

WANdisco plc

ANNUAL REPORT AND ACCOUNTS 2013

Overview / About us

No downtime. No data loss. No latency.

We are a provider of enterprise-ready, non-stop software solutions that enable globally distributed organisations to meet today's data challenges of secure storage, scalability and availability.

Our patented technology enables 100% real-time data access across widely distributed deployment of our products, Hadoop, Subversion and GIT, creating seamless global networks.



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Governance

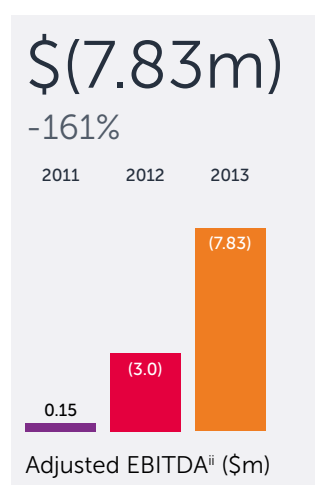
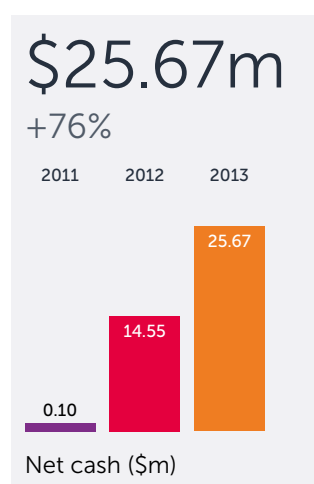
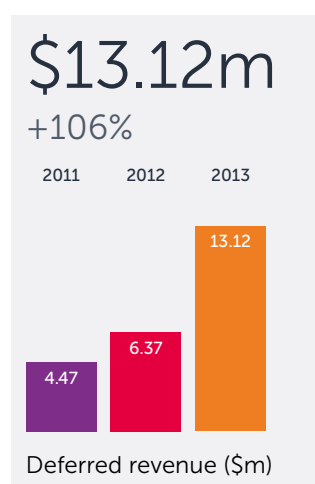
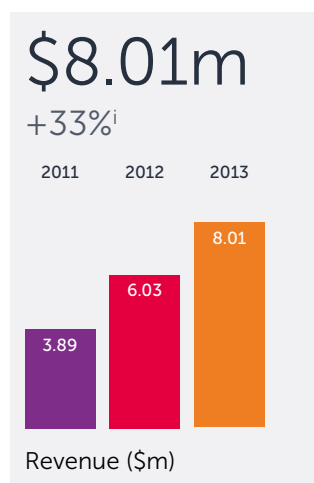
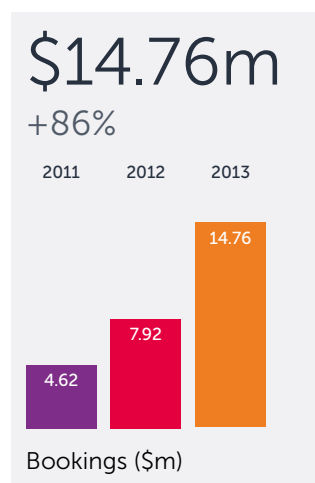
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2013 performance highlights

Financial highlights



i. Revenue growth 57% before sale of perpetual licenses in the year ended 31 December 2012

ii. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, exceptional items and share-based payments

Operational highlights

Established momentum in Big Data market

- Early Big Data wins with Tier 1 British telecommunications company, NSN and Miaozen in China validating our Big Data technology and offering
- WANDisco established as the de facto continuous availability layer in Cloudera and Hortonworks Hadoop distributions – essential for Big Data transaction environments
- Established pipeline of enterprises evaluating commercial Non-Stop Hadoop deployments

Post period end

- Early customer wins working with channel partners, British Gas and UCI Health
- DConE technology extended beyond Name Node to HBase in the Hadoop technology stack
- Distribution agreement with Carahsoft Technology Corp. to market and sell WANDisco's Non-Stop Hadoop for Cloudera to US federal agencies

In Application Lifecycle Management (ALM), significant new customer wins extended market leadership and brought further strong growth

- Customers added across multiple industry verticals including: ADP, Blue Cross Blue Shield, Canon, Cisco, Goldman Sachs, H3C Technologies, Manulife Financial Corporation, San Disk, Société Générale and T. Rowe Price
- Significant growth from existing customers with many returning to make multi-year commitments, including John Deere, Juniper Networks and NCR
- Subversion MultiSite Plus and GIT MultiSite launched, extending the reach of WANDisco's offering into existing and new software development communities
- Purchase of TortoiseSVN.net in June expands the online market for WANDisco ALM products

Patents secured for Distributed Computing Systems

Board changes

- Non-executive Director Paul Walker to become Chairman with immediate effect
- Paul Harrison appointed as CFO on 1 September 2013

Management team significantly strengthened

- Significant appointments in Sales and Engineering functions with former BT and SAP executives joining WANDisco during and following the year end

Overview / WANdisco at a glance

What we do

WANdisco stands for Wide Area Network distributed computing. We are a leading provider of enterprise-ready, non-stop software solutions that enable globally distributed organisations to meet today's data challenges of secure storage, scalability and availability.

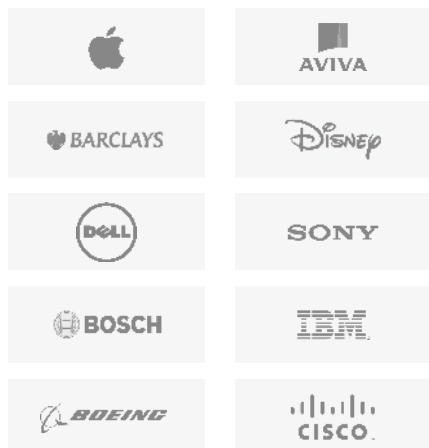


Our customers

Innovating, improving and continually helping our customers

For hundreds of Fortune Global 1000 companies, WANdisco is more than a product – we're a business necessity that enables success.

100% TRUSTED BY OUR CUSTOMERS




Our products

Our products offer unique benefits

WANdisco's products are differentiated by our patented, active-active data replication technology, serving crucial continuous availability (CA) requirements, including Hadoop Big Data and Application Lifecycle Management (ALM).

Delivering complex and innovative solutions across a broad customer base

WANdisco is the first and only provider of enterprise-ready, non-stop software solutions that meet today's data challenges of secure storage, scalability and availability.

 Case study on
UC Irvine Health
page 8





Our markets

Well positioned
in a fast-growing
market

\$50bn

The Big Data market is expected
to exceed \$50bn by 2017

Leading position in high-growth markets through innovation and customer-focused products

Our product removes the single point
of failure that exists in other Hadoop
implementations, and our partnerships with
other platform leaders mean we're ideally
positioned to provide the de facto continuous
availability solution for enterprise
Hadoop deployments.

 Chairman and Chief
Executive Officer's
report **page 4**



Product focus

Hadoop – Big Data

Non-Stop Hadoop applies
WANdisco's patented active-active
replication technology to enable
100% uptime for global multi-data
centre deployments of Hadoop.

Subversion and Git – Application Lifecycle Management

Ours are the only products that
allow widely distributed software
development teams using
Subversion and Git to truly work
as if they are all in the same location
without downtime or data loss.

Strategic review / Chairman and Chief Executive Officer's report

A year of rapid market development and strong progress

Dear Shareholder

2013 marked our first full year as a listed business and I am pleased to report very strong progress against the objectives set out at the time of our flotation. Our patented technology has been applied to two distinct markets which both exhibit high growth potential. In my report, I have sought to outline WANDisco's strategy, to consider our execution against that strategy and to look to the future.

In line with best practice in corporate governance, on 20 March 2014, after the year end, the roles of Chairman and Chief Executive Officer were split. As I report below, I am delighted that Paul Walker has assumed the role of Chairman of WANDisco plc. Given this report covers a year in which I held both roles, it remains described as a Chairman and Chief Executive Officer's report.

Overview

WANDisco's software addresses a challenge hitherto considered unsolvable by many expert commentators: active-active replication over a wide area network (WAN). What does that mean?

