. Should a third party successfully demonstrate priority over any of these rights, it could inhibit the Group from selling products in certain territories.

The steps, which the Group has taken and intends to take to protect its intellectual property, may be inadequate to prevent the misappropriation of its proprietary technology. Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results.

Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation, or that it can be effectively used to enforce the Group's rights.

Dependence on key executives and personnel

The Group's future success is dependent on its senior management and key technical personnel. Whilst much of the Group's proprietary know-how is documented, members of the technical team each contribute valuable skills and know-how to the business and, despite contractual confidentiality agreements in favour of the Group, there can be no guarantee that those individuals will not join the Group's competitors or establish themselves in competition with the Group in the future.

Failure to retain the services of any of these people may adversely affect the Group's business and growth prospects. Additionally, the future success of the Group is dependent on the ability to continue to attract, retain and motivate qualified personnel and failure to do so could materially affect the Group's business.

Risks relating to the Group and its business continued

Competition risk

There can be no guarantee that the Group's competitors (including those who license software which competes with Subversion or CVS) have not already developed and/or will not develop products and services which are competitive to those supplied by the Group or which reduce the appeal of Subversion and there can be no assurances that the availability of any such products and services will not adversely affect future demand for the Group's own products and services.

The Group's competitors may have or develop greater financial, marketing and technological resources than the Group, enabling them to develop products and services which are competitive to those of the Group and to promote them more successfully than the Group.

Open source software

WANdisco's products are currently designed for use with Subversion and CVS, both of which are open source software products. As open source products are developed by a wider community, the Group does not solely control their development, and changes to the structure of the products may significantly impair the effectiveness of the Group's products. As the core open source software on which the Group's products and services currently depend are licensed for free, the Group's ability to sell its products and services may be curtailed by potential customers not understanding the incremental benefits of the Group's offering or seeking to rely purely on the open source software available.

WANdisco's products contain products licensed under free and open source software code (FOSS). As with any type of software licence, WANdisco must abide by the terms of the relevant licences. The FOSS products used by WANdisco are a mix of "permissive" and "copyleft" licences, with the vast majority being permissive. There is an inherent risk for any business that uses FOSS with a copyleft effect that it may be obliged to release the source code to its proprietary software. This is sometimes referred to as "contamination". This risk cannot be entirely eliminated but WANdisco has implemented a FOSS policy which includes the following provisions to reduce significantly and mitigate the risk of contamination:

- WANdisco favours the use of permissive (non-copyleft) FOSS licences, which do not pose a contamination risk (specifically, the form of copyleft licence that poses the highest risk (the GPL) is not used by WANdisco);
- if there is any question about how appropriate a FOSS licence is (for example it is unknown whether it is a permissive or copyleft licence), then it will seek to agree a suitable method for re-licensing with the licensor or it will seek specific legal advice;
- when packaging any FOSS, the terms of licence will always be placed in a licences file or folder contained in the product; and
- WANdisco will use "dynamic" rather than "static" linking to FOSS code wherever this is possible (and WANdisco confirms that dynamic linking is currently exclusively used in practice), the use of which is generally accepted in the market to reduce the risk of contamination by the FOSS products WANdisco currently uses.

If WANdisco does not comply with its FOSS policy then the risk of contamination by FOSS with a copyleft effect is increased. No instances of such non-compliance have been identified by WANdisco.

Exchange rate risk

Exchange rate fluctuations could have a material adverse effect on the Group's profitability or the price competitiveness of its products and services. There can be no guarantee that the Group would be able to compensate or hedge against such adverse effects and therefore negative exchange rate effects could have a material adverse effect on the Group's business and prospects, and its financial performance.

Product risks

The Group's products and the software on which they are based are complex and may contain undetected defects when first introduced and problems may be discovered from time to time in existing, new or enhanced products. Undetected defects could damage the Group's reputation, ultimately leading to an increase in the Group's costs or reduction in its revenues.

Security and privacy breaches

The Group's security and testing measures may not prevent security breaches that could harm the Group's or its customers businesses. For example, a number of the Group's users provide the Group with credit card and other confidential information and authorise the Group to bill their credit card accounts directly for the Group's products and services. Typically, the Group relies on encryption and authentication technology licensed from third parties to enhance the transmission and storage security of confidential information.

Advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or other developments may result in a compromise or breach of the technology used by the Group to protect customer and proprietary data. Any compromise of the Group's security could harm its reputation or financial condition and, therefore, the business.

In addition, a party who is able to circumvent the Group's security measures could, among other effects, misappropriate proprietary information, cause interruptions in the Group's operations or expose customers to computer viruses or other disruptions. Actual or perceived vulnerabilities may lead to claims against the Group. While the Group's customer agreements typically contain provisions that seek to limit the Group's liability, there is no assurance that these provisions will be enforceable and effective under applicable law.

Risks relating to the Group and its business continued

Reliance on key systems

The Group's dependency upon technology exposes the Group to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. Any malfunctioning of the Group's technology and systems, even for a short period of time, could result in a lack of confidence in the Group's services and a possible loss of existing customers to its competitors, with a consequential material adverse effect on the Group's operations and results.

The Group's systems are vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial of service attacks and other events. The Group's systems are also subject to break-ins, sabotage and international acts of vandalism by internal employees and contractors as well as third parties. Any interruption in the availability of the Group website, support site or telephone systems would create a business interruption and large volume of customer complaints.

Transfer pricing

There is a risk that amounts paid or received under intra-group arrangements in the past and/or the future could be deemed for tax purposes to be lower or higher, as the case may be, or be disregarded for the purposes of calculating tax, which may increase the Group's taxable income or decrease the amount of relief available to the Group with a consequential negative effect on its financial and operating results.

Key customer dependency

The Group currently generates a significant proportion of its revenue from certain customers. In 2012, the Group's top 20 customers accounted for 56.0% of total revenue. The loss of all or a substantial proportion of the business provided by one or more of the Group's top customers could have a material adverse effect on the Group's business.

Regulation risk

Regulation of the internet and e-commerce is rapidly evolving and there are an increasing number of directly applicable laws and regulations. It is possible that additional laws and regulations may be enacted with respect to the internet, covering issues such as user privacy, law enforcement, pricing, taxation, content liability, data encryption, copyright protection, and quality of products and services.

The requirement to comply with and the adoption of such new or revised regulations, or new or changed interpretations or enforcement of existing regulations, may have a material adverse effect on the Group's business and on the results of its operations.

General risks

Economic conditions and current economic weakness

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to realise a profit.

The markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Nick Parker
Chief Financial Officer and Company Secretary
25 April 2013

Remuneration Committee report

As an AIM company, WANdisco plc is required to comply with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008. The content of this report is unaudited unless stated.

Remuneration Committee

The Remuneration Committee comprises the Non-executive Chairman (Paul Walker), the Independent Non-executive Director (Ian Duncan) and the Group Chairman and Chief Executive Officer (David Richards).

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to remuneration, terms of service, granting of share options and other equity incentives.

The Remuneration Committee meets at least twice a year.

Remuneration policy

The objectives of the remuneration policy are to ensure that the overall remuneration of Executive Directors is aligned with the performance of the Group and preserves an appropriate balance of income and shareholder value.

Non-executive Directors

Remuneration of the Non-executive Directors is determined by the Executive Directors. Non-executive Directors are not entitled to pensions, annual bonuses or employee benefits. They are entitled to participate in share option arrangements relating to the Company's shares but neither of them does at this time. Each of the Non-executive Directors has a letter of appointment stating his annual fee and that his appointment is initially for a term of three years. Their appointment may be terminated with three months' written notice at any time.

Directors' remuneration

The normal remuneration arrangements for Executive Directors consist of Directors' fees, basic salary and annual performance-related bonuses. In addition, they receive private health care and, in the case of Nick Parker, a pension contribution.

Directors' emoluments

In the year ended 31 December 2012 the basis of the executive bonus scheme was as laid out in the Admission document, being based upon the level of growth in the customer bookings number in 2012 relative to that achieved in 2011. That bonus scheme also included arrangements for the subsequent two years to 31 December 2014. Following the Admission of the shares to listing on AIM, it was considered appropriate to review these arrangements and assess the extent to which they were in line with best practice for the current and subsequent years. It was agreed by the Remuneration Committee and the Board as a whole that, while bonuses of up to 150% might reflect not only the operational performance of the Group during the period but also the achievement of significant corporate objectives such as the successful IPO, in terms of operational parameters a maximum bonus of 100% of base salary seemed more appropriate. In consequence a new bonus scheme is to be introduced for the current year. The new bonus scheme will incorporate a target bonus of 75% of salary with a maximum bonus of 100% of salary. The level of the bonus will be dependent upon the customer bookings achieved during the year.

