WANdisco plc
ANNUAL REPORT AND ACCOUNTS 2014

“We cannot solve our problems with the same thinking we used when we created them.”

~ Albert Einstein

About us

No **downtime.** No **data loss.** No **latency.**

We provide enterprise-ready, non-stop software that enables globally distributed organisations to meet today's data challenges of secure storage, scalability and real-time availability.

Our patented technology enables 100% real-time data access across widely distributed deployments of the open source tools, Hadoop (for Big Data) and Subversion or Git (for Application Lifecycle Management), creating seamless global networks.

Overview

Strategic report

Governance

Financial statements

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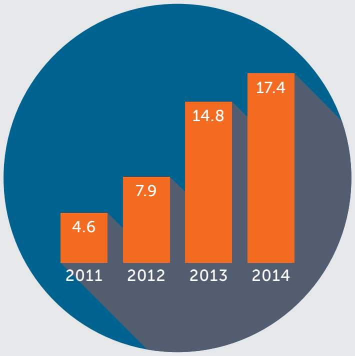
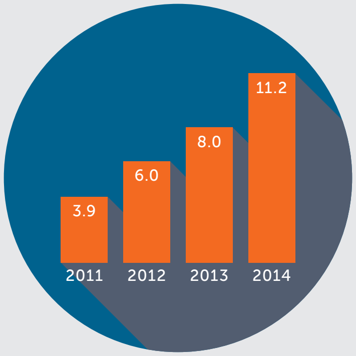
www.wandisco.com

Financial highlights

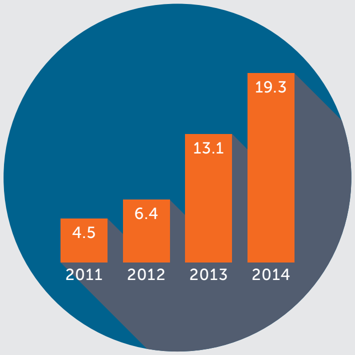
Bookings ($m)
$17.4m
+18%



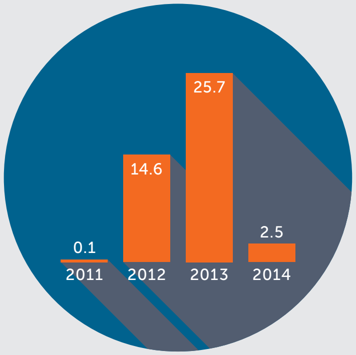
Revenue ($m)
$11.2m
+40%



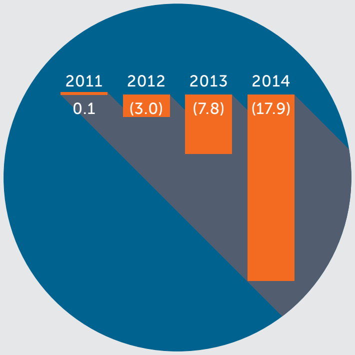
Deferred revenue ($m)
$19.3m
+47%



Net cash ($m)[ii]
$2.5m
-90%



Adjusted EBITDA[i] ($m)
$(17.9)m[iii]
-128%



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Operational highlights

Big Data

Product

- *Non-Stop Hadoop* achieved enterprise standard for live Big Data operations after a number of successful production trials at scale
- OhmData, Inc. acquisition advanced *Non-Stop HBase* product
- *Non-Stop Hadoop* product evolved into *WANdisco Fusion* to unify data across multiple Hadoop-compatible storage vendors
- Second patent allowed, extending protection from the fundamentals of data replication to the dynamics of replication networks (post year-end)

Customers

- Nine new Big Data customers – successful production trials led to our first set of subscription contracts
- British Gas expanded its solution in our largest Big Data deal to date
- Three of the world's top ten banks (including a new bank customer after the year-end)

Partnerships

- Joined the Hadoop Open Data Platform ("ODP") with Hortonworks, EMC, IBM and others (post year-end)

Application Lifecycle Management ("ALM")

- 46 new ALM subscriptions from global corporations such as Panasonic, Polycom and Zurich Insurance
- 54 upgraded or expanded ALM subscriptions, including Cisco, Pitney Bowes, Fannie Mae and Pixelworks
- High renewal rates sustained, demonstrating the relevance and reliability of our products
- New ALM products released for Git and Gerrit software development environments

i EBITDA loss excluding equity-settled share-based payment, capitalised product development, acquisition-related items and exceptional items.

ii $26.1m net equity fundraise (post year-end).

iii Refer to Note 6 for a reconciliation of statutory operating loss to Adjusted EBITDA.