Our technology enables multiple instances of the same data to be stored on any number of servers across the globe. It ensures that each version of this data is a to-the-second replica of its peers. Whilst similar solutions have been created within physical data centres or over a local area network, WANDisco's technology is the first and only technology that enables this over a WAN.

Many factors cause data centre outages. Outages result in major financial and operational cost for businesses. WANDisco's approach to this challenge ensures the highest degree of resilience available today.

Traditional data replication technology invariably relies on some type of master/slave arrangement under which there is a central transaction co-ordinator which determines the instance of master data at any point in time. The weakness with such schemas lies in the single point of failure the master co-ordinator represents. Put simply, if it fails, the entire system fails.

WANDisco's approach avoids the exposure to any single points of failure. Under our schema, data is replicated across a wide area network so that an identical copy resides in as many distributed data centres as our customers require. If one data centre fails for whatever reason, all other data centres remain active. When that data centre comes back online, its peers update it so that, once again, it instantly replicates all other data centres in the network. There is no loss of data and no lost productivity.

In January 2013, the capability of our software was recognised by the US patent office as it granted WANDisco patent number 8,364,633 in the provision of Distributed Computing Systems.

This replication technology is called DConE (an acronym for Distributed Coordination Engine). So far, we have applied it successfully to two markets: more recently, the Big Data market and, originally, the application life cycle management market.



David Richards
Chairman and Chief
Executive Officer

86%

An expansion in our enterprise sales force has driven an 86% growth in bookings.

We have established strategic partnerships in the Big Data market with Cloudera and Hortonworks.

Big Data

Unhelpfully, Big Data is a term used by many organisations to mean many different things. To us, it refers to very large pools of data taking a variety of forms, both structured and unstructured, and often changing at a very rapid rate. The sources of this data range from traditional enterprise software systems to data gathered from machines (e.g. lifts and monitors), social media sites, mobile phones and so on. This data takes several forms. It can be structured, meaning it can conveniently be stored in rows and columns in a traditional database, and it can be unstructured. This latter form would include photographs, video, mobile phone data and machine data.

Traditional means of data storage struggle to capture unstructured data. Furthermore, for most organisations, traditional storage is expensive making it economically challenging to store such data in great volume. Therefore, it has often been discarded.

Big Data recognises the potential of this wider pool of data to provide much greater insight and therefore competitive advantage. Its principal enabler is Hadoop. Hadoop is open source software, owned by the Apache Software Foundation, which enables organisations to store, curate and take advantage of peta-bytes of data. It uses commodity hardware meaning that a large pool of structured and unstructured data can be captured and retained at a fraction of the cost of traditional data storage.

Hadoop therefore initially developed as a source of low cost storage often of archived data not required for live transaction processing. Recently, though, this has changed. With the release of Hadoop 2.0 in September 2013, Hadoop has developed into a platform enabling live transaction processing. However, this presented a challenge as there is a single point of failure in Hadoop – known as the Name Node – which acted as a barrier to live transaction processing.

By applying our DConE technology to Hadoop, we have replicated the Name Node and subsequently other single points of failure in the Hadoop technology

stack so that, with our distribution partners, we can present an enterprise-ready, non-stop version of Hadoop. This removes a key barrier to deployment of Hadoop for live transaction processing.


Whilst an open source product, Hadoop has to be made enterprise-ready before it can be adopted responsibly by organisations. This has created a market for the provision of enterprise-ready Hadoop distributions, which is dominated by two businesses: Hortonworks Inc. and Cloudera Inc.

Application Life Cycle Management (ALM)

DConE was first applied to the ALM market. ALM refers to the management of software by large teams of engineers frequently collaborating from widely distinct geographical regions. Historically, the activities of these teams have been co-ordinated centrally with each engineer downloading sections of code from a central coordination server, editing that code and posting it back. The challenges frequently encountered were the failure of the central coordination engine resulting in downtime and lost data across the entire network. Furthermore, the time involved in downloading code across a wide area network resulted in material inefficiency.

WANdisco's technology addresses these problems by creating a scenario where each local data centre contains an up to date version of the code. Read/write activities are therefore local resulting in significantly improved productivity and any loss of a data centre anywhere is almost immediately compensated by the redirection of resource to other data centres on the network.

The most popular development tool used by software engineers is an open source product called Subversion. WANdisco supports both the open source version of this product and has its own, enterprise-ready versions – Subversion Multi-Site and Subversion Multi-Site Plus – incorporating our DConE platform which provide the active-active replication capability described above. We have also extended DConE to another increasing popular developer tool, GIT, with the same effect.

 Corporate governance
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Strategic review / Chairman and Chief Executive Officer's report continued

Application Life Cycle Management (ALM) continued

We have sold this software to many large corporates operating with globally distributed software teams. Our customers are often large businesses and, as software increasingly defines products and services from insurance to automotive vehicles, they span multiple industries.

2013 Performance

It is the Big Data market which has developed most rapidly over the year and where we have made considerable in-roads. The November 2012 acquisition of Altostor proved to be the critical catalyst for our entry into this market and for our rapid progress. With Altostor came two of the original creators of Hadoop. Altostor therefore fused our active-active replication technology with profound knowledge of Hadoop.

The combination of this expertise and know-how enabled WANdisco to rapidly release, as early as February 2013, its first Non-Stop Hadoop products deployed over a proprietary Hadoop distribution. In turn, this was followed by early customer wins in the form of a large UK telecommunications business and an OEM agreement with Nokia Systems Networks, a provider of 4G technology to mobile telephony operators.

The launch of Hadoop 2.0 in September 2013 was decisive. Hadoop 2.0 marked the elevation of Hadoop from a batch to a real-time platform. With it comes the opportunity for enterprises to achieve competitive differentiation through the leverage of vast amounts of structured and unstructured data for live data transaction processing. However, for Hadoop to serve this purpose, it first needs to be fully resilient to data outages, which is where Non-Stop Hadoop by WANdisco is essential. Our solution is the only means by which an enterprise can assure continuous availability of Hadoop over a wide area network.

At this time, we were approached by both Cloudera and Hortonworks to provide the continuous availability layer essential to the establishment of Hadoop as a live data transaction processing engine. Their interest in partnering with WANdisco resulted from feedback received from their customers regarding the importance of continuous availability. Accordingly, in Q3 and Q4 2013, we announced partnerships with Cloudera and Hortonworks to co-sell our product. We therefore discontinued the provision of our own Hadoop distribution.

In March 2014, after the year end, we announced our first Big Data customer under this distribution model. Working with Hortonworks, we secured a contract with University of California, Irvine Health (UCI Health). Under this contract, we will provide UCI Health with continuous availability of data as it deploys Hadoop as a cornerstone of its vision to move from a reactive to proactive patient care model. The model is designed to leverage real-time data from multiple sources – from traditional patient health records to data produced by monitoring machines – to detect and stave off illness before it takes hold. This typifies the sort of innovative vision that Hadoop can address and that traditional platforms are unable to support.

On 20 March 2014, we announced that British Gas will deploy WANdisco's Non-Stop Hadoop for Hortonworks. Initially the live production test deployment will cover a 100 node Hadoop cluster. British Gas is looking to replace its legacy enterprise data warehouse software due to its high cost, inflexibility and inability to handle the large volumes and variety of data required for new big data applications. As a part of this, British Gas has chosen Hadoop for Hortonworks to store and manage its business critical data. This will be supported by WANdisco's Non-Stop Hadoop to ensure that this crucial data, such as customer and operational information, is continuously available, therefore meeting British Gas's strict business continuity and regulatory requirements.

We see a developing pipeline of diverse use cases such as these. Typically, following a period of testing, we see customers deploying Hadoop in a controlled environment such as within a specific division or functional area. Consequently, these initial deployments typically cover relatively modest data pools. However, we believe early success will lead these enterprises to roll out Hadoop more expansively across a greater number of data nodes, resulting in further business for WANDisco.

People

None of this is possible without establishing the right team. In addition to developing a strong enterprise sales force, we have significantly strengthened our software engineering teams. Highly skilled engineers have been attracted to WANDisco by our exciting market proposition and by the opportunity to work alongside some of the most talented engineers in their field.