	Salary/fees $'000	Bonus $'000	Benefits $'000	31 December 2012 Total $'000	31 December 2011 Total $'000
Executive					
David Richards	350	500	49	**899**	229
James Campigli	300	429	28	**757**	211
Nick Parker	277	562	40	**879**	53
	927	1,491	117	**2,535**	493
Non-Executive					
Paul Walker	42	—	—	**42**	—
Ian Duncan	42	—	—	**42**	—
	84	—	—	**84**	—
Total	1,011	1,491	117	**2,619**	493

Directors' interests

Details of the Directors' shareholdings are included in the Directors' report on page 10.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of options for Directors who served during the year are as follows:

	Number of options at 31 December 2012	Exercise price
Executive		
David Richards	—	—
James Campigli	—	—
Nick Parker	**400,000**	$0.36
Non-executive		
Paul Walker	—	—
Ian Duncan	—	—

Paul Ashton Walker
Chairman of the Remuneration Committee
25 April 2013

Corporate governance

2012 FRC UK Corporate Governance Code

Whilst the Company is listed on the AIM, it is not required to adopt the provisions of the Code on Corporate Governance ("the Code"). The Board, however, is committed to the maintenance of high standards of corporate governance and after due consideration it has adopted many aspects of the Code as described below.

The Board of Directors and Committees of the Board of Directors

The Board comprises three Executive and two Non-executive members as at 25 April 2013. This ensures compliance with the Code which states that a smaller company should have at least two independent directors. The Board met regularly throughout period from 1 June 2012, the date of Admission to AIM, and the year end, with ad hoc meetings also being held. The role of the Board is to provide leadership of the Group and to set strategic aims but within a framework of prudent and effective controls which enable risk to be managed. The Board has agreed the Schedule of Matters reserved for its decision which includes ensuring that the necessary financial and human resources are in place to meet its obligations to its shareholders and others. It also approves acquisitions and disposals of businesses, major capital expenditure, annual financial budgets and recommends interim and final dividends. It receives recommendations from the Audit Committee in relation to the appointment of the auditor, its remuneration and the policy relating to non-audit services. The Board agrees the framework for Executive Directors' remuneration with the Remuneration Committee and determines fees paid to Non-executive Directors. Board papers are circulated before Board meetings in sufficient time to be meaningful.

The performance of the Board is evaluated on an ongoing basis informally with reference to all aspects of its operation including, but not limited to: the appropriateness of its skill level; the way its meetings are conducted and administered (including the content of those meetings); the effectiveness of the various Committees; whether corporate governance issues are handled in a satisfactory manner; and whether there is a clear strategy and objectives.

A new Director, on appointment, is briefed on the activities of the Group. Professional induction training is also given as appropriate. The Chairman briefs Non-executive Directors on issues arising at Board meetings if required and Non-executive Directors have access to the Chairman at any time. Ongoing training is provided as needed. Directors are updated on a frequent and regular basis on the Group's business and on issues covering employment, social, ethical, environmental and health and safety matters by means of Board presentations.

In the furtherance of his duties or in relation to acts carried out by the Board or the Company, each Director has been informed that he is entitled to seek independent professional advice at the expense of the Company. The Company maintains appropriate cover under a Directors' and Officers' insurance policy in the event of legal action being taken against any Director.

Each Director is appraised through the normal appraisal process. The Executive Board members are appraised by both the Chief Executive and the Senior Independent Director and the Non-executive Board members by the Chairman. Under the leadership of the Senior Independent Director, the Non-executive Board members hold a meeting without the Chairman being present to appraise the Chairman's performance. Each Director has access to the services of the Company Secretary if required.

The Non-executive Directors are considered by the Board to be independent of management and are free to exercise independence of judgement. They have never been employees of the Company nor do they participate in the Company's bonus arrangements. They receive no other remuneration from the Company other than the Directors' fees.

It is recognised that the Code does not treat the Chairman as independent and it is considered best practice that he should not sit on the Remuneration Committee. The Board, however, takes the view that as the number of Non-executive Directors is only two and as the Chairman does not chair the Remuneration Committee, his participation will continue.

The table below shows the number of Board meetings and Audit Committee and the Remuneration Committee meetings held between the date the Company was admitted to AIM on 1 June 2012 and the year end and the attendance of each Director.

	Board meetings		Committee meetings			
			Audit		Remuneration	
	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors						
David Richards	3	3	—	—	2	2
James Campigli	3	3	2	2	—	—
Nick Parker	3	3	—	—	—	—
Non-executive Directors						
Paul Walker	3	3	2	2	2	2
Ian Duncan	3	3	2	2	2	2

The Audit Committee

The Audit Committee ("the Committee") is established by and is responsible to the Board. It has written terms of reference. Its main responsibilities are:

- to monitor and be satisfied with the truth and fairness of the Group's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards, the law and the Listing Rules of the Financial Services Authority;
- to monitor and review the effectiveness of the Group's system of internal control;
- to make recommendations to the Board in relation to the appointment of the external auditor and its remuneration, following appointment by the shareholders in general meeting, and to review and be satisfied with the auditor's independence, objectivity and effectiveness on an ongoing basis; and
- to implement the policy relating to any non-audit services performed by the external auditor.

Ian Duncan is the Chairman of the Committee. The other members of the Committee are Paul Walker and James Campigli, both of whom have gained wide experience in regulatory and risk issues.

The Audit Committee meets with external auditors, without the Executive Directors being present, at least once a year.

The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Group and to obtain external legal or other independent professional advice as is deemed necessary by it.

Meetings of the Committee are held at least three times per year to coincide with the review of the scope of the external audit and observations arising from their work in relation to internal control and to review the financial statements. The external auditor is invited to these meetings and meets with the Audit Committee at least three times a year. At its meeting, it carries out a full review of the year-end financial statements and of the audit, using as a basis the Report to the Audit Committee prepared by the external auditor and taking into account any significant accounting policies, any changes to them and any significant estimates or judgements. Questions are asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations.

The Committee receives reports from management on the effectiveness of the system of internal controls. It also receives from the external auditor a report of matters arising during the course of the audit which the auditor deems to be of significance for the Committee's attention. The statement on internal controls and the management of risk, which is included in the Annual Report, is approved by the Committee.

The 1998 Public Interest Disclosure Act ("the Act") aims to promote greater openness in the workplace and ensures "whistle blowers" are protected. The Group voluntarily maintains a policy in accordance with the Act, which allows employees to raise concerns on a confidential basis if they have reasonable grounds in believing that there is serious malpractice within the Group. The policy is designed to deal with concerns, which must be raised without malice and in good faith, in relation to specific issues which are in the public interest and which fall outside the scope of other Group policies and procedures. There is a specific complaints procedure laid down and action will be taken in those cases where the complaint is shown to be justified. The individual making the disclosure will be informed of what action is to be taken and a formal written record will be kept of each stage of the procedure. Any issues arising under this policy are reported to the Audit Committee.

The external auditor is required to give the Committee information about policies and processes for maintaining its independence and compliance regarding the rotation of audit partners and staff. The Committee considers all relationships between the external auditor and the Company to ensure that they do not compromise the auditor's judgement or independence particularly with the provision of non-audit services.

The Remuneration Committee

The Remuneration Committee is chaired by Paul Walker; the other members of the Committee are Ian Duncan and David Richards. The Committee meets at least twice a year with the other Board members in attendance as appropriate. It has written terms of reference. The Committee agrees the framework for Executive Directors' remuneration with the Board.

Re-election

With the exception of the Annual General Meeting following the Admission to AIM, Directors are subject to re-election at the Annual General Meeting following their appointment. In addition, at each Annual General Meeting one-third (or whole number less than one-third) of the Directors will retire by rotation.

Shareholder communications

The Chairman and the Chief Financial Officer regularly meet with institutional shareholders to foster a mutual understanding of objectives.

The Directors encourage the participation of all shareholders, including private investors, at the Annual General Meeting and as a matter of policy the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at the meeting.

The Annual Report and Accounts is published on the Company's website, www.wandisco.com, and can be accessed by shareholders.

Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group highlights potential financial and non-financial risks which may impact on the business as part of the quarterly management reporting procedures. The Board receives these quarterly management reports and monitors the position at Board meetings.

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group. The processes have been in place from the date of Admission to AIM up to the date of approval of the Annual Report and Accounts, consistent with the guidance for Directors on internal control issued by the Turnbull Committee.