WANdisco stands for Wide Area Network distributed computing. We are a leading provider of enterprise-ready, non-stop software enabling globally distributed organisations to meet today's Big Data challenges of storage, scalability, performance and availability. Our products make data available consistently and reliably, synchronised both within and between data centres.

"BIG Data...

... is the new definitive source of competitive advantage across all industries. For those organisations that understand and embrace the new reality of Big Data, the possibilities for new innovation, improved agility, and increased profitability are nearly endless."

~ Wikibon, 2014

Our products

Unique patented technology

Our products are differentiated by patented, active-active data replication technology, meeting crucial continuous availability requirements for both Big Data and ALM. We eliminate the costs of data loss, downtime and recovery.

Big Data

Non-Stop Hadoop has incorporated new features for mission-critical operations, such as: **100% utilisation** by eliminating idle back-up hardware; **selective replication** to keep data within regulated boundaries; **cluster zoning** to direct data processing to cost-effective hardware; and **multi-data centre ingest** to collect data from all over the world.

ALM

In ALM, our Subversion Multisite and Git Multisite products enable geographically distributed teams of software developers to collaborate without data loss or delay.

We are global and we think globally. Across several locations, we have some of the best and brightest architects, engineers and technologists in the industry.

Patents for our replication technology

Patents allowed

1 Active-active replication[i]

2 Replication sites[ii]

Patents pending

3 Dynamic management of replication networks

4 Replication workload[iii]

5 Hadoop distributed file system consistency

6 Hadoop metadata co-ordination over a wide area network

i Active-active data replication across sites connected over a wide area network.
ii Dynamic addition of new replication sites to a live global deployment.
iii Redistribution of replication workload between sites in a live deployment.

Our business

Our customers include many Fortune Global 1000 companies. For them, **WANdisco is more than a product, we are a business necessity** that enables success, saves costs and brings in revenue.

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.** Access and analyse data anywhere, with the same data available at every location.

Top Big Data customers

Open Data Platform partners

ALM

The only products that allow widely distributed software development teams using Subversion and Git open source code development tools to **collaborate as if they were all in the same location without downtime or data loss.**

Top ALM customers

200
live subscriptions

180
deals per year

>80%
subscription renewal rates

Big Data

5 reasons why Hadoop needs WANdisco

1. Continuous availability

WANdisco's patented technology removes the bottleneck of a single active "NameNode" store of essential data in a balanced workload across data centres, and enables local speed read/write at any global location without downtime or data loss – even during Hadoop upgrades and maintenance.

2. 100% utilisation

Active-active architecture eliminates read-only back-up servers by making all servers fully readable and writeable, to take full advantage of the hardware at each location.

3. Cluster zoning

Delegates the most resource-intensive data load and in-memory applications to high-spec servers while running less critical batch applications on commodity servers. Maintains quality of service for all users and eliminates the need for costly hardware.

4. Multi-data centre ingest

Ingests data at any number of locations simultaneously, automatically replicates where chosen and enables analysis from anywhere with no single point of failure. No administrative overhead, no loss of data.

5. Selective replication

WANdisco makes Hadoop data centre-aware, enabling global, company-wide roll-up analysis from anywhere regardless of how data is distributed.

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Our markets

The market for software that enables continuously available Big Data over wide area networks is both large and rapidly growing and **we believe we are in a leading position in this market.**

Well positioned in a fast-growing market

Our Big Data products, *Non-Stop Hadoop* and *WANdisco Fusion,* remove the single point of failure in Hadoop implementations and our partnerships with Hadoop distributors mean we are ideally positioned to provide the standard continuous availability solution for enterprise Hadoop deployments.