At a senior management level, I am delighted to have made a number of key additions to the team. In September 2013, Paul Harrison joined as CFO. Paul was, for 13 years, CFO of The Sage Group plc, a FTSE 100 member and one of the largest software businesses in the world. Paul brings a wealth of experience in the capital markets and of developing fast growing businesses. Paul replaced Nick Parker who left the business in June following its successful transition to a public company. On behalf of the Board, I would like to thank Nick for his contribution in supporting that transformation and to wish him well for his future career.

On 20 March 2014, we were pleased to announce that Paul Walker, a non-executive director, assumed the role of Chairman, in line with best practice in corporate governance, which advocates the separating of the roles of Chairman and Chief Executive Officer. Paul has a wealth of experience having served on a variety of Boards currently including Experian plc, Halma plc and Perform Group plc. For 16 years, Paul was the chief executive officer of The Sage Group PLC. We are delighted that Paul has agreed to step up to this role.

It is our people who have driven our considerable progress this year and, on behalf of the Board, I would like to thank all of them for their dedication to our business.

Outlook

2013 has been a highly successful year for WANDisco. We have applied our patented technology to the Big Data market launching products that significantly broaden the opportunity to deploy Hadoop. We have established partnerships with the two key distributors of Hadoop well ahead of anticipated timeframes and, since the year end, have secured early customer wins through our partner channels. We have strengthened and continue to strengthen our team bringing in sales and engineering talent with the necessary experience to establish WANDisco as an essential component of Hadoop Big Data configurations.

Success in Big Data in 2014 will be defined by the number of enterprise customers deploying Hadoop, underpinned by our non-stop technology, for the first time. These will be highly strategic deals for WANDisco and over time, as these customers move into full production deployments, we anticipate they will scale into broader enterprise implementations.

David Richards

Chairman and Chief Executive Officer

Strategic review / Case study – University of California, Irvine Health



Making a real shift in medical care

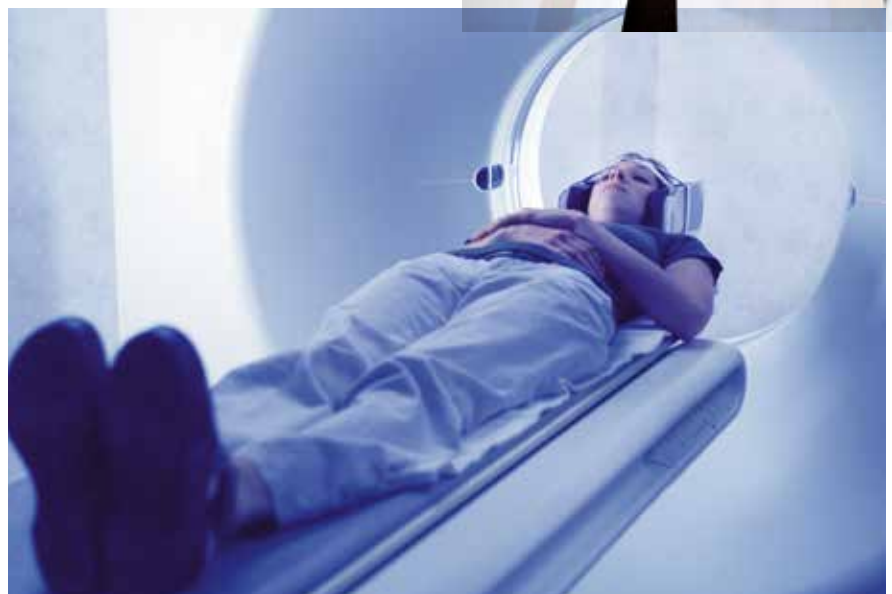
UCI Health's Electronic Medical Record (EMR) application, its primary source of data used to provide patient care, needed a complementary solution that could provide real-time access to any type of patient data in a single source. This would enable them to do more than merely help patients when they are sick. It would make a new level of care possible that keeps patients well.



The challenge

Health care data shares many of the same attributes of data from the web – all types and formats including images, video, audio and machine data in virtually infinite volume. Existing enterprise data warehouse technology used to support EMR applications suffers from a lack of data liquidity. With an EMR system, the latest medical records often aren't available for 24 hours and frequently depend on interfaces to external systems that suffer from their own availability and performance challenges.

In a medical emergency, data must be entered in real time and available for immediate retrieval and analysis. Health care professionals must know what just changed in the context of the patient's entire medical history.





Read more case studies and find out more about UC Irvine Health online at www.wandisco.com



Results

Devices such as heart monitors and ventilators generate massive amounts of machine data. Hospital staff with heavy patient loads can't stay at every bedside. Now they receive real-time alerts when these devices indicate that vital signs have crossed a certain threshold, enabling them to focus attention on patients who need it most.

When patients leave the hospital environment, care can be proactive instead of reactive. Real-time access to data from home monitoring devices makes it possible to predict the likelihood of hospital readmission after discharge for serious conditions such as heart failure and pneumonia so that outpatient care can be provided.

The ability to analyse quickly massive amounts of clinical data in combination with the patient's genetic information makes it possible to determine the best medication at the right dosage for an individual patient for virtually any disease.

Now, massive amounts of all types of patient data can be anonymised and accessed from a single source, giving medical researchers faster access to greater volumes of data than previously possible.

All types of data can be stored, retrieved and analysed at incredibly low cost in comparison to traditional data warehouse solutions.



The solution

UCI Health's key consideration in choosing WANdisco's Non-Stop Hadoop for Hortonworks was the elimination of unacceptable downtime in a hospital environment where a patient's condition can change drastically in minutes. Unlike UCI Health's EMR, Non-Stop Hadoop for Hortonworks provides a single source for real-time access to patient data in virtually any format.

WANdisco's Non-Stop Hadoop for Hortonworks is easy to implement and complements UCI Health's EMR system. No modification to UCI Health's EMR was required.



"WANdisco is enabling us to make a real shift in medical care. Rather than just helping people when they are sick, we are now able to identify what can be done to keep people well. We haven't found any other technology that can provide us with the 100% uptime and performance we need to offer this level of care and save lives."

Charles Boicey, Informatics Solutions Architect, UCI Health

Strategic review / Financial review

Continued substantial growth and a sound financial platform

Financial performance

The Group delivered substantial growth in recurring subscription revenues. Bookings for the year were \$14.7 million (2012: \$7.9 million) representing 86% year-on-year growth. We report bookings as this is a key forward indicator of activity in a subscription business where revenue – recognised rateably over the life of the contract – is primarily a reflection of historic performance. Looking at our two markets, bookings remain heavily weighted toward the well-established ALM market. Here bookings were \$14.5 million (2012: \$7.9 million) representing 84% growth. In the Big Data market, bookings were \$0.2 million (2012: \$0 million) reflecting the nascent nature of this market.

Customer loyalty is a strong characteristic of our business. We find that once our software is adopted, it is highly likely that annual contracts will be renewed. Consequently, we are pleased to report that all customers whose contract was due for renewal actually renewed in the year. Several of those customers renewed on a multi-year basis making a strong statement of confidence in our product. As a consequence, we are now disclosing the Annualised Value of Bookings (AVB) as a means of

ensuring a consistent comparison of results. AVB includes the first year's element of any multi-year booking. The year ended 31 December 2013 saw strong growth of 45% in AVB.

Revenue for the year grew by 33% to \$8.0 million (2012: \$6.0 million) or by 57% if perpetual licences sold in the year ended 31 December 2012 are excluded. No perpetual licences were sold in the year ended 31 December 2013.

The successful strategy of securing multi-year, forward revenue saw deferred revenue grow 106% to \$13.1 million (2012: \$6.4 million). One of the attractive features of a subscription license model is that it secures forward revenue. Consequently, out of a total deferred revenue at 31 December 2013 of \$13.1m, \$6.3m will be released and therefore represents secured revenue for the year ending 31 December 2014.