The Group's internal financial control and monitoring procedures include:

› clear responsibility on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;

› the control of key financial risks through appropriate authorisation levels and segregation of accounting duties;

› detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budget;

› reporting on any non-compliance with internal financial controls and procedures; and

› review of reports issued by the external auditor.

The Audit Committee on behalf of the Board reviews reports from the external auditor together with management's response regarding proposed actions. In this manner they have reviewed the effectiveness of the system of internal controls for the period covered by the accounts.

Statement of Directors' responsibilities
in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates which 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 company will continue in business.

The Directors are responsible for keeping proper accounting records that 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 (Jersey) Law 1991. 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.

Independent auditor's report
to the members of WANdisco plc

We have audited the Group financial statements of WANdisco plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 set out on page 18, the Directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU of the state of the Group's affairs as at 31 December 2012 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Other matter – prior period financial statements

In forming our opinion on the financial statements, which is not modified we note that the prior period consolidated financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these consolidated financial statements are unaudited.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Johnathan Pass
for and on behalf of KPMG LLP
Chartered Accountants
25 April 2013

Notes

- The maintenance and integrity of the WANdisco.com website is the responsibility of the Directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG LLP accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 25 April 2013. KPMG LLP has carried out no procedures of any nature subsequent to 25 April 2013 which in any way extends this date.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 Pre-exceptional $'000	Year ended 31 December 2012 Exceptional items $'000	Year ended 31 December 2012 Total $'000	Year ended 31 December 2011 Pre-exceptional $'000	Year ended 31 December 2011 Exceptional items $'000	Year ended 31 December 2011 Total $'000
Revenue		6,031	—	6,031	3,878	—	3,878
Cost of sales		(497)	—	(497)	(303)	(95)	(398)
Gross profit		5,534	—	5,534	3,575	(95)	3,480
Operating expenses	6, 8	(11,419)	(2,656)	(14,075)	(4,524)	(110)	(4,634)
Loss from operations		(5,885)	(2,656)	(8,541)	(949)	(205)	(1,154)
Finance (expense)/income	8, 9	(216)	776	560	(75)	—	(75)
Loss before tax		(6,101)	(1,880)	(7,981)	(1,024)	(205)	(1,229)
Taxation	11	—	—	—	25	—	25
Loss for the year		(6,101)	(1,880)	(7,981)	(999)	(205)	(1,204)
Other comprehensive income							
Foreign currency translation differences – foreign operations		16	—	16	(7)	—	(7)
Other comprehensive income for the period net of tax		—	—	—	—	—	—
Total comprehensive income for the period		(6,085)	(1,880)	(7,965)	(1,006)	(205)	(1,211)
Loss per share							
Basic and diluted	12			$0.49			$0.26

Consolidated statement of financial position
as at 31 December 2012

	Notes	2012 $'000	2011 $'000
Assets			
Intangible assets	13	5,541	1,343
Property, plant and equipment	14	129	43
Total non-current assets		5,670	1,386
Trade and other receivables	16	2,486	1,188
Cash and cash equivalents	18	14,545	74
Total current assets		17,031	1,262
Total assets		22,701	2,648
Liabilities			
Loans and borrowings	19	—	(705)
Trade and other payables	17	(3,665)	(2,566)
Deferred income	17	(6,368)	(4,466)
Deferred government grant		(36)	—
Provisions	20	(393)	(414)
Total current liabilities		(10,462)	(8,151)
Loans and borrowings	19	—	(65)
Deferred tax	11	(5)	(5)
Non-current liabilities		(5)	(70)
Total liabilities		(10,467)	(8,221)
Net assets/(liabilities)		12,234	(5,573)
Equity			
Share capital	22	3,388	448
Share premium	22	23,332	—
Translation reserve	22	6	(10)
Merger reserve	22	1,247	—
Retained earnings	22	(15,739)	(6,011)
Total equity/(deficit)		12,234	(5,573)

The financial statements on pages 20 to 43 were approved by the Board of Directors on 25 April 2013 and signed on its behalf by:

David Richards
Chief Executive Officer

Nick Parker
Chief Financial Officer

Company registered number 110497

Financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Share capital $'000	Share premium $'000	Translation reserve $'000	Merger reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2011	448	—	(3)	—	(5,054)	(4,609)
Total comprehensive income for the period						
Loss for the year	—	—	—	—	(1,204)	(1,204)
Foreign currency translation differences	—	—	(7)	—	—	(7)
Total comprehensive income for the period	—	—	(7)	—	(1,204)	(1,211)
Transactions with owners recorded directly in equity						
Issue of shares	—	—	—	—	—	—
Waiver of loan from shareholders	—	—	—	—	174	174
Shares issued in exchange for WANdisco, Inc. shares	—	—	—	—	—	—
Share issue costs	—	—	—	—	—	—
Share-based payments charge	—	—	—	—	73	73
Total contributions by and distributions to owners	—	—	—	—	247	247
Balance at 31 December 2011	448	—	(10)	—	(6,011)	(5,573)
Balance at 1 January 2012	448	—	(10)	—	(6,011)	(5,573)
Total comprehensive income for the period						
Loss for the year	—	—	—	—	(7,981)	(7,981)
Other comprehensive income	—	—	16	—	—	16
Total comprehensive income for the period	—	—	16	—	(7,981)	(7,965)
Transactions with owners recorded directly in equity						
Issue of shares by WANdisco Inc.	2,761	—	—	—	—	2,761
Shares issued by WANdisco plc in exchange for WANdisco Inc. shares	(1,247)	—	—	1,247	—	—
Shares issued by WANdisco plc	1,289	21,908	—	—	—	23,197
Share issue costs	—	(1,946)	—	—	—	(1,946)
Shares allotted under share option scheme	54	95	—	—	—	149
Shares issued as part of AltoStor acquisition	83	3,275	—	—	(2,560)	798
Share-based payments charge	—	—	—	—	813	813
Total contributions by and distributions to owners	2,940	23,332	—	1,247	(1,747)	25,772
Balance at 31 December 2012	**3,388**	**23,332**	**6**	**1,247**	**(15,739)**	**12,234**

Consolidated statement of cash flows
for the year ended 31 December 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Loss before taxation		(7,981)	(1,229)
Adjustments for:			
Depreciation		52	46
Amortisation of intangibles		2,017	980
Finance costs		216	75
Foreign exchange		(776)	(6)
Change in trade and other receivables		(1,394)	(959)
Change in trade and other payables		1,093	1,007
Change in deferred income		1,902	740
Grant income received		139	—
Grant income released		(105)	—
Change in provisions		(21)	246
Share-based payment charge		813	73
Interest paid		(101)	(75)
Net cash (used in)/generated from operating activities		(4,146)	898
Cash flows from investing activities			
Purchase of property, plant and equipment		(138)	(7)
Purchase of intangible assets		(1,000)	—
Acquisition of subsidiary	27	(1,500)	—
Development expenditure in respect of intangible assets		(2,912)	(1,207)
Net cash used in investing activities		(5,550)	(1,214)
Cash flow from financing activities			
Net proceeds from share issue		24,161	
Proceeds from loans		—	362
Repayment of borrowings		(770)	(51)
Net cash generated from financing activities		23,391	311
Net increase/(decrease) in cash and cash equivalents		13,695	(5)
Effect of exchange rate fluctuations on cash and cash equivalents		776	—
Cash and cash equivalents at the start of the period		74	79
Cash and cash equivalents at the end of the period		14,545	74

Notes to the consolidated financial statements

1. Reporting entity

WANdisco plc is a public limited company incorporated and domiciled in Jersey. The Company's ordinary shares are traded on AIM. The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as "the Group").

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU, IFRIC Interpretations, and under the historical cost accounting convention, and with those parts of Jersey Law (1991) applicable to companies under IFRS.

WANdisco plc was incorporated on 16 April 2012. On 16 May 2012 WANdisco plc acquired WANdisco, Inc. The acquisition of WANdisco, Inc. by WANdisco plc has been accounted for as a reverse acquisition and the consolidated IFRS financial information is therefore a continuation of the financial information of the WANdisco business, which was previously wholly owned by the WANdisco, Inc. group. On 18 May 2012 WANdisco plc acquired the whole of the issued share capital of WANdisco International Limited from WANdisco, Inc.

Unaudited comparative financial information

The 2011 comparative information represents the consolidated results of the former WANdisco Inc. group consisting of WANdisco Inc. and WANdisco International Limited, prior to the acquisition of WANdisco Inc. by WANdisco plc. KPMG LLP has not issued a statutory audit opinion on this comparative information as there was previously no requirement for an audit.