$5bn

annual spend by 2017*

+50%

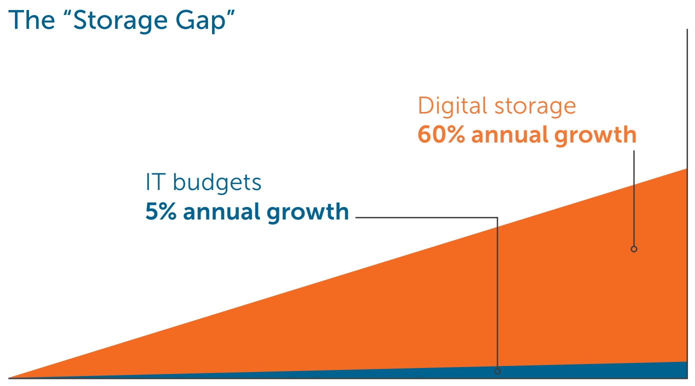
annual growth by 2017*

"70%

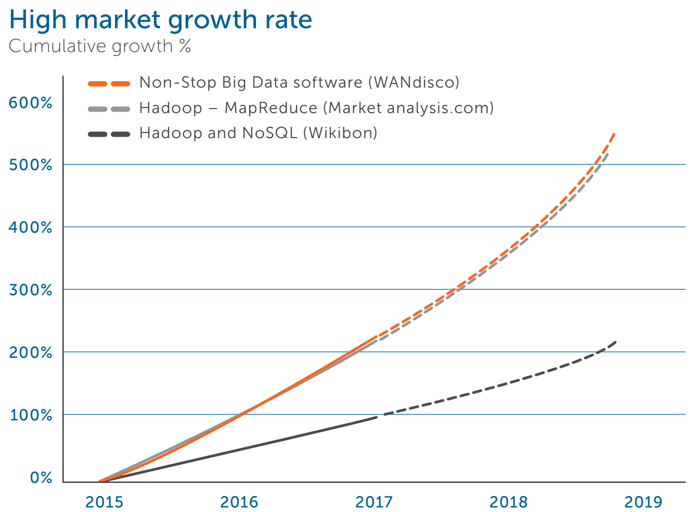
of IT decision-makers consider their organisation's ability to **exploit value from Big Data as critical to their future success."**

~ Forbes, 2015

* Source: Gartner, IDC, Wikibon, WANdisco research.



Source: IDC.



2015–2017: based on market size estimates.
2017–2019: WANdisco extrapolations based on 2015–2017 market size estimates. Cumulative growth based on compounding of annual growth rates.

The "Storage Gap"

Significant growth in the Big Data market is due not only to the explosion in the volume and variety of data that enterprises are seeking to make use of, but also to the inability of traditional database storage systems to accommodate this data without enormous escalation in costs. In the capture, curation and analysis of very large pools of structured and unstructured data, traditional data platforms are unable to handle data of the scale and diversity embraced by Hadoop across distributed operations.

Hadoop saves costs by distributing data over widespread commodity hardware. As the Hadoop ecosystem has matured into Hadoop 2.0, we have seen "run-time" (processing and real-time transactional) use cases come to the fore alongside data storage use cases. Such "run-time" use cases are well represented in our pipeline of opportunities.

High market growth rate

Much of the usage of this data is in mission-critical operations, by the rapidly growing vanguard of organisations using Hadoop distributions in "live production", which by the end of 2014 had reached over 1,500 (source: Gartner).

WANdisco's critical data replication technology is the only means by which an enterprise can ensure continuous availability of Hadoop over a wide area network.

During the year, we began to target customers of Hadoop distributors such as Hortonworks and Cloudera and run production trials with them. By addressing those customers with significant continuous availability and performance needs, we are well placed to derive good commercial value for our layer of the Hadoop stack.

>1,500
customers subscribing to Hadoop distributions

332
Hortonworks subscription customers, December 2014

Chairman's statement

After WANdisco's second full year as a listed company, I am pleased to see further growth in the business and progress against the strategic objectives that were set out at the time of our flotation.

WANdisco's software addresses a critical challenge for enterprise data: availability of data and software code for geographically and organisationally distributed software development and operational applications. So far, we have successfully applied our patented technology in two markets. Firstly, ALM, with our source code management software. Secondly, and more recently, Big Data, with our software for live operation of applications built on the fast-evolving Hadoop data and applications platform.