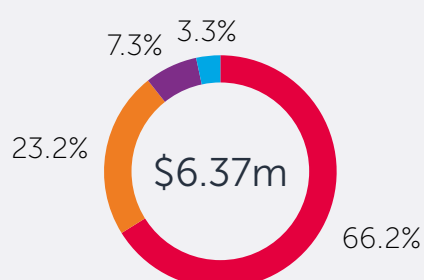
Headcount

	31 December 2013	31 December 2012
Sales	31	14
Marketing	8	6
Engineering	71	51
Support	13	6
Product management	5	2
Finance, HR and admin	15	11
	143	90



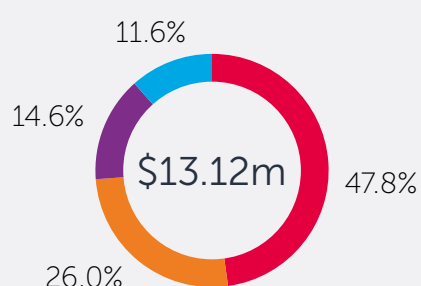
Paul Harrison
Chief Financial Officer

Deferred revenue release 2012



● 2013	4,213,000
● 2014	1,475,000
● 2015	468,000
● 2016+	212,000

Deferred revenue release 2013



● 2014	6,280,000
● 2015	3,414,000
● 2016	1,913,000
● 2017+	1,517,000

The adjusted EBITDA loss for the year of \$7.8 million (2012: \$3.0 million) resulted from the significant investment required to take advantage of the high growth markets we address. In particular, we invested and continue to invest in attracting talented sales executives and engineers. At 31 December 2013, our headcount stood at 143 heads (2012: 90 heads). We will increase our investment in 2014 consistent with the need to recruit the necessary talent to drive the expansion of the business.

Net cash stood at \$25.7 million at 31 December 2013 (2012: \$14.5 million). This reflects both the investment referred to above and the successful equity placing in September 2013 which raised a further \$29.7 million (net) to support future growth.

Paul Harrison
Chief Financial Officer

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Governance / Board of Directors



1. David Richards

Position

President, CEO and co-founder

Committees

Remuneration
(retired on 20 March 2014)

Experience

David is President, CEO and co-founder of WANDisco.

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.

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 also a non-executive director of 1Spatial plc.

David is a frequent commentator on a range of business and technology issues, appearing regularly on Bloomberg and CNBC.



2. James Campigli

Position

Chief Marketing Officer and co-founder

Committees

Audit
(retired on 5 December 2013)

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 marketing activities. 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.

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



3. Paul Harrison

Position

Chief Financial Officer

Committees

None

Experience

Prior to joining WANDisco in September 2013, Paul spent over 16 years with The Sage Group plc, the UK's largest software business and a member of the FTSE 100. Paul joined Sage in 1997, becoming its CFO in 2000. During that time, Sage grew its revenues from £152 million to £1,340 million, its profit before taxation from £38 million to £356 million, its employee base from 1,900 to 13,500 and its country presence from four to 25. It also supplemented organic growth with the conclusion of over 100 acquisitions.

Paul is also a non-executive director of Hays plc, one of the world's largest specialist recruiters. He joined Hays in 2007, becoming its Senior Independent Director in 2011. He also chairs Hays' remuneration committee.

A chartered accountant, Paul's earlier career was spent in professional practice, latterly with PwC where he was a senior manager.



4. Paul Walker

Position

Non-executive Director and Chairman Designate

Committees

Nomination, Remuneration and Audit

Experience

Paul Walker served as Chief Executive Officer of The Sage Group Plc from 1994 to 2010. Paul joined Sage 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. He has also served as non-executive Chairman of Perform plc since 2011 and as non-executive director and Chairman of Halma plc since April 2013. Paul is Chair of the Newcastle Science City Partnership and a director of the Entrepreneurs' Forum. He previously served as a non-executive director of Diageo plc and MyTravelplc.



5. Ian Duncan

Position

Non-executive Director

Committees

Nomination, 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 he worked at Lloyds and Kleinworts specialising in mergers and acquisitions. 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 and the Mouchel Group. He previously served as a non-executive director of Fiberweb plc.

Governance / Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

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 4 to 7. 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 Statement of Comprehensive Income and other components on pages 25 to 48.

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 2.

Annual General Meeting

On page 50 is the notice of the Company's second Annual General Meeting to be held at 12.00 noon on 4 June 2014 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 12 and 13. 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 pages 17 and 18.

Substantial shareholders

The Company is informed that, at 31 March 2014, 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
Cazenove Capital	2,980,611	12.57%
Dr Yeturu Aahlad	2,825,021	11.92%
David Richards	2,783,153	11.74%
James Campigli	1,544,143	6.51%
Blackrock Investment Management	1,500,584	6.33%

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2013 and at 31 March 2014 were as follows:

	Number of shares	% of issued Ordinary Share capital
Executive Directors		
David Richards	2,783,153	11.74%
James Campigli	1,544,143	6.51%
Paul Harrison	—	—
Non-executive Directors		
Paul Walker	111,111	0.47%
Ian Duncan	—	—

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 pages 17 and 18.

The middle market price of the Company's Ordinary Shares on 31 December 2013 was 1,230 pence and the range during the year was 440 pence to 1,524 pence with an average price of 880 pence.

Research and development

The Group expended \$7,443,000 during the year (2012: \$2,912,000) on research and development, of which \$7,443,000 (2012: \$2,912,000) was capitalised within intangible assets and \$nil (2012: \$nil) was charged to the income statement. In addition, an amortisation charge of \$3,670,000 (2012: \$1,801,000) 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 20.

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 2013 the Group made political donations of \$nil (2012: \$nil) and charitable donations of \$409 (2012: \$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

ended 31 December 2013 and the amount owed to its trade creditors at 31 December 2013 was 45 days (2012: 45 days).

Risks relating to the Group and its business

Dependence on key executives and personnel and recruitment and retention of new talent

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 Group is expanding rapidly and recruiting new resource, particularly in the engineering and sales functions. It is essential that the right talent is attracted, retained and motivated to drive the Group's success.

The Group has recently strengthened its human resources function with the appointment of an experienced Chief People Officer. This function has responsibility for working with senior management to strengthen recruitment, retention, reward and the development of talent. This function will also oversee internal employee communications to ensure, given our rapidly developing markets, that our people understand our strategic direction and are therefore able to make a meaningful contribution to the achievement of our goals. In addition, stock-based compensation has proven to be an important component of retaining and motivating key talent and we will continue to deploy stock selectively.

Governance / Directors' report continued

Risks relating to the Group and its business continued

Competition risk

There can be no guarantee that the Group's competitors have not already developed and/or will not develop products and services which are competitive to those supplied by the Group.

The Group protects its intellectual property by securing patents whenever possible. Furthermore, the Group continues to dedicate significant resource to the constant enhancement of our core intellectual property.

Customer and channel risk

Whilst the Group invests in functions dedicated to customer management and post-sales support, its rapid expansion could place strain on the quality of these services. We serve our Big Data market in partnership with key distributors of Hadoop. This form of distribution is new to the business and there is risk that we mis-manage partner relationships.

As part of its current recruitment plan, the Group is adding experienced resource to these areas.

Resource allocation and operational execution risk

WANDisco addresses a significant and rapidly growing market with limited internal resource. This resource takes the form of people and capital. Over time it will be essential to grow this resource but at all times it will remain essential that we ensure that resource is effectively directed to addressing and delivering on our strategic goals.

We have significantly improved internal reporting to include segmental reporting of our key markets. These reports are regularly monitored by both the management team and the Board.

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.

We have invested significantly in both people and quality control processes within our engineering teams. We have also strengthened our sales engineering team which helps to ensure that commitments made to customers in terms of product capability are wholly deliverable.

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

Paul Harrison

Chief Financial Officer
15 April 2014

Remuneration Committee report

As an AIM listed Company, WANdisco plc is not 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.

Membership of the Remuneration Committee

During the year, the Remuneration Committee comprised the Non-executive Chairman (Paul Walker), the Independent Non-executive Director (Ian Duncan) and the Group Chairman and Chief Executive Officer (David Richards). David Richards retired from the Remuneration Committee on 20 March 2014.

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.

Equity incentives

To enable the Company to continue to attract, retain and motivate the necessary talent to deliver its ambitious growth strategy, the Committee intends to extend its dilution guideline for equity incentives to allow for no more than 15% dilution through the issuance of new shares in any ten year period.