Under article 105(11) of the Companies (Jersey) Law 1991, a parent company preparing consolidated financial statements need not present solus (parent company only) financial information, unless required to do so by an ordinary resolution of the company's members.

(b) Going concern

As at 31 December 2012 the Group had net assets of \$12,234,000 (31 December 2011: net liabilities of \$5,573,000) as set out in the Consolidated Statement of Financial Position on page 21. Following the admission of the Ordinary Shares to trading on AIM, WANdisco plc has considerable financial resources. The Directors have prepared detailed forecasts of the Group's performance over the coming years. As a consequence, the Directors believe that WANdisco plc and the Group are well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries the Directors have a reasonable expectation that WANdisco plc and the Group have sufficient working capital available for its present requirements, that is for the next twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

(c) Functional and presentational currency

The consolidated financial statements are presented in US dollars, which is also the presentational currency of the Group. Billings to the Group's customers during the year were all in US dollars by WANdisco, Inc. with certain costs being incurred by WANdisco International Limited in sterling. All financial information has been rounded to the nearest thousand US dollars unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial information in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policy descriptions set out the areas where judgement needs to be exercised, the most significant of which are revenue recognition, research and development and intangible assets.

'Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial information is included in the following Notes:

› Note 13 – valuation of intangible assets

› Note 20 – provisions

› Note 23 – valuation of share-based payments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The Group financial statements consolidate those of the company and its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial information of subsidiaries is included from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2009

For acquisitions on or after 1 January 2009, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, the negative goodwill is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, US dollars, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year, where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

3. Significant accounting policies continued

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

(ii) Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 January 2009, the Group's date of transition to IFRS, was determined by reference to its carrying value under UK and US Generally Accepted Accounting Principles.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

› computer equipment – 3 years
› fixtures and fittings – 3 years
› leasehold improvements – 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Intangible assets and goodwill

(i) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

3. Significant accounting policies continued

(e) Intangible assets and goodwill continued

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities relate to software development and involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset.

The expenditure capitalised includes direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

Amortisation of capitalised research and development costs is recognised in profit or loss on a straight-line basis over the estimated useful life of two years.

Intangibles in relation to acquired software are amortised over an estimated useful life of two years.

Amortisation of the intangible asset recognised on the acquisition of AltoStor is recognised in profit or loss on a straight-line basis over the estimated useful life of three years.

(f) Impairment (excluding deferred tax assets)

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units (CGUs). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies continued

(g) Employee benefits

(i) Pension plans

There are no Group pension schemes to which the Group entities contribute or have any liabilities.

The Group is not obliged to make any contributions to the UK stakeholder scheme and it currently has no members.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or commission plans where the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

No cash settled share-based payment awards have been granted to employees.

(h) Revenue recognition

(i) Software licences

Sales of software licences are recognised once the licence has been granted and the customer has been provided with access to the software. Revenue derived from sales of licences is spread over the period of the licence. Where licences are perpetual, revenue is recognised in full once the agreement is in place.

(ii) Support subscriptions

Sales of support subscriptions are recognised on a straight-line basis over the period of the contract.

(iii) Maintenance, training and other services

Sales of maintenance, training and other services are recognised on a straight-line basis over the period of the contract.

(iv) Customer bookings

Customer bookings are the amounts invoiced to customers for software licences, subscriptions and services, net of discounts and sales taxes.

The operating cycle of the business is up to 36 months.

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(j) Finance income and expenses

Finance expenses comprise interest expense on borrowings and the use of debt factoring facilities.

(k) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies continued

(k) Taxation continued

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised in respect of temporary differences, relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset , the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the assets.

(m) Segmental reporting

The Directors consider there to be one operating segment, being that of development and sale of licences for software and related maintenance.

The Group has adopted IFRS 8 "Operating Segments" from the date of transition to IFRS. IFRS 8 requires the Group to determine and present its operating segments based on information which is provided internally to the chief operating decision maker ("the CODM"). The CODM, who is responsible for allocating resources and assessing the performance of the operating segment, has been identified as the Chief Executive Officer.

(n) Provisions

Provisions are created where the Group has a present legal or constructive obligation as a result of a past event, where it is probable it will result in an outflow from the Group.

(o) Cost of sales

Cost of sales includes commissions earned on sales and direct costs relating to software supply.

(p) Exceptional items

Exceptional items comprise items of income and expense that are material in amount and unlikely to recur and which merit separate disclosure in order to provide an understanding of the Group's underlying financial performance.

(q) New accounting standards and amendments

(i) New and amended standards adopted by the Group

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

IAS 1 "Presentation of Items of Other Comprehensive Income" requires an entity to present the items of other comprehensive income that may be recycled to profit or loss in the future if certain conditions are met, separately from those that would never be recycled to profit or loss. The Group is yet to assess IAS 1's full impact and intends to adopt IAS 1 no later than the accounting period beginning on or after 1 July 2012, subject to endorsement by the EU.

IAS 19 "Employee Benefits" was amended in June 2011. The amendment does not impact the Group.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014, subject to endorsement by the EU.

IFRS 13 "Fair Value Measurement". This is a new standard to replace existing guidance on fair value measurement in different IFRSs. This will be adopted by the Group from 1 January 2013.

IAS 32 "Offsetting Financial Assets and Financial Liabilities". This will be adopted by the Group from 1 January 2014.

Notes to the consolidated financial statements
continued

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets

Whilst development costs are valued at cost less amortisation, their carrying values are assessed to ensure that they do not exceed the recoverable amount at the end of each reporting period. The recoverable amount of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of products developed.

(b) Trade and other receivables

The fair value of short-term trade and other receivables is deemed to be its book value less any impairment provision. The effect of discounting is considered to be immaterial.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Segmental analysis

Operating segments

The Directors consider there to be one operating segment, being that of development and sale of licences for software and related maintenance.

Geographical segments

The Group recognises revenue in three geographical regions based on the location of customers, as set out in the following table:

	2012 $'000	2011 $'000
North America	5,257	3,028
Europe	589	662
Rest of the world	185	188
Total	6,031	3,878

Management makes no allocation of costs, assets or liabilities between these segments since all trading activities are operated as a single business unit.

The Group has two customers representing individually over 10% each and in aggregate over 28% of revenue at $1,741,243.

6. Operating expenses

Loss for the year has been arrived at after charging:

	2012 $'000	2011 $'000
Staff costs (see Note 10)	5,911	2,317
Research and development – amortisation charge	1,801	980
Amortisation of intangibles	216	—
Depreciation of fixed assets	52	46
Auditor's remuneration (see Note 7)	1,178	—

Reconciliation of operating loss to earnings before interest, taxation, depreciation and amortisation (EBITDA)

	2012 $'000	2011 $'000
Operating loss	(8,541)	(1,154)
Adjusted for:		
Amortisation and depreciation	2,070	1,026
Exceptional items within operating expenses	2,656	205
EBITDA before exceptional items	(3,815)	77
Adjusted for share-based payments	813	73
Adjusted EBITDA before exceptional items	(3,002)	150

7. Auditor's remuneration

	2012 $'000	2011 $'000
Audit of these financial statements	79	—
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	16	—
Other services related to taxation	41	—
Advisory work in respect of AIM listing	1,020	—
Other services pursuant to legislation	22	—
	1,178	—

In accordance with the relevant prevailing legislation, none of the Group entities were required to have an audit of their financial statements for the year ended 31 December 2011.

$1,089,000 of the auditor's remuneration is included with the exceptional cost line (see note 8).

8. Exceptional items

	2012 $'000	2011 $'000
Exceptional items comprise the following:		
Expenses related to Admission to AIM	2,656	—
Penalties levied by US state and federal tax authorities	—	151
Provision for claims by former employees	—	95
Redundancy costs	—	24
Currency exchange gain	(776)	—
Amounts waived by supplier	—	(65)
	1,880	205

The Group incurred one-off legal and professional fees in the year ended 31 December 2012 in relation to the placing of Ordinary Shares and Admission to AIM.

Penalties levied by US state and federal tax authorities relate to charges for late payment of payroll taxes.

Redundancy costs relate to certain specific organisational change activities in both the UK and the US.

The exchange gain is a result of the fact the majority of the Group cash balance is held in sterling denominated accounts.

Following a dispute with a supplier it was agreed that all monies due to them would be waived.