During the year we made some significant breakthroughs in the Big Data business, signing nine new customers and working with existing customers to scale up their contracts significantly. Facilitating these contract successes, our Big Data product has evolved to become demonstrably part of standard Hadoop enterprise architecture. After the end of the year, we joined the Hadoop Open Data Platform ("ODP") to collaborate and integrate with Hortonworks, IBM, Pivotal, EMC, SAS and others. This brings opportunities for our new *WANdisco Fusion* product to unify storage across these vendors.

With reference customers like British Gas, dunnhumby and UCI Health, all of which put our product through exacting trials before selecting it, we are well-placed to substantially grow this business in 2015.

In the more established ALM market, we saw strong sales bookings trends for most of the year, albeit the resource devoted to breakthrough Big Data deals late in the year detracted from our annual result.

46 new customers during the year attests to the growth potential remaining in the ALM business. Given the advanced state of our ALM products and the continuing growth in this market as open source software code development spreads, we are well-positioned in this business, and aim to take it towards profitability in 2015.

> "Well-placed to develop the business after important breakthroughs."

Our EBITDA loss for the year reflects the expansion of our sales force to take advantage of our clear opportunities, and continued development of our unique products in both ALM and Big Data. With cost reductions made in some of the more mature parts of the business, our cost base is appropriate for our current stage of evolution. Our new equity and debt funding, raised during the year and shortly afterwards, has made available sufficient cash resources for developing the business through 2015 and beyond.

Our breakthroughs during the year were made possible by establishing and maintaining a team of highly skilled engineers, salespeople and senior managers that have been attracted to WANdisco by our exciting product proposition and by the opportunity to participate in a unique market opportunity.

Our world-class open source and Hadoop technologists responded quickly to the needs of our customers – integrating with partner products, committing open source code to help customers make the best use of our products, and directing our product roadmaps to where market demand is strongest.

2015 has started well, with some impressive new Big Data customers and a successful equity fundraise. I am confident of a successful year as we develop this exciting market.

Paul Walker
Chairman

14 Read more about our customer case studies

Chief Executive Officer's report

2014 was a pivotal year in the evolution of the Big Data marketplace, as global corporations started to shift from trailing Hadoop applications to using Hadoop actively for real-time mission-critical data. WANdisco played a key role in this transition by enabling some key customers to cross over into "live production", ensuring enterprise-standard resiliency by licensing our technology.

Our established ALM business continued to gather new customers in a growing market and generate resilient subscription revenues from its large customer base, providing financial momentum to help support our growth.

The uniqueness of the technology underpinning our software products was demonstrated, shortly after the year-end, by the award of our second patent, allowed on 29 January 2015. Building on the replication fundamentals covered by our first patent, this new patent covers the management of replication network members, protecting features that our customers use to ensure reliability, save costs and comply with data protection regulations.

Big Data

As Hadoop deployments have moved more emphatically into enterprise implementations at global scale, our *Non-Stop Hadoop* product, ensuring continuous data availability and high processing performance, has started to come into its own as an essential requirement for taking Hadoop applications into live production. We are enabling customers across industries to realise performance, insight, reliability and savings that they otherwise could not achieve. Many of our new Big Data customers intend to expand significantly their WANdisco solutions as they take more and more data into their mission-critical applications.

Increasing customer adoption

Nine new customers selected *Non-Stop Hadoop* during the year, six of these in the fourth quarter. Amongst these customers, in the consumer sector, dunnhumby and Epsilon are using our product to transform the capture, interrogation, availability and responsiveness of their customer data. In financial services, two global banks adopted our technology to enable analysis of buying behaviour, verification of financial transactions and management of risk, including fraud. We expect all of these customers to scale up to significantly bigger subscriptions over time as they develop their Hadoop operations.