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. The Committee intends to make further awards under the Long Term Incentive Plan (LTIP) during 2014. Details of any awards will be disclosed in next year's Remuneration Committee Report.

During the year, the Board appointed Paul Harrison as Chief Financial Officer. Paul is a former FTSE 100 CFO and brings a wealth of experience in order to support WANdisco in delivering its ambitious growth strategy. As a consequence, the salary level for Paul was set commensurate with the experience he brings to the role. In September 2013, Paul was awarded nominal-cost options under the LTIP (see table overleaf), which become exercisable in four tranches from January 2014 to September 2015, and are subject to further restrictions relating to employment until September 2016 as outlined in the RNS announcement on 27 September 2013. Nick Parker resigned as CFO on 1 September 2013 and a termination payment was made as set out in the table overleaf.

2013 annual bonus

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 2013 and 2014 with bonuses based on revenue growth and EPS, respectively. 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 and this was reflected in the agreed bonus plan for 2013, which comprised a target bonus of 75% of salary and a maximum bonus opportunity of 100% of salary. The level of the bonus was dependent upon the customer bookings achieved during the year.

Governance / Remuneration Committee report continued

2013 annual bonus continued

The Company made good progress during 2013, exceeding its bookings target. This resulted in a total bonus paying out between target and maximum for 2013 at 93% of salary.

Similar bonus principles will be adopted for 2014, but the performance conditions will be modified to incorporate targets for the delivery of bookings for Big Data.

Directors' interests

Details of the Directors' shareholdings are included in the Directors' Report on page 14.

Directors' share options

Aggregate emoluments disclosed below 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 2013	Exercise price
Executive		
David Richards	—	—
James Campigli	—	—
Paul Harrison (appointed 1 September 2013)	296,870	\$0.16
Nick Parker (resigned 1 September 2013)	273,685	\$0.36
Non-executive		
Paul Walker	—	—
Ian Duncan	—	—

In addition to the above options, Paul Harrison was granted an option over an additional number of shares to be determined with a value equal to 200% of his base salary at 1 September 2014, provided he is still in employment by the Group at that date.

Nick Parker exercised 126,315 share options on 26 September 2013.

This table is audited.

	Payment currency	Salary/fees '000	Termination payments '000	Bonus '000	Benefits '000	31 December 2013 Total '000	31 December 2012 Total '000
Executive							
David Richards	\$	350	—	326	16	692	899
James Campigli	\$	300	—	279	16	595	757
Paul Harrison	\$	160	—	149	8	317	—
Nick Parker	£	119	201	100	17	437	556
Non-Executive							
Paul Walker	£	40	—	—	—	40	27
Ian Duncan	£	40	—	—	—	40	27

The total Directors' remuneration for the period ended 31 December, in US Dollars, was \$2,409,000 (2012: \$2,619,000).

Paul Ashton Walker

Chairman of the Remuneration Committee
15 April 2014

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, although not all, 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. This ensures compliance with the Code which states that a smaller company should have at least two independent directors. On 20 March 2014, Paul Walker, an independent Non-executive Director, assumed the role of Chairman of the Board. David Richards remains Chief Executive Officer. This change was made in light of best corporate governance practice which advocates a separation of these roles.

The Board met regularly throughout the year, 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. Recommendations for the appointment of new directors are received from the Nomination Committee. 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's performance is appraised through the normal appraisal process. The Executive Board members are appraised by the Chief Executive and the Non-executive Board members by the Chairman. 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.

Consistent with the appointment of Paul Walker as Chairman, David Richards retired from the Remuneration Committee on 20 March 2014. In addition, James Campigli retired from the Audit Committee on 5 December 2013.

Governance / Corporate governance continued

The Board of Directors and Committees of the Board of Directors continued

The table below shows the number of Board meetings, Audit, Remuneration and Nomination Committee meetings held during the year and the attendance of each Director.

	Board meetings		Committee meetings					
	Possible	Attended	Audit		Remuneration		Nomination	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors								
David Richards	4	4	—	—	3	3	—	—
James Campigli	4	4	4	4	—	—	—	—
Paul Harrison	2	2	—	—	—	—	—	—
Non-executive Directors								
Paul Walker	4	4	4	4	3	3	1	1
Ian Duncan	4	4	4	4	3	3	1	1

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 Conduct 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 member of the Committee is Paul Walker. James Campigli retired from the Committee on 5 December 2013. The Board considers Ian Duncan to have relevant and recent financial experience given his biography set out on page 13.

The 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 its work in relation to internal control and to review the financial statements. The external auditor is invited to these meetings and meets with the 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 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 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. David Richards retired from the Remuneration Committee on 20 March 2014. The Remuneration Committee meets at least twice a year with the other Board members in attendance as appropriate. It has written terms of reference. The Remuneration Committee agrees the framework for Executive Directors' remuneration with the Board.

The Nomination Committee

The Nomination Committee is chaired by Paul Walker, the other member of the committee is Ian Duncan. The Nomination Committee meets at least once a year, with the Chief Executive Officer in attendance as appropriate. The Nomination Committee considers appointments to the Board.

Re-election

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 Chief Executive 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.

Governance / Corporate governance continued

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.

Executive management considers the 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 throughout the year and up to the date of approval of the Annual Report and Accounts, consistent with the guidance for Directors on internal control issued by the Financial Reporting Council.

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 it has reviewed the effectiveness of the system of internal controls for the year under review.

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 Group and of the profit or loss of the Group for that period. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law. 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 they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU; 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.

Financial statements / 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 2013 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 23, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

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

15 April 2014

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 15 April 2014. KPMG LLP has carried out no procedures of any nature subsequent to 15 April 2014 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 2013

	Notes	Year ended 31 December 2013			Year ended 31 December 2012		
		Pre-exceptional \$'000	Exceptional items \$'000	Total \$'000	Pre-exceptional \$'000	Exceptional items \$'000	Total \$'000
Revenue	5	8,012	—	8,012	6,031	—	6,031
Cost of sales		(1,579)	—	(1,579)	(497)	—	(497)
Gross profit		6,433	—	6,433	5,534	—	5,534
Operating expenses	6	(23,425)	(2,276)	(25,701)	(11,419)	(2,656)	(14,075)
Loss from operations		(16,992)	(2,276)	(19,268)	(5,885)	(2,656)	(8,541)
Finance income	9	52	—	52	79	776	855
Finance expense	8, 9	(294)	(484)	(778)	(295)	—	(295)
Loss before tax	8	(17,234)	(2,760)	(19,994)	(6,101)	(1,880)	(7,981)
Taxation	11	263	—	263	—	—	—
Loss for the year		(16,971)	(2,760)	(19,731)	(6,101)	(1,880)	(7,981)
Other comprehensive income							
Items that are or may in the future be reclassified to the Income Statement:							
Foreign currency translation differences – foreign operations		136	—	136	16	—	16
Other comprehensive income for the period net of tax		136	—	136	16	—	16
Total comprehensive income for the period		(16,835)	(2,760)	(19,595)	(6,085)	(1,880)	(7,965)
Loss per share							
Basic and diluted	12			\$0.90			\$0.49

Financial statements / Consolidated statement of financial position

as at 31 December 2013

	Notes	2013 \$'000	2012 \$'000
Assets			
Intangible assets	13	8,092	5,541
Property, plant and equipment	14	311	129
Total non-current assets		8,403	5,670
Trade and other receivables	16	10,511	2,486
Cash and cash equivalents	18	25,673	14,545
Total current assets		36,184	17,031
Total assets		44,587	22,701
Liabilities			
Trade and other payables	17	(2,543)	(3,665)
Deferred income	17	(13,124)	(6,368)
Deferred government grant		(242)	(36)
Provisions	19	—	(393)
Total current liabilities		(15,909)	(10,462)
Deferred tax	11	(5)	(5)
Non-current liabilities		(5)	(5)
Total liabilities		(15,914)	(10,467)
Net assets		28,673	12,234
Equity			
Share capital	21	3,755	3,388
Share premium	21	53,882	23,332
Translation reserve	21	142	6
Merger reserve	21	1,247	1,247
Retained earnings	21	(30,353)	(15,739)
Total equity		28,673	12,234