9. Net finance costs (pre-exceptionals)

	2012 $'000	2011 $'000
Interest receivable – bank	(79)	—
Interest receivable – promissory notes (see Note 26)	(1)	—
Exchange losses	215	—
Interest payable on bank borrowings	44	44
Charges on debt factoring	37	31
	216	75

10. Staff numbers and costs

	2012 $'000	2011 $'000
Wages and salaries	6,888	2,913
Social security costs	647	298
Other pension costs	145	100
Share-based payments (see Note 23)	813	73
Less capitalised costs	(2,582)	(1,067)
Total staff costs	5,911	2,317

The average number of persons employed by the Group (including Directors), analysed by category, was as follows:

	2012 Number	2011 Number
Software development	41	24
Selling and distribution	18	12
Administration	8	4
Total number of employees	67	40

Remuneration of key management personnel

	2012 Total $'000	2011 Total $'000
Short-term employee benefits of key management personnel	3,298	1,141

There were no other long-term benefits, post-employment benefits or termination benefits in the year ended 31 December 2012 (2011: $nil).

In addition to the above a share-based payment charge of $441,380, in relation to share options granted to key management personnel, was incurred in the year ended 31 December 2012 (2011: $33,371).

Further details on the remuneration, share options and pension entitlement of the Directors is included in the Remuneration Report on page 14.

11. Taxation

	2012 $'000	2011 $'000
Current tax expense		
Current year	—	25
Adjustment for prior years	—	—
Deferred tax expense		
Origination and reversal of timing differences	—	—
Impact of changes in tax rates	—	—
Adjustment in respect of prior years	—	—
	—	—
Total tax credit	—	25

Reconciliation of effective tax rate	2012 %	2012 $'000	2011 %	2011 $'000
Loss before taxation		7,981		1,229
Expected tax credit based on the Group's domestic tax rate of 40%	40%	3,192	40%	492
Effects of:				
Non-deductible expenses	(16.6%)	(1,327)	(30.3%)	(372)
Tax rates in foreign jurisdictions	(0.1%)	(11)	1.8%	22
R&D tax credits	2.9%	229	2.0%	24
Losses not recognised for current or deferred tax	(26.1%)	(2,083)	(11.5%)	(141)
Taxation credit for the year	—	—	2.0%	25

11. Taxation continued

Factors affecting the current and future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014.

Reductions in the rate from 26% to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantially enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the Group's future current tax charge accordingly. The deferred taxation liability for UK tax resident members of the Group at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred taxation liability accordingly.

Deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following temporary differences in respect of property, plant and equipment:

	2012 $'000	2011 $'000
Deferred tax liability at 1 January	(5)	(5)
Recognised in profit or loss	—	—
Deferred tax liabilities at 31 December	(5)	(5)

The Group has unrecognised deferred tax assets of $1,505,000 (2011: $681,000) in respect of tax losses arising in the Group.

The Directors consider that there is not sufficient certainty over the availability of future taxable profits against which these losses may be offset and no asset has therefore been recognised.

12. Loss per share

Basic loss per share

Basic loss per share is calculated based on the loss attributable to Ordinary Shareholders and a weighted average number of Ordinary Shares outstanding:

	2012 $'000	2011 $'000
Loss for the year attributable to Ordinary Shareholders	7,981	1,204

Weighted average number of Ordinary Shares

	2012 '000s of shares	2011 '000s of shares
At start of year	4,549	4,541
Effect of shares issued in the year	11,831	8
Weighted average number of Ordinary Shares during the year	16,380	4,549

	$	$
Basic loss per share	0.49	0.26

Adjusted loss per share

Adjusted loss per share is based on the result attributable to Ordinary Shareholders before exceptional items and the cost of share-based payments, and the weighted average number of Ordinary Shares outstanding:

	2012 $'000	2011 $'000
Loss for the year attributable to Ordinary Shareholders	7,981	1,204
Add back:		
Exceptional items	(1,880)	(205)
Share-based payments	(813)	(73)
Adjusted basic loss	5,288	926

	$	$
Adjusted loss per share	0.33	0.20

12. Loss per share continued

Diluted loss per share

Due to the Group having losses in each of the periods, the fully diluted loss per share for disclosure purposes, as shown in the Consolidated Statement of Comprehensive Income, is the same as for the basic loss per share.

13. Intangible assets

	Other intangible $'000	Development costs $'000	Software $'000	Total $'000
Cost				
At 1 January 2011	—	2,185	—	2,185
Acquisitions through business combinations	—	—	—	—
Additions – externally purchased	—	—	—	—
Additions – own work capitalised	—	1,207	—	1,207
Disposals	—	—	—	—
At 31 December 2011	—	3,392	—	3,392
At 1 January 2012	—	3,392	—	3,392
Acquisitions through business combinations (Note 27)	2,298	—	—	2,298
Additions – externally purchased	10	—	1,000	1,010
Additions – own work capitalised	—	2,912	—	2,912
Effect of movement in foreign exchange	—	—	(5)	(5)
Disposals	—	—	—	—
At 31 December 2012	**2,308**	**6,304**	**995**	**9,607**
Amortisation				
At 1 January 2011	—	(1,069)	—	(1,069)
Amortisation charge for the year	—	(980)	—	(980)
Impairment charge for the year	—	—	—	—
Effect of movement in foreign exchange	—	—	—	—
Disposals	—	—	—	—
At 31 December 2011	—	(2,049)	—	(2,049)
At 1 January 2012	—	(2,049)	—	(2,049)
Amortisation charge for the year	(94)	(1,801)	(122)	(2,017)
Impairment charge for the year	—	—	—	—
Effect of movement in foreign exchange	—	—	—	—
Disposals	—	—	—	—
At 31 December 2012	**(94)**	**(3,850)**	**(122)**	**(4,066)**
Net book value				
At 31 December 2011	—	1,343	—	1,343
At 31 December 2012	**2,214**	**2,454**	**873**	**5,541**

13. Intangible assets continued

The carrying amount of the intangible assets is allocated across cash-generating units (CGUs). A CGU is defined as the smallest group of assets that generate cash inflows from continuing use, that are largely independent of the cash inflows of other assets or groups thereof. The recoverable amount of the CGUs are determined using Value In Use (VIU) calculations. As at 31 December 2012 the Group had one CGU, the DConE CGU. The Group's patented DConE replication technology forms the basis of the Group's products for the ALM market. This technology also underpins the enterprise-ready, Apache-Hadoop products we have developed for the big data market.

Development costs are predominantly capitalised staff costs associated with new products and services. Development costs are allocated to the DConE CGU. The recoverable amount of the DConE CGU has been calculated on a VIU basis at both 31 December 2012 and 31 December 2011. These calculations use cash flow projections based on financial forecasts and appropriate long-term growth rates. To prepare VIU calculations, the cash flow forecasts are discounted back to present value using a pre-tax discount rate of 8.0% The Directors have reviewed the recoverable amount of the CGU and do not consider there to be any indication of impairment.

Other intangibles arose as part of the acquisition of AltoStor, Inc. for further details see note 27. The intangibles arising as part of the AltoStor acquisition are allocated to the DConE CGU. The recoverable amount of which has been determined on a VIU basis as described above.

On 19 September 2012 WANdisco International Limited purchased an item of software from Syntevo GmBH for consideration of $1 million. This software is being amortised over a period of two years and is allocated to the DConE CGU as described above.

The above amortisation charge forms part of operating expenses in the Statement of Comprehensive Income.

14. Property, plant and equipment

	Leasehold improvements $'000	Fixtures and fittings $'000	Computers $'000	Total $'000
Cost				
At 1 January 2011	–	86	76	162
Additions	–	–	7	7
Disposals	–	–	–	–
At 31 December 2011	–	86	83	169
At 1 January 2012	–	86	83	169
Additions	30	65	43	138
Disposals	–	–	(18)	(18)
At 31 December 2012	**30**	**151**	**108**	**289**
Depreciation				
At 1 January 2011	–	(24)	(56)	(80)
Depreciation charge for the year	–	(26)	(20)	(46)
Effect of movement in foreign exchange	–	–	–	–
Disposals	–	–	–	–
At 31 December 2011	–	(50)	(76)	(126)
At 1 January 2012	–	(50)	(76)	(126)
Depreciation charge for the year	(2)	(28)	(22)	(52)
Effect of movement in foreign exchange	–	–	–	–
Disposals	–	–	18	18
At 31 December 2012	**(2)**	**(78)**	**(80)**	**(160)**
Net book value				
At 31 December 2011	–	36	7	43
At 31 December 2012	**28**	**73**	**28**	**129**

15. Investments in subsidiaries

The Group has the following investments in subsidiaries:

	Country of incorporation	Holding	Proportion of shares held	Nature of business
WANdisco International Limited	UK	Ordinary Shares	100%	Development and provision of global collaboration software
WANdisco, Inc.	US	Ordinary Shares	100%	Development and provision of global collaboration software
AltoStor, Inc.	US	Ordinary Shares	100%	Development and provision of global collaboration software

All of the above entities are included in the consolidated financial statements.