Operational and strategic highlights

Big Data

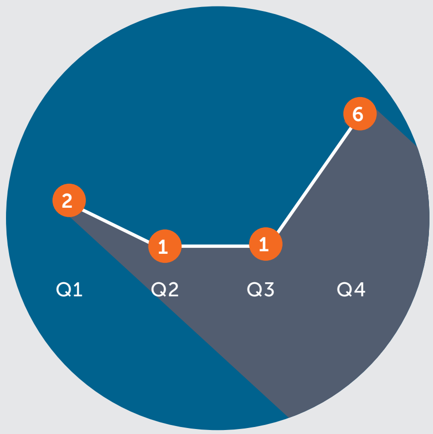
- Nine new customer wins
- OhmData, Inc. acquired, accelerating go-to-market for our HBase database product
- Joined the Hadoop Open Data Platform "ODP" with Hortonworks, EMC, IBM and others (post year-end)
- *Non-Stop Hadoop* product evolved into *WANdisco Fusion* to unify data across multiple Hadoop-compatible storage vendors
- British Gas expanded its Big Data solution in the largest Big Data deal to date

Application Lifecycle Management ("ALM")

- 46 new ALM subscriptions from global corporations such as Panasonic, Polycom and Zurich Insurance
- 54 upgraded or expanded ALM subscriptions, including Cisco, Pitney Bowes, Fannie Mae and Pixelworks
- High subscription renewal rates maintained, demonstrating the reliability of our business model
- New ALM products released for Git and Gerrit software development environments

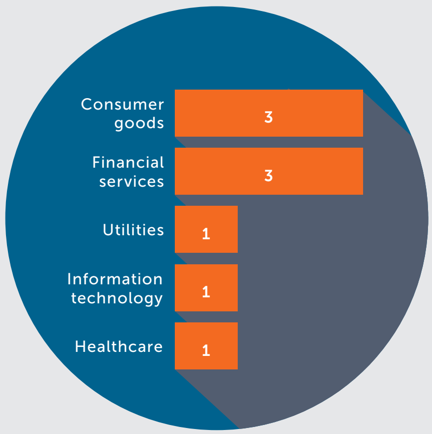
Big Data

Growing deal volumes



Includes both British Gas deals: initial (Q1) and expansion (Q4)

Broad industry spread of customers



British Gas: two deals but counted as a single customer

New customers

November 2014

Global Credit Cards

Transaction verification

Insights into buying trends

Management information

Reasons to use WANdisco

1 Continuous availability

3 Cluster zoning

4 Multi-data centre ingest

December 2014

dunnhumby

Point of sale data capture

Fast querying of buying behaviour

Reasons to use WANdisco

1 Continuous availability

3 Cluster zoning

4 Multi-data centre ingest

Big Data continued

Increasing customer adoption continued

Our first example of a customer adopting the product and subsequently scaling up its subscription contract came with British Gas, which, after its first contract in March 2014, carried out extensive testing and subsequently scaled up for live production, entering into a new subscription that is our largest-ever Big Data contract.

After the end of the year, a global top ten bank selected *Non-Stop Hadoop* following rigorous trials. The bank has included WANdisco in its standard architecture for Big Data, which it intends to roll out across the bank. With the bank's data infrastructure covering tens of thousands of data nodes, the potential for its subscription to expand in value is considerable, making it, at full utilisation, WANdisco's largest Big Data customer to date.

Our fourth quarter sales marked an increase in momentum in Big Data, with some significant contract wins in a short period of time. Our pipeline of sales opportunities grew significantly during the year and now includes a broad industry spread, with opportunities in the EMEA and Asia-Pacific regions building up to complement our well-established opportunities in the Americas. A number of recently successful production trials are expected to lead to new subscription contracts during 2015.

Extending our product leadership

Responding to customer requirements, we have added to the core continuous availability features of *Non-Stop Hadoop*. New features enable data capture from multiple data centres; allocation of data processing to the most cost-effective hardware; and selective replication of data to comply with national data governance regulations. These features are controlled through a new administrative user interface.

We broadened our product offering by acquiring OhmData, Inc., a developer of HBase, an open source, non-relational, distributed Hadoop database. Alongside our existing distributed computing experts, OhmData has advanced our Big Data products, including *Non-Stop HBase*, not least because of the ability to commit new Hadoop code to improve integration between WANdisco products and the Hadoop open source platform.

To widen Big Data storage and availability options, we have evolved *Non-Stop Hadoop* into *WANdisco Fusion*: a common access layer which unifies storage between Hadoop and Hadoop-compatible vendors. The product is easy to install and enables seamless and interchangeable use of multiple data sources.