The financial statements on pages 25 to 48 were approved by the Board of Directors on 15 April 2014 and signed on its behalf by:

David Richards

Chief Executive Officer

Paul Harrison

Chief Financial Officer

Company registered number 110497

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Share capital \$'000	Share premium \$'000	Translation reserve \$'000	Merger reserve \$'000	Retained earnings \$'000	Total \$'000
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
Balance at 1 January 2013	3,388	23,332	6	1,247	(15,739)	12,234
Total comprehensive income for the period						
Loss for the year	—	—	—	—	(19,731)	(19,731)
Other comprehensive income	—	—	136	—	—	136
Total comprehensive income for the period	—	—	136	—	(19,731)	(19,595)
Transactions with owners recorded directly in equity						
Shares issued by WANdisco plc	323	30,381	—	—	—	30,704
Share issue costs	—	(1,034)	—	—	—	(1,034)
Shares issued as part of TortoiseSVN.net IP purchase	8	674	—	—	(682)	—
Shares allotted under share option scheme	36	529	—	—	—	565
Share-based payments charge	—	—	—	—	5,799	5,799
Total contributions by and distributions to owners	367	30,550	—	—	5,117	36,034
Balance at 31 December 2013	3,755	53,882	142	1,247	(30,353)	28,673

Financial statements / Consolidated statement of cash flows

for the year ended 31 December 2013

	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Loss before taxation	(19,994)	(7,981)
Adjustments for:		
Depreciation	138	52
Amortisation of intangibles	4,918	2,017
Finance costs	242	216
Foreign exchange	484	(776)
Change in trade and other receivables	(8,060)	(1,394)
Change in trade and other payables	(1,122)	1,093
Change in deferred income	6,756	1,902
Grant income received	109	139
Grant income released	(447)	(105)
Change in provisions	(393)	(21)
Share-based payment charge	5,799	813
Interest received/(paid)	17	(101)
Net cash used in operating activities	(11,553)	(4,146)
Cash flows from investing activities		
Purchase of property, plant and equipment	(320)	(138)
Purchase of intangible assets	—	(1,000)
Acquisition of subsidiary	—	(1,500)
Development expenditure in respect of intangible assets	(7,443)	(2,912)
Net cash used in investing activities	(7,763)	(5,550)
Cash flow from financing activities		
Net proceeds from share issues	30,235	24,161
Proceeds from loans	—	—
Repayment of borrowings	—	(770)
Net cash generated from financing activities	30,235	23,391
Net increase in cash and cash equivalents	10,919	13,695
Effect of exchange rate fluctuations on cash and cash equivalents	209	776
Cash and cash equivalents at the start of the period	14,545	74
Cash and cash equivalents at the end of the period	25,673	14,545

Notes to the consolidated financial statements

for the year ended 31 December 2013

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 2013 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.

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 2013 the Group had net assets of \$28,673,000 (31 December 2012: \$12,234,000) as set out in the Consolidated Statement of Financial Position on page 26. 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 19 – provisions; and
- Note 22 – 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.

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

3. Significant accounting policies continued

(a) Basis of consolidation continued

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.

(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.

3. Significant accounting policies continued

(c) Financial instruments continued

(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.

(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.

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

3. Significant accounting policies continued

(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.

(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.

3. Significant accounting policies continued

(g) Employee benefits continued

(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 committed to by customers for software licences, subscriptions and services, net of discounts and sales taxes.

(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.

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.

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

3. Significant accounting policies continued

(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 2013 that have had a material impact on the Group.

(ii) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted:

IFRS 9 "Financial Instruments" – 1 January 2015. First chapters of new standard on accounting for financial instruments which will replace IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 10 "Consolidated Financial Statements", IAS 27 "Separate Financial Statements", IFRS 11 "Joint Arrangements" and amendments to IAS 28 "Investments in Associates and Joint Ventures" – 1 January 2014. Part of a new suite of standards on consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates.

IFRS 12 "Disclosure of Interests in Other Entities" – 1 January 2014. Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.

IFRS 13 "Fair Value Measurement" – 1 January 2013. New standard to replace existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements.

IAS 32 "Offsetting Financial Assets and Financial Liabilities" – 1 January 2014. The amendments clarify the offsetting criteria.

The adoption of these standards and amendments is not expected to have a material impact on the accounts.

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.

4. Determination of fair values continued

(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:

	2013 \$'000	2012 \$'000
North America	7,069	5,257
Europe	660	589
Rest of the world	283	185
Total	8,012	6,031

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 no (2012: two) customers representing individually over 10% of revenue.

6. Operating expenses

Loss for the year has been arrived at after charging:

	2013 \$'000	2012 \$'000
Staff costs (see Note 10)	12,133	5,911
Research and development – amortisation charge	3,670	1,801
Amortisation of intangibles	1,248	216
Depreciation of fixed assets	138	52
Auditor's remuneration (see Note 7)	262	1,178

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

	2013 \$'000	2012 \$'000
Operating loss	(19,268)	(8,541)
Adjusted for:		
Amortisation and depreciation	5,056	2,070
Exceptional items within operating expenses	2,276	2,656
EBITDA before exceptional items	(11,936)	(3,815)
Adjusted for share-based payments	4,104	813
Adjusted EBITDA before exceptional items	(7,832)	(3,002)

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

7. Auditor's remuneration

	2013 \$'000	2012 \$'000
Audit of these financial statements	65	79
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	13	16
Other services related to taxation	99	41
Advisory work in respect of AIM listing	—	1,020
Other services pursuant to legislation	85	22
	262	1,178

8. Exceptional items

	2013 \$'000	2012 \$'000
Exceptional items comprise the following:		
Expenses related to Admission to AIM	—	2,656
Share based payment charge in relation to acquisitions	1,695	—
Reorganisation costs	581	—
Currency exchange loss/(gain)	484	(776)
	2,760	1,880

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.

The share-based payment charges recognised in the year in relation to the acquisition of AltoStor (\$1,459,000) and the purchase of the intellectual property of TortoiseSVN.net (\$236,000) have been classified as exceptional. See Note 22 for further details.

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

The exchange loss (2012: gain) is a result of certain Group cash balances being held in sterling denominated accounts.

9. Net finance income/(costs) (pre-exceptionals)

	2013 \$'000	2012 \$'000
Interest receivable – bank	52	78
Interest receivable – promissory notes (see Note 25)	—	1
Exchange losses	(259)	(215)
Interest payable on bank borrowings	(12)	(44)
Bank charges	(23)	(36)
	(242)	(216)

10. Staff numbers and costs

	2013 \$'000	2012 \$'000
Wages and salaries	12,229	6,888
Social security costs	1,418	647
Other pension costs	34	145
Share-based payments (see Note 22)	4,104	813
Less capitalised costs	(5,652)	(2,582)
Total staff costs	12,133	5,911

10. Staff numbers and costs continued

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

	2013 Number	2012 Number
Software development	74	41
Selling and distribution	34	18
Administration	13	8
Total number of employees	121	67

Remuneration of key management personnel

	2013 Total \$'000	2012 Total \$'000
Short-term employee benefits of key management personnel	3,445	3,298

Included in the above is \$314,000 in relation to termination payments. There were no other long-term benefits or post-employment benefits in the year ended 31 December 2013 (2012: \$nil).

In addition to the above, a share-based payment charge of \$1,822,000 in relation to share options granted to key management personnel, was incurred in the year ended 31 December 2013 (2012: \$441,380).

Further details on the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Committee Report on pages 17 and 18.