For details of the acquisition of AltoStor, Inc. see Note 27.

16. Trade and other receivables

	2012 $'000	2011 $'000
Trade receivables	2,301	992
Other receivables	82	50
Corporation tax	—	96
Prepayments	103	50
	2,486	1,188

None of the Group's receivables fall due after more than one year.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

	2012 $'000	2011 $'000
Ageing of trade receivables:		
Due from current month	2,248	954
Due from previous month	8	24
Due from earlier months	45	14
Total trade receivables	2,301	992

All trade receivables are denominated in US dollars.

17. Trade and other payables

	2012 $'000	2011 $'000
Trade payables	830	306
Other payables and accruals	2,835	2,260
Deferred income	6,368	4,466
	10,033	7,032

Deferred income

Deferred income represents invoiced sales for which services to customers will be provided in future years.

The movement on the deferred income balance is as follows:

	2012 $'000	2011 $'000
At 1 January	4,466	3,726
Customer bookings	7,916	4,618
Released to revenue	(6,014)	(3,878)
At 31 December	6,368	4,466

Included in the 31 December 2012 year-end balance are amounts falling due after more than one year of $2,166,000 (2011: $1,548,000).

18. Cash and cash equivalents

	2012 $'000	2011 $'000
Cash at bank and in hand	1,158	74
Short-term deposits	13,387	—
Total cash and cash equivalents	14,545	74

At 31 December 2012 the Group had $13,387,000 on short-term deposit. This balance matured in two instalments, $6,693,500 on 8 February 2013 and $6,693,500 on 14 March 2013.

19. Interest-bearing loans and borrowings

	2012 $'000	2011 $'000
Non-current liabilities:		
Secured bank loans	—	65
Current liabilities:		
Current portion of secured bank loans	—	170
Current portion of other loans	—	535
Total current loans and borrowings	—	705
Total loans and borrowings	—	770

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			2012		2011	
	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Secured bank loans:						
Citibank business credit account	5.00%	2012	—	—	150	150
Citibank instalment loan account	5.50%	2016	—	—	85	85
Other loans:						
Loans from shareholders	0.51%	2012	—	—	112	112
Loans from related party*	—	—	—	—	423	423

* There were no written arrangements on the terms or interest rates on the loans from related parties.

Following the Admission to trading on AIM, all outstanding loan balances were settled in full.

20. Provisions

	Employee claim $'000	US penalties $'000	Reorganisation $'000	Total $'000
At 1 January 2011	—	168	—	168
Provisions established in the year	95	151	—	246
Provisions utilised in the year	—	—	—	—
Provisions released in the year	—	—	—	—
At 31 December 2011	95	319	—	414
At 1 January 2012	95	319	—	414
Provisions established in the year	—	—	468	468
Provisions utilised in the year	(95)	(187)	(207)	(489)
Provisions released in the year	—	—	—	—
At 31 December 2012	**—**	**132**	**261**	**393**

Penalties levied by US state and federal tax authorities relate to charges for late payment of payroll taxes. An estimate has been made of the likely liability based on the current legislation in place which the directors believe is a realistic assessment. The timing of the cash flow associated with these penalties is not certain and is dependent upon the progress of discussions with the relevant authorities.

The reorganisation provision is the Directors' best estimate of the costs associated with the IPO process and the related Group reorganisation.

A full settlement was agreed and made in the year ended 31 December 2012 in relation to the claim from a former employee.

Notes to the consolidated financial statements
continued

21. Financial instruments and risk management

The Group's principal financial instruments are cash and trade receivables.

The Group has exposure to the following risks from its use of financial instruments:

Market risk

The Group may be affected by general market trends, which are unrelated to the performance of the Group itself. The Group's success will depend on market acceptance of the Group's products and there can be no guarantee that this acceptance will be forthcoming. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposure to the Group's customers.

Credit ratings of institutions which hold the Group's financial assets are regularly monitored to ensure they meet the minimum credit criteria set by the Board through the Group treasury policy.

The credit quality of customers is assessed by taking into account their financial position, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board is responsible for ensuring that the Group has sufficient liquidity to meet its financial liabilities as they fall due and does so by monitoring cash flow forecasts and budgets. The Board has considered the cash flow forecasts for the next twelve months which show that the Group expects to operate within its working capital facilities throughout the year.

Any excess cash balances are held in short-term, interest-bearing deposit accounts.

Capital management

The Group defines the capital that it manages as its total equity. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and support the growth of the business.

Foreign currency risk

The Group's operations are split between the US, UK, mainland Europe and China, and as a result the Group incurs costs in currencies other than its presentational currency of US dollars. The Group also holds cash and cash equivalents in non-US Dollar denominated bank accounts.

The following table shows the denomination of the year-end cash and cash equivalents balance:

	GBP $'000	US Dollar $'000	Total $'000
2012 cash and cash equivalents	**14,258**	**287**	**14,545**
2011 cash and cash equivalents	(4)	78	74

Had the foreign exchange rate between US$ and £ sterling changed by 5%, this would affect the loss for the year and net assets of the Group by $712,000.

Fair values of financial assets and financial liabilities

There are no material differences between the fair value and the book value of the Group's financial assets and liabilities.

22. Share capital and reserves

	2012 Number	2012 $'000	2011 Number	2011 $'000
Share capital				
Allotted and fully paid	**21,420,788**	**3,388**	4,549,254	448

The ordinary share capital of WANdisco plc is designated in sterling.

	Share capital $'000	Share premium $'000	Translation reserve $'000	Merger reserve $'000	Retained losses $'000
At 1 January 2011	448	—	(3)	—	(5,054)
Loss for the year	—	—	—	—	(1,204)
Share-based payment charge	—	—	—	—	73
Loan waiver	—	—	—	—	174
Foreign exchange	—	—	(7)	—	—
At 31 December 2011	448	—	(10)	—	(6,011)
At 1 January 2012	448	—	(10)	—	(6,011)
Loss for the year	—	—	—	—	(7,981)
Shares issued by WANdisco Inc.	2,761	—	—	—	—
Shares issued by WANdisco plc in exchange for WANdisco Inc. shares	(1,247)	—	—	1,247	—
Shares issued by WANdisco plc	1,289	21,908	—	—	—
Share issue costs	—	(1,946)	—	—	—
Shares allotted under option scheme	54	95	—	—	—
Shares issued in AltoStor acquisition	83	3,275	—	—	(2,560)
Foreign exchange	—	—	16	—	—
Share-based payment charge	—	—	—	—	813
At 31 December 2012	**3,388**	**23,332**	**6**	**1,247**	**(15,739)**

Share capital and share premium

On 16 May 2012 WANdisco plc acquired the entire share capital of WANdisco, Inc. As a result of this transaction, the shareholders in WANdisco, Inc. received shares in WANdisco plc in direct proportion to their original shareholdings in WANdisco, Inc., with one share issued for each share held. The shares in WANdisco plc have a nominal value of 10 pence. Therefore, from 16 May 2012, the share capital represents that of WANdisco plc and in the prior periods represents that of WANdisco, Inc.

On 1 June 2012 the Company's shares were admitted to AIM. In conjunction with the admission to AIM, the Company made an initial public offering (IPO) of 8,333,334 new 10 pence shares at a price of 180 pence per share.

Costs relating directly to the new issue of shares have been deducted from the share premium account. Attributable IPO costs are allocated between share premium and the Income Statement in proportion to the number of shares traded on Admission.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Merger reserve

The acquisition by WANdisco plc of the entire share capital of WANdisco, Inc. has been accounted for as a reverse acquisition. Consequently the previously recognised book values and assets and liabilities have been retained and the consolidated financial information for the period to 16 May 2012 has been presented as a continuation of the WANdisco business which was previously wholly owned by the WANdisco Inc. Group.

The share capital for the period covered by these consolidated financial statements and the comparative periods is stated at the nominal value of the shares issued pursuant to the above share arrangement. The difference between the nominal value of these shares and the nominal value of WANdisco, Inc. shares at the time of the acquisition has been transferred to the reverse acquisition reserve.

23. Share-based payments

WANdisco plc operates share option plans for qualifying employees of the Group. Options in the plans are settled in equity in the Company and are normally subject to a vesting schedule but not conditional on any performance criteria being achieved.

On 16 May 2012, in connection with the acquisition of WANdisco, Inc., options were granted to employees to replace options that they held over the shares of WANdisco, Inc. The terms of these replacement options and the number of shares under option are the same as the options that each employee previously held. The exercise price is equivalent to the exercise price for the WANdisco, Inc. shares translated at the exchange rate on the day the replacement options were issued. On 21 June 2012 and 7 December 2012 new options were granted to certain employees.