New partnerships

During the year, we partnered with the two principal Hadoop distributors, Cloudera and Hortonworks. We became a certified partner in the Oracle Big Data Appliance hardware and applications stack, and in the IBM Infosphere BigInsights stack, opening up access to global enterprise sales forces and vast customer bases of large corporations. dunnhumby was our first customer win from the Oracle partnership.

After the end of the year, we joined the Hadoop Open Data Platform ("ODP") to collaborate and integrate with Hortonworks, IBM, Pivotal, EMC, SAS and others. This brings opportunities for our new *WANdisco Fusion* product to unify storage across these vendors. Sales collaboration will now be focused principally on ODP vendors. *WANdisco Fusion* will nevertheless be able to connect with storage systems outside of the ODP without access to their underlying technology.

ALM

Our well-established ALM products generated \$14.6m of sales bookings in the year. Whilst last year's multi-year renewals impacted overall growth, new subscriptions grew by 29%.

Notable new customers amongst the 46 new enterprise subscriptions included Globant, Panasonic, Synaptics, Polycom, Zurich Insurance and PetSmart. Amongst existing customers we sustained high subscription renewal rates, with several customers signalling confidence in our products by renewing on a multi-year basis. Significant renewals included Cisco, Fannie Mae and Pixelworks. 54 of our customers extended usage of our product across their organisations, including Pitney Bowes and Huawei.

Our close links with the software development and open source communities have allowed us to move fast in introducing new products. Over one-third of our ALM sales in the fourth quarter were of products based on the emerging Git open source code management environment, which is now the leading platform.

Key product releases in the year included:

- *Git MultiSite 1.2*, providing scalability and continuous availability for Git access and collaboration. New features simplify administration, enforce global policies, and enhance performance and security.
- Support for the increasingly popular Git collaboration tools, GitLab and Gerrit.
- Access Control Plus, the first unified access control solution for both the Subversion and Git open source tools, providing consistent authorisation, authentication and audit across globally distributed development sites.

We continue to see strong potential in the source code management segment of the ALM market that we focus on. Software development continues to become more geographically and organisationally distributed and greater control and efficiency is sought, both amongst software publishers and in industry more generally.

People

Over the year we have augmented our unique blend of renowned experts in distributed and open source computing, with experienced operational management drawn from the world's best technology vendors.

Our leading open source committers significantly advanced our products, keeping them well integrated with Hadoop, Git and other open source projects. We successfully completed exhaustive Big Data production trials with some of the world's most exacting technology customers.

Since the end of the year we have made some leadership changes in our sales and partnership activities that we expect to lead to greater focus and effectiveness in delivering on our sales opportunities.

These efforts, and others on the part of our people, were the reason for our success over the year.

On behalf of the Board I thank all of our people for their dedication to our business.

Outlook

As 2014 progressed we achieved a marked increase in momentum in our Big Data business, as successful production trials led into some significant contract wins. Alongside these new customer wins, our first contract expansion by an existing customer was particularly encouraging.