11. Taxation

	2013 \$'000	2012 \$'000
Current tax expense		
Current year	—	—
Adjustment for prior years	263	—
Deferred tax expense		
Origination and reversal of timing differences	—	—
Impact of changes in tax rates	—	—
Adjustment in respect of prior years	—	—
	—	—
Total tax credit	263	—

Reconciliation of effective tax rate	2013 %	2013 \$'000	2012 %	2012 \$'000
Loss before taxation		19,994		7,981
Expected tax credit based on the Group's domestic tax rate of 40%	40%	7,998	40%	3,192
Effects of:				
Non-deductible expenses	(13.4%)	(2,683)	(16.6%)	(1,327)
Tax rates in foreign jurisdictions	1.2%	247	(0.1%)	(11)
R&D tax credits	3.2%	633	2.8%	229
Losses not recognised for current or deferred tax	(29.7%)	(5,932)	(26.1%)	(2,083)
Taxation credit for the year	1.3%	263	—	—

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

11. Taxation continued

Factors affecting the current and future tax charges

Reductions in the UK Corporation Tax rate from 26% to 24% (effective 1 April 2012) and 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. 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 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Deferred tax assets and liabilities

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

	2013 \$'000	2012 \$'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 \$7,473,000 (2012: \$1,505,000) 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:

	2013 \$'000	2012 \$'000
Loss for the year attributable to Ordinary Shareholders	19,731	7,981

Weighted average number of Ordinary Shares

	2013 '000s of shares	2012 '000s of shares
At start of year	21,421	4,549
Effect of shares issued in the year	586	11,831
Weighted average number of Ordinary Shares during the year	22,007	16,380
	\$	\$
Basic loss per share	0.90	0.49

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:

	2013 \$'000	2012 \$'000
Loss for the year attributable to Ordinary Shareholders	19,731	7,981
Add back:		
Exceptional items	(2,760)	(1,880)
Share-based payments	(4,104)	(813)
Adjusted basic loss	12,867	5,288
	\$	\$
Adjusted loss per share	0.58	0.33

12. Loss per share continued

Diluted loss per share

Due to the Group having losses in each of the years, 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 2012	—	3,392	—	3,392
Acquisitions through business combinations	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
At 1 January 2013	2,308	6,304	995	9,607
Acquisitions through business combinations	—	—	—	—
Additions – externally purchased	—	—	35	35
Additions – own work capitalised	—	7,443	—	7,443
Effect of movement in foreign exchange	—	—	—	—
Disposals	—	—	—	—
At 31 December 2013	2,308	13,747	1,030	17,085
Amortisation				
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)
At 1 January 2013	(94)	(3,850)	(122)	(4,066)
Amortisation charge for the year	(766)	(3,670)	(482)	(4,918)
Impairment charge for the year	—	—	—	—
Effect of movement in foreign exchange	—	—	(9)	(9)
Disposals	—	—	—	—
At 31 December 2013	(860)	(7,520)	(613)	(8,993)
Net book value				
At 31 December 2012	2,214	2,454	873	5,541
At 31 December 2013	1,448	6,227	417	8,092

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 2013 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.

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

13. Intangible assets continued

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 2013 and 31 December 2012. 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. in November 2012. 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 SyntevoGmbH 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 2012	—	86	83	169
Additions	30	65	43	138
Disposals	—	—	(18)	(18)
At 31 December 2012	30	151	108	289
At 1 January 2013	30	151	108	289
Additions	66	138	116	320
Disposals	—	—	—	—
At 31 December 2013	96	289	224	609
Depreciation				
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)
At 1 January 2013	(2)	(78)	(80)	(160)
Depreciation charge for the year	(29)	(58)	(51)	(138)
Effect of movement in foreign exchange	—	—	—	—
Disposals	—	—	—	—
At 31 December 2013	(31)	(136)	(131)	(298)
Net book value				
At 31 December 2012	28	73	28	129
At 31 December 2013	65	153	93	311

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
WANdisco Software (Chengdu) Ltd	China	Ordinary Shares	100%	Development and provision of global collaboration software

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

16. Trade and other receivables

	2013 \$'000	2012 \$'000
Trade receivables	4,511	2,301
Other receivables (including \$4,668,000 deferred revenues relating to multi-year agreements)	5,374	82
Corporation tax	263	—
Prepayments	363	103
	10,511	2,486

Included in other receivables is \$3,252,000 which falls due after more than one year (2012: \$nil).

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

	2013 \$'000	2012 \$'000
Ageing of trade receivables:		
Due from current month	2,764	2,248
Due from previous month	894	8
Due from earlier months	853	45
Total trade receivables	4,511	2,301

All trade receivables are denominated in US dollars.

17. Trade and other payables

	2013 \$'000	2012 \$'000
Trade payables	854	830
Other payables and accruals	1,654	2,835
Finance lease payable	35	—
Deferred income	13,124	6,368
	15,667	10,033

Finance lease payable includes amounts payable after more than one year of \$8,000 (2012: \$nil).

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

17. Trade and other payables continued

Deferred income

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

The movement on the deferred income balance is as follows:

	2013 \$'000	2012 \$'000
At 1 January	6,368	4,466
Customer bookings	14,768	7,916
Released to revenue	(8,012)	(6,014)
At 31 December	13,124	6,368

Included in the 31 December 2013 year-end balance are amounts falling due after more than one year of \$6,844,000 (2012: \$2,166,000).

18. Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank and in hand	25,673	1,158
Short-term deposits	—	13,387
Total cash and cash equivalents	25,673	14,545

19. Provisions

	Employee claim \$'000	US penalties \$'000	Reorganisation \$'000	Total \$'000
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
At 1 January 2013	—	132	261	393
Provisions established in the year	—	—	—	—
Provisions utilised in the year	—	—	(261)	(261)
Provisions released in the year	—	(132)	—	(132)
At 31 December 2013	—	—	—	—

Penalties levied by US state and federal tax authorities related to charges for late payment of payroll taxes in the year ended 31 December 2011 and prior years. Management believes that full and final settlement has now been made and so the remaining provision has been released during the year.

The reorganisation provision was the Directors' best estimate of the costs associated with the IPO process and related Group reorganisation that took place in the year ended 31 December 2012.

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

20. 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, the 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
2013 cash and cash equivalents	10,886	14,787	25,673
2012 cash and cash equivalents	14,258	287	14,545

Had the foreign exchange rate between US dollar and sterling changed by 5%, this would affect the loss for the year and net assets of the Group by \$544,000.

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.

21. Share capital and reserves

	2013 Number	2013 \$'000	2012 Number	2012 \$'000
Share capital				
Allotted and fully paid	23,692,555	3,755	21,420,788	3,388

Financial statements / Notes to the consolidated financial statements

for the year ended 31 December 2013 continued

21. Share capital and reserves continued

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 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)
At 1 January 2013	3,388	23,332	6	1,247	(15,739)
Loss for the year	—	—	—	—	(19,731)
Shares issued by WANDisco plc	323	30,381	—	—	—
Share issue costs	—	(1,034)	—	—	—
Shares allotted under option scheme	36	529	—	—	—
Shares issued in TortoiseSVN.net IP purchase	8	674	—	—	(682)
Foreign exchange	—	—	136	—	—
Share-based payment charge	—	—	—	—	5,799
At 31 December 2013	3,755	53,882	142	1,247	(30,353)

Share capital and share premium

On 1 October 2013, the Company issued an additional 2,000,000 Ordinary Shares at a price of £9.50 each, raising funds of \$29.3 million net of transaction costs.

Costs relating directly to the new issue of shares have been deducted from the share premium account.

During the year, an additional 221,767 Ordinary Shares were issued as a result of employees exercising share options.

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. in 2012 was accounted for as a reverse acquisition. Consequently the previously recognised book values and assets and liabilities were 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.

22. 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.