The terms and conditions of the grants were as follows:

Date of grant	Expected term (years)	Exercisable between: Commencement	Exercisable between: Lapse	Exercise price	Vesting schedule (see below)	Outstanding at 31 December 2012
16 May 2012	1	16 May 2012	30 November 2012	£0.24	1	—
16 May 2012	5	16 May 2012	9 November 2017	$0.36	1	—
16 May 2012	6	16 May 2012	26 September 2018	$0.36	1	3,500
16 May 2012	7	16 May 2012	5 January 2019	$0.36	2	—
16 May 2012	7	16 May 2012	3 August 2019	£0.24	2	1,146
16 May 2012	7	16 May 2012	3 August 2019	$0.36	2	7,500
16 May 2012	8	16 May 2012	15 September 2020	$0.36	2	50,000
16 May 2012	8	16 May 2012	7 October 2020	$0.36	2	200,000
16 May 2012	8	16 May 2012	7 October 2020	£0.45	2	31,782
16 May 2012	9	16 May 2012	14 September 2021	$0.36	2	2,000
16 May 2012	9	16 May 2012	20 September 2021	£0.46	2	15,167
16 May 2012	9	16 May 2012	20 September 2021	£0.46	3	1,000
16 May 2012	9	11 July 2012	20 September 2021	£0.46	3	2,000
16 May 2012	9	22 July 2012	14 September 2021	$0.36	3	85,000
16 May 2012	9	22 July 2012	20 September 2021	£0.46	3	129,500
16 May 2012	9	1 August 2012	20 September 2021	£0.46	3	2,000
16 May 2012	10	13 January 2013	12 January 2022	$0.36	3	458,000
16 May 2012	10	13 January 2013	30 January 2022	£0.23	3	913,000
21 June 2012	10	21 June 2015	21 June 2022	£2.00	4	64,875
7 December 2012	10	7 December 2012	7 December 2022	£4.55	5	715,000

The following vesting schedule applies:

1. Fully vested as date of grant.
2. Partially vested at grant date; 1/48 of granted option shares vest monthly thereafter.
3. 25% of option vests on exercisable commencement date; 1/48 of granted option shares vest monthly thereafter.
4. Option vests on third anniversary of the date of grant.
5. Option vests 25% on first anniversary of the vesting commencement date, with the balance vesting monthly thereafter until final vesting date.

AltoStor related share-based payments

As part of the acquisition of AltoStor Inc. (see note 27) a total of 375,651 restricted shares have been issued to the former owners of the AltoStor Inc. business. These shares have been treated as contingent consideration and have been accounted for under IFRS 2 "Share-based Payments" rather than as part of the acquisition consideration under IFRS 3 'Business Combinations'.

A share-based payment charge of $193,000 has been recognised in the year ended 31 December 2012 in relation to these restricted shares.

23. Share-based payments continued

The number and weighted average exercise price of share options (including previous options in WANdisco, Inc.) were as follows:

	2012 Number	2011 Number
Balance at the start of the period	6,909,912	6,679,412
Granted (WANdisco, Inc.)	3,084,000	255,500
Forfeited (WANdisco, Inc.)	(14,500)	(17,188)
Lapsed (WANdisco, Inc.)	—	—
Exercised (WANdisco, Inc.)	(7,669,522)	(7,812)
Granted (WANdisco plc)	811,525	—
Forfeited (WANdisco plc)	(99,678)	—
Exercised (WANdisco plc)	(340,267)	—
Balance at the end of the period	2,681,470	6,909,912
Exercisable at the end of the period	201,397	6,909,912
Vested at the end of the period	214,927	6,332,547

	2012 $	2011 $
Weighted average exercise price for:		
Shares granted (WANdisco, Inc.)	0.36	0.72
Shares forfeited (WANdisco, Inc.)	0.58	0.45
Options exercised (WANdisco, Inc.)	0.36	0.40
Shares granted (WANdisco plc)	6.71	—
Shares forfeited (WANdisco plc)	1.26	—
Options exercised (WANdisco plc)	0.38	—
Exercise price in the range:		
From	0.36	0.40
To	7.19	0.72

	2012 Years	2011 Years
Weighted average contractual life remaining	9.1	6.3

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2012	2011
Dividend yield	0.00%	0.00%
Risk-free interest rate	3.50%	3.50%
Stock price volatility	40%	40%
Expected life (years)	5	5
Weighted average fair value of options granted during the period:		
WANdisco, Inc.	$0.15	$0.29
WANdisco plc	$2.46	n/a

The dividend yield is based on the Company's forecast dividend rate and the current market price of the underlying common stock at the date of grant.

Expected life in years is determined from the average of the time between the date of grant and the date on which the options lapse.

Expected volatility is based on the historical volatility of shares of listed companies with a similar profile to the Company.

The risk-free interest rate is based on the treasury bond rates for the expected life of the option.

24. Commitments

Operating lease commitments

The total amounts payable under non-cancellable operating leases are as follows:

Land and buildings	2012 $'000	2011 $'000
Within one year	340	235
Between two and five years	781	622
In five years or more	—	75
	1,121	932

Capital commitments

At 31 December 2012 the Group had no capital commitments (2011: $nil).

25. Contingent liabilities

Given the nature of the business there are potentially claims which could arise against the Group. The Directors have made a provision for any known claims based on their assessment of the likely outcome.

26. Related parties and related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries and with its Directors.

Transactions with subsidiaries

WANdisco plc recharges certain costs to its subsidiaries for provision of management services. In addition the costs incurred for software development in WANdisco International Limited have been recharged to WANdisco Inc.

Transactions with Directors

During the year ended 31 December 2012 certain Directors held positions in another private entity that resulted in them having control or significant influence over the financial or operating policies of that entity. The entity transacted with the Group in the reporting period.

The aggregate value of transactions and outstanding balances relating to related party transactions between the Company and the related entity were as follows:

	2012 $'000	2011 $'000
Creditor at the start of the year	535	633
Loan advances	—	112
Loan repayments	(535)	(36)
Loans waived	—	(174)
Creditor at the end of the year	—	535

David Richards together with James Campigli, Mohammad Akhtar and Dr. Yeturu Aahlad exercised a number of stock options that they held in WANdisco, Inc. on 17 January 2012 and 16 February 2012. The exercise of 500,000 shares for David Richards and 450,000 shares for James Campigli was paid for in cash totalling $342,000. The exercise of a further 2,299,904 shares for David Richards, 1,346,851 shares for James Campigli, 2,179,047 shares for Dr Yeturu Aahlad and 737,262 shares for Mohammad Akhtar were funded by the issue of certain promissory notes to each of these individuals by WANdisco, Inc.

The promissory notes were for a three-year period and had an interest rate of 0.21% per annum. They were secured by a pledge given by each of the individuals over the number of shares that were issued upon exercise of the options.

The aggregate value of transactions and outstanding balances relating to the promissory notes were as follows:

	2012 $'000	2011 $'000
Balance at the start of the year	—	—
Issue of promissory notes	2,363	—
Interest	1	—
Repayment of promissory notes	(2,364)	—
	—	—

27. Acquisitions

On 16 November 2012 the Group acquired 100% of the issued share capital of AltoStor Inc. for a total consideration of $2,298,444, of which $1,500,000 was paid in cash, $256,001 was issued in shares at the date of acquisition, and $542,443 is deferred share consideration.

The fair value of the assets and liabilities of AltoStor, Inc. at the date of acquisition were:

	$'000
Property, plant and equipment	—
Intangible assets	2,298
Current assets	—
Current liabilities	—
Net assets acquired	2,298
Consideration	2,298

	Number of shares 000's	Fair value $'000
Satisfied by:		
Cash and cash equivalents	—	1,500
Shares issued at date of acquisition	38	256
Deferred consideration	113	542
		2,298
Net cash outflow on acquisition of subsidiary		
Consideration paid in cash		1,500
Less: cash and cash equivalents acquired		—
Net cash outflow		1,500

AltoStor is a small software development company that has deep expertise in the big data market and in particular Apache Hadoop development. The acquisition of AltoStor will enable the Group to launch products into the big data market quickly and efficiently.

The following table shows the shares that were issued as part of the transaction and the fair value of those shares at the acquisition date:

Share type	Number	Fair value
Issued immediately	37,564	$256,001
Pledged shares	112,695	$542,443
Restricted shares	375,651	$2,560,008

The pledged shares have been treated as deferred consideration and will be released to the AltoStor founders four years and three months after the acquisition date, but contain no contingency clauses related to post acquisition performance criteria.