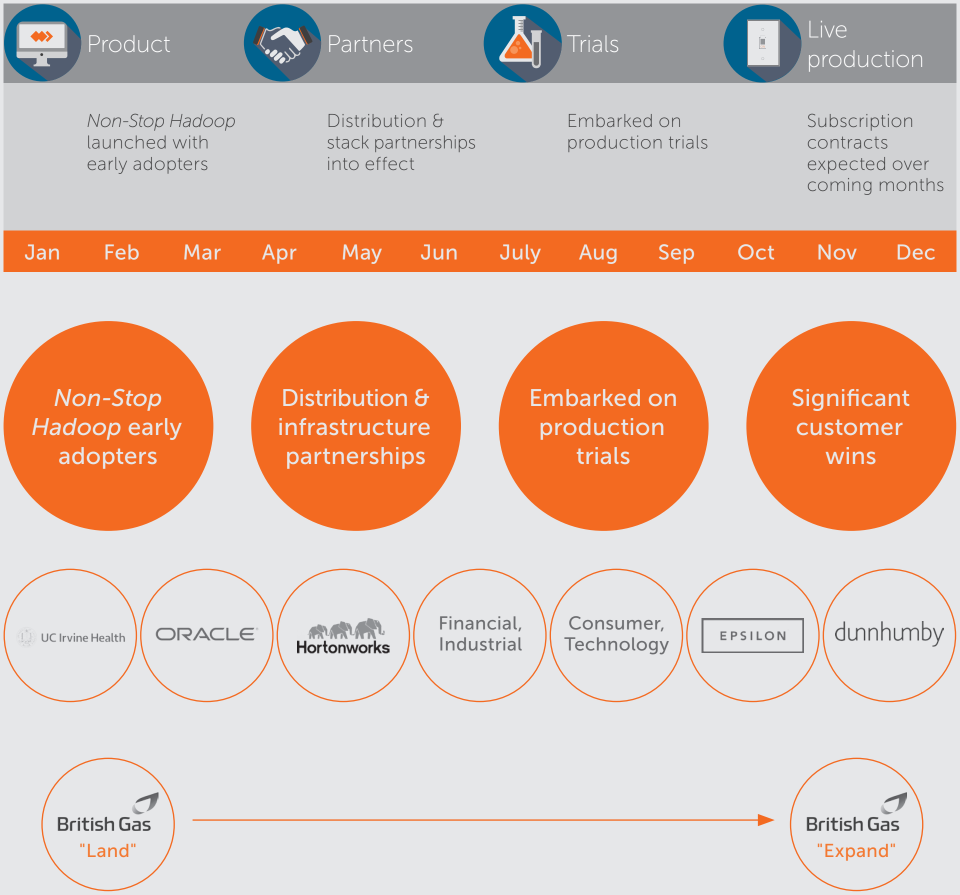
Our ALM business continues to generate resilient subscription revenues in a growing market, and we aim to take it towards profitability in 2015.

We began 2015 by winning one of the world's top ten banks as a Big Data customer, and are addressing a number of exciting new sales opportunities, made more tangible by powerful references from 2014's new customers. We look forward to reporting more customer successes as the year progresses.

We have deepened our relationship with a range of existing partners as part of the Hadoop Open Data Platform, with whom we will be selling our next generation Big Data product, *WANdisco Fusion*. We have begun to work on new sales collaboration efforts with these partners.

David Richards
Chief Executive

2014 milestones



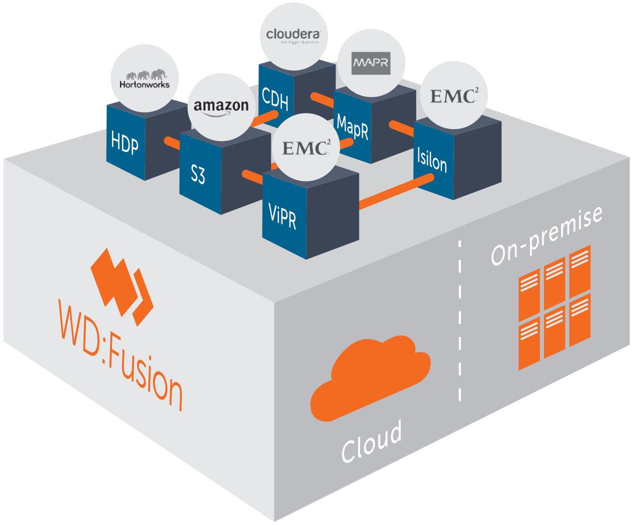
Our strategy

Build

Build our products, evolve our partnerships

Our progress in 2014

WANdisco Fusion for the Open Data Platform



Cross-platform product	Commercial benefits
Single access and consistency across all Hadoop-compatible storage	Seamless use of multiple distributions
Standard Hadoop APIs	Enables migration between storage vendors
Range of data stores: EMC, Teradata, NetApp and others	Easy install
Non-invasive to underlying storage	Connects with non-ODP vendors
Deployed without heavy integration	Requires no support from Hadoop distributors

Big Data

- Responding to customer requirements, we added new features to the core continuous availability of *Non-Stop Hadoop*, enabling data handling processes like zoning and selective replication
- *Non-Stop HBase* product enhanced through OhmData, Inc. acquisition
- *WANdisco Fusion* developed to unify data access and availability between Hadoop and Hadoop-compatible storage (post year-end)
- Development of channel by joining Hadoop Open Data Platform ("ODP") (post year-end)

ALM

- ALM product offering aligned to emerging open source software code development environments like Git
- Key product releases during the year included: *Git MultiSite 1.2*, Git collaboration tools and Access Control Plus

Our priorities for 2015

- Our technology becomes part of standard Big Data architecture for large enterprises
- *WANdisco Fusion* provides an alternative to storage vendor lock-in
- Open Data Platform ("ODP") expands our market of potential addressable customers
- Exit from the SmartSVN webstore business reduces development and support costs
- More efficient ALM product development as the ALM business moves towards profitability

Land

Attract further new customers

Our progress in 2014

Big Data

- » Successfully completed production trials with some of the world's largest technology customers
- » Nine new customers selected *Non-Stop Hadoop* during the year
- » Increased pipeline of opportunities for 2015
- » Post year-end closed a deal with a global top ten bank

ALM

- » 46 new enterprise subscriptions leading to a 29% increase in new customer sales bookings
- » Increased proportion of bookings based on the emerging Git open source code management environment

Our priorities for 2015

- » Increased Big Data deals from production trials pipeline
- » Sales collaboration with members of the ODP partnership
- » ALM sales coverage expands with dedicated ALM sales resource

Expand

Realise our customers' clear potential to scale up their Big Data and ALM software solutions

Our progress in 2014

Big Data

- » First scale-up of an existing customer (British Gas) leading to largest-ever Big Data contract

ALM

- » 54 customers extended usage of our product across their organisations leading to a significant increase in bookings

Our priorities for 2015

- » New and future Big Data customers scale up their contracts
- » ALM customers add more users, more administrative features and apply our product to new open source software code management tools such as Git

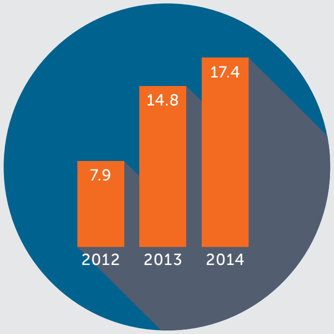
Key performance indicators ("KPIs")

Our KPIs reflect the business' financial success throughout the year.

Commentary on the actual performance of the Group against each of these KPIs is set out in the Chairman's statement, the Chief Executive Officer's review and Financial review.

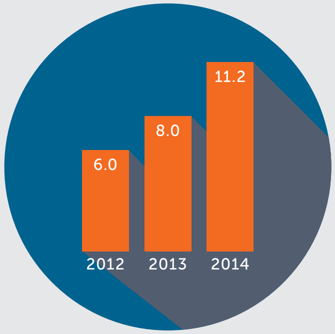
Sales bookings

$17.4m



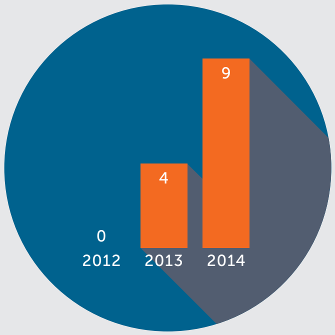
Revenue ($m)

$11.2m



Number of Big Data new customer wins

9



Strategy in action

For global corporations, **WANdisco is more than a product** – we are a business necessity that enables success. And the proof is our strong renewal rate and our client results.

Customer case studies

UK household energy supplier

"Non-Stop Hadoop enabled the capture of real-time data from over a million household appliances"

Reasons to use WANdisco

1 Continuous availability

2 100% utilisation

4 Multi-data centre ingest

Background

An initial trial deployment of WANdisco's *Non-Stop Hadoop* enabled the capture of real-time data from over a million household appliances, to demonstrate cost savings in data storage and processing, and to minimise data loss and downtime in compliance with regulators. WANdisco was able to demonstrate performance at scale that otherwise could not have been achieved.

Solution

Non-Stop Hadoop is now going into live production, with the amount of data under management in Hadoop scaled up to more than twice its original level. Real-time analytics on household consumption patterns will bring benefits such as dynamic matching of energy supply with demand patterns.

Results

Across the company's infrastructure, *Non-Stop Hadoop* accelerates the transformation to a consolidated and available body of management information, for which data centre storage and processing will be handled more efficiently and less expensively.

Initial contract

Hadoop cluster experimentation and build

- Data ingest from household appliances
- CRM