22. Share-based payments continued

The terms and conditions of the share option grants between 16 May 2012 (the date WANDisco plc acquired WANDisco, Inc.) and 31 December 2013 are as follows:

Date of grant	Expected term (years)	Exercisable between		Exercise price	Vesting schedule (see below)	Outstanding at 31 December 2013
		Commencement	Lapse			
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	—
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	15,386
16 May 2012	9	16 May 2012	14 September 2021	\$0.36	2	1,459
16 May 2012	9	16 May 2012	20 September 2021	£0.46	2	11,805
16 May 2012	9	16 May 2012	20 September 2021	£0.46	3	—
16 May 2012	9	11 July 2012	20 September 2021	£0.46	3	—
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	125,000
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	742,685
21 June 2012	10	21 June 2015	21 June 2022	£2.00	4	61,525
7 December 2012	10	7 December 2012	7 December 2022	£4.55	5	562,137
21 January 2013	10	21 January 2013	21 January 2023	£5.68	5	25,000
1 February 2013	10	1 February 2013	1 February 2023	£6.40	5	30,000
25 February 2013	10	25 February 2013	25 February 2023	£8.20	5	20,000
18 March 2013	10	18 March 2013	18 March 2023	£7.47	5	25,000
1 April 2013	10	1 April 2013	1 April 2023	£8.03	5	25,000
8 April 2013	10	8 April 2013	8 April 2023	£7.75	5	10,000
6 May 2013	10	6 May 2013	6 May 2023	£9.11	5	10,000
13 May 2013	10	13 May 2013	13 May 2023	£9.80	5	25,000
20 May 2013	10	20 May 2013	20 May 2023	£9.98	5	5,000
1 July 2013	10	1 July 2013	1 July 2023	£9.38	5	35,000
15 July 2013	10	15 July 2013	15 July 2023	£9.55	5	65,000
29 July 2013	10	29 July 2013	29 July 2023	£9.25	5	40,000
15 August 2013	10	15 August 2013	15 August 2023	£9.25	5	20,000
16 September 2013	10	16 September 2013	16 September 2023	£11.68	5	5,000
27 September 2013	3	27 September 2013	15 March 2016	£0.10	6	200,000
27 September 2013	3	27 September 2013	15 March 2016	£0.10	7	96,870
15 October 2013	10	15 October 2013	15 October 2023	£11.54	5	30,000
1 November 2013	10	1 November 2013	1 November 2023	£11.65	5	20,000
11 November 2013	10	11 November 2013	11 November 2023	£12.71	5	20,000
27 November 2013	10	27 November 2013	27 November 2023	£14.30	5	40,000
27 December 2013	10	27 December 2013	27 December 2023	£11.93	5	300,000

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for the year ended 31 December 2013 continued

22. Share-based payments continued

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.
6. Option vests 50% on 1 September 2014 and 50% on 1 September 2015.
7. Option vests 40% on 1 January 2014 and 50% on 1 January 2015.

Share-based payments charges related to acquisitions and software purchases

As part of the acquisition of AltoStor Inc. in November 2012, a total of 375,651 restricted shares were issued to the former owners of the AltoStor Inc. business. These shares were treated as contingent payments 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 \$1,459,000 has been recognised in the year ended 31 December 2013 in relation to these restricted shares.

In June 2013, the Group purchased TortoiseSVN.net community website. As part of the transaction, 50,000 restricted shares in WANDisco plc were issued to the lead developer of the website. These shares have been treated as contingent payments and have been accounted for under IFRS 2 "Share-based Payments" as employee benefit expenses.

A share-based payment charge of \$236,000 has been recognised in the year ended 31 December 2013 in relation to these restricted shares.

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

	2013 Number	2012 Number
Balance at the start of the period	2,681,470	6,909,912
Granted (WANDisco, Inc.)	—	3,084,000
Forfeited (WANDisco, Inc.)	—	(14,500)
Lapsed (WANDisco, Inc.)	—	—
Exercised (WANDisco, Inc.)	—	(7,669,522)
Granted (WANDisco plc)	1,046,870	811,525
Forfeited (WANDisco plc)	(201,372)	(99,678)
Exercised (WANDisco plc)	(221,767)	(340,267)
Balance at the end of the period	3,305,201	2,681,470
Exercisable at the end of the period	364,465	201,397
Vested at the end of the period	1,075,550	214,927
	2013 \$	2012 \$
Weighted average exercise price for:		
Shares granted (WANDisco, Inc.)	—	0.36
Shares forfeited (WANDisco, Inc.)	—	0.58
Options exercised (WANDisco, Inc.)	—	0.36
Shares granted (WANDisco plc)	11.97	6.71
Shares forfeited (WANDisco plc)	5.52	1.26
Options exercised (WANDisco plc)	2.46	0.38
Exercise price in the range:		
From	0.16	0.36
To	22.37	7.19

22. Share-based payments continued

Share-based payments charges related to acquisitions and software purchases continued

	2013 Years	2012 Years
Weighted average contractual life remaining	7.8	9.1

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:

	2013	2012
Dividend yield	0.00%	0.00%
Risk-free interest rate	2.19%	3.50%
Stock price volatility	30%	40%
Expected life (years)	3.2	5
Weighted average fair value of options granted during the period:		
WANDisco, Inc.	—	\$0.15
WANDisco plc	\$9.54	\$2.46

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.

23. Commitments

Operating lease commitments

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

	2013 \$'000	2012 \$'000
Land and buildings		
Within one year	250	340
Between two and five years	574	781
In five years or more	—	—
	824	1,121

Capital commitments

At 31 December 2013 the Group had no capital commitments (2012: \$nil).

24. 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.

25. 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.

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for the year ended 31 December 2013 continued

25. Related parties and related party transactions continued

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

	2013 \$'000	2012 \$'000
Creditor at the start of the year	—	535
Loan advances	—	—
Loan repayments	—	(535)
Loans waived	—	—
Creditor at the end of the year	—	—

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:

	2013 \$'000	2012 \$'000
Balance at the start of the year	—	—
Issue of promissory notes	—	2,363
Interest	—	1
Repayment of promissory notes	—	(2,364)
	—	—

26. Post-balance sheet events

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

Five year record

31 December	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000
Customer bookings	2,310 ¹	3,080	4,618	7,916	14,768
Bookings growth	n/a	33%	50%	71%	87%
Revenue	2,476	2,984	3,878	6,031	8,012
Revenue growth	n/a	21%	30%	56%	33%²
Deferred revenue	3,437	3,726	4,466	6,368	13,124
Growth in deferred revenue	n/a	8%	20%	43%	106%
Net cash	(163)	(554)	74	14,545	25,673
Operating loss	(2,172)	(1,860)	(1,154)	(8,541)	(19,268)
Development costs and software amortised	308	597	980	2,018	4,918
Depreciation	18	49	46	52	138
Exceptional items	6	204	205	2,656	2,276
EBITDA before exceptional costs	(1,840)	(1,010)	77	(3,815)	(11,936)
Add back share-based payment charges	325	182	73	813	4,104
Adjusted EBITDA before exceptional items	(1,515)	(828)	150	(3,002)	(7,832)
Capitalised development costs	602	1,103	1,207	2,912	7,443

Note:

1) Customer bookings in 2009 excludes one unusually large booking of \$3.25 million.

2) Revenue growth in 2013 is 57% after excluding the impact of perpetual licences in the year ended 31 December 2012.

Financial statements / Notice of Annual General Meeting

Notice is given that the second 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 4 June 2014 at 12 noon 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 2013 be received and considered.
2. That Paul Harrison be appointed as a Director of the Company.
3. That, James Campigli, who retires by rotation as a Director of the Company, be re-appointed as a Director of the Company.
4. That, Ian Duncan, who retires by rotation as a Director of the Company, be re-appointed as a Director of the Company.
5. That KPMG LLP be re-appointed as auditor of the Company.
6. That the Directors be authorised to determine the remuneration of the auditor.
7. 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 £789,752, 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:

8. That, subject to the passing of resolution 7 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 7 above, as if pre-emption rights did not apply to any such allotment, such power being limited to:
 - 8.1 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
 - 8.2 the allotment (other than pursuant to resolution 8.1 above) wholly for cash of Ordinary Shares up to an aggregate nominal amount of £236,926,

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.
9. 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:
 - 9.1 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;
 - 9.2 the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is £0.001; and
 - 9.3 the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall not exceed:
 - 9.3.1 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
 - 9.3.2 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:

10. That, pursuant to Article 58A(1)(b) of the Law and Article 13 of the Articles, an Ordinary Share purchased pursuant to resolution 9 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

David Richards

Company Secretary
15 April 2014

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 2 June 2014 (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.

Financial statements / Notice of 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 2 June 2014 (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

David Richards

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 joint broker

Panmure Gordon & Co

One New Change
London EC4M 9AF

Joint broker

UBS Investment Bank

1 Finsbury Avenue
London EC2M 2PP

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

18 Laurel Lane
Halesowen
West Midlands B63 3DA



WANDISCO plc

Electric Works
Sheffield Digital Campus
Sheffield S1 2BJ