The restricted shares have been treated as share-based payments as they have conditions attached relating to employment post acquisitions and have been accounted for under IFRS 2 "Share-based Payments". The SBP charge will be recognised over the three-year vesting period of the shares.

AltoStor Inc. did not generate any revenues or profits or losses during the period from acquisition to 31 December 2012. Prior to acquisition AltoStor Inc. generated revenue of $60,000 and profits of $70,000.

28. Post-balance sheet events

There are no significant or disclosable post-balance sheet events.

Four year record

31 December	2009 $'000	2010 $'000	2011 $'000	**2012 $'000**
Customer bookings	2,310	3,080	4,618	**7,916**
Bookings growth	n/a	33%	50%	**71%**
Revenue	2,476	2,984	3,878	**6,031**
Revenue growth	n/a	21%	30%	**56%**
Deferred revenue	3,437	3,726	4,466	**6,368**
Growth in deferred revenue	n/a	8%	20%	**43%**
Net cash	(163)	(554)	74	**14,545**
Operating loss	(2,172)	(1,860)	(1,154)	**(8,541)**
Development costs and software amortised	308	597	980	**2,018**
Depreciation	18	49	46	**52**
Exceptional items	6	204	205	**2,656**
EBITDA before exceptional costs	(1,840)	(1,010)	77	**(3,815)**
Add back share-based payment charges	325	182	73	**813**
Adjusted EBITDA before exceptional items	(1,515)	(828)	150	**(3,002)**
Capitalised development costs	602	1,103	1,207	**2,912**

Note: Customer bookings in 2009 excludes one unusually large booking of $3.25 million.

Notice of first Annual General Meeting

Notice is given that the first annual general meeting of WANdisco plc ("the Company") will be held at the offices of DLA Piper UK LLP, 1 St Paul's Place, Sheffield S1 2JX on 12 June 2013 at 12:00pm for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. That the Company's Annual Accounts and Directors' and Auditor's Reports for the year ended 31 December 2012 be received and considered.
2. That KPMG LLP be re-appointed as auditor of the Company.
3. That the Directors be authorised to determine the remuneration of the auditor.
4. That in substitution for all existing authorities but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors be and are hereby generally and unconditionally authorised pursuant to Article 2.3 of the Company's Articles of Association ("Articles") to exercise all powers of the Company to allot, grant options over or otherwise dispose of relevant securities (as that term is defined in the Articles) in respect of up to an aggregate nominal amount of £685,070, provided that (unless previously revoked, varied or renewed) this authority shall expire on the earlier of the date which is 15 months after the date the resolution was passed and the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

To consider and, if thought fit, to pass the following resolutions as special resolutions:

5. That, subject to the passing of resolution 4 and pursuant to Article 2.10 of the Articles, the Directors be and are hereby generally empowered to allot, grant options over or otherwise dispose of equity securities (within the meaning of the Articles) wholly for cash, pursuant to the general authority described in resolution 4 above, as if pre-emption rights did not apply to any such allotment, such power being limited to:

   5.1 the allotment of equity securities in connection with a rights issue, open offer or pre-emptive offer to holders on the register of the ordinary shares in the capital of the Company ("Ordinary Shares") on a date fixed by the Directors where the equity securities respectively attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to their respective holdings on that date subject to any exclusions or other arrangements as the Directors may consider necessary or expedient in relation to fractional entitlements, legal or practical problems under the law of any territory or the regulations or requirements of any relevant regulatory authority or stock exchange in any territory; and

   5.2 the allotment (other than pursuant to resolution 5.1 above) wholly for cash or otherwise wholly for cash or otherwise of Ordinary Shares up to an aggregate nominal amount of £205,521,

   provided that (unless previously revoked, varied or renewed), such authorities shall expire on the earlier of the date which is 15 months after the date the resolution was passed and the conclusion of the next Annual General Meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

Notice of first Annual General Meeting
continued

6. That the Directors be and are hereby authorised pursuant to Article 13 of the Articles and Article 57 of the Companies (Jersey) Law 1991, as amended ("the Law") to make market purchases of Ordinary Shares, subject to the following conditions:

   6.1 the maximum number of Ordinary Shares authorised to be purchased may not be more than 15% of the issued share capital of the Company as at the date of this notice;

   6.2 the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is £0.001; and

   6.3 the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not exceed:

      6.3.1 an amount equal to 105% of the average middle market quotation for Ordinary Shares taken from the London Stock Exchange plc Daily Official List for the five business days immediately preceding the date on which such shares are to be contracted to be purchased; and

      6.3.2 the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange plc Daily Official List at the time,

   such authority to expire on the earlier of the date which is 15 months after the date the resolution was passed and the conclusion of the next Annual General Meeting of the Company, unless such authority is varied, revoked or renewed prior to such date.

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

7. That, pursuant to Article 58A(1)(b) of the Law and Article 13 of the Articles, an Ordinary Share purchased pursuant to resolution 6 above may be held by the Company as treasury shares in accordance with Articles 58A and 58B of the Law.

By order of the Board

Nick Parker
Company Secretary
25 April 2013

Registered office
47 Esplanade
St Helier
Jersey
JE1 0BD

Registered in Jersey under the Companies (Jersey) Law 1991 with company number 110497

Notes

Entitlement to attend and vote

1. In accordance with Article 40(1) of the Companies (Uncertificated Securities) (Jersey) Order 1999, the right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6:00pm on 10 June 2013 (or, if the meeting is adjourned, 6:00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes in entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting and on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company.

   A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

   A special resolution means a resolution passed by a majority of three-quarters of the holders who (being entitled to do so) vote in person, or by proxy, at a general meeting of the Company or at a separate meeting of a class of members of the Company.

3. A proxy may only be appointed in accordance with the procedures set out in Note 4 and the notes to the proxy form.

   The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

   CREST members who wish to appoint a proxy or proxies or to give an instruction to a proxy (whether previously appointed or otherwise) by utilising the capital and CREST electronic proxy appointment service may do so in relation to the meeting, and any adjournment(s) thereof, by utilising the procedures described in the CREST Manual. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted via the CREST system so as to be received by Neville Registrars Limited (whose CREST ID is 7RA11) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in the Companies (Uncertificated Securities) (Jersey) Order 1999.

   A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. You may appoint more than one proxy to attend on the same occasion.

Notice of first Annual General Meeting
continued

Notes continued

Proxies continued

4. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by the proxy form being photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

   A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given in the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

   In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

   To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, no later than 12.00pm on 10 June 2013 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

   To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Any amended proxy appointment received after the time specified above will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

   In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Neville Registrars Limited no later than the commencement of the Annual General Meeting or adjourned meeting at which the vote is given or, in the case of a poll taken more than 48 hours after it is demanded, before the time appointed for taking the poll.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

Corporate representatives

5. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares. A director, the secretary or other person authorised for the purpose by the secretary may require all or any such persons to produce a copy of the resolution of authorisation certified by an officer of the corporation before permitting him to exercise his powers.

Method of voting

6. Voting on all resolutions will be decided on a show of hands unless, before or on declaration of the result of, a vote on the show of hands, or on the withdrawal of any other demand for a poll, a poll is duly demanded.

Documents available for inspection

7. The following documents will be available for inspection during normal business hours at the registered office of the Company and at the Company's business address, Electric Works, Sheffield Digital Campus, Sheffield S1 2BJ, from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends:

   7.1 copies of the service contracts of the Executive Directors; and

   7.2 copies of the letters of appointment of the Non-executive Directors.

Secretary and advisers

Secretary
Nick Parker

UK office
Electric Works
Sheffield Digital Campus
Sheffield S1 2BJ

US office
5000 Executive Parkway
Suite 270
San Ramon CA 94583 USA

Registered office
47 Esplanade
St. Helier
Jersey JE1 0BD

Nominated adviser and broker
Panmure Gordon & Co
One New Change
London EC4M 9AF

Auditor
KPMG LLP
1 The Embankment
Neville Street
Leeds LS1 4DW

Legal advisers
DLA Piper UK LLP
1 St Paul's Place
Sheffield S1 2JX

Carey Olsen
47 Esplanade
St. Helier
Jersey JE1 0BD

Bankers
Barclays Bank PLC
St Paul's Place
121 Norfolk Street
Sheffield S1 2JW

Lloyds Banking Group Bank plc
14 Church Street
Sheffield S1 1HP

Registrars
Neville Registrars Limited
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designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

WANdisco plc
Electric Works
Sheffield Digital Campus
Sheffield S1 2BJ

WANdisco plc Annual Report and Accounts 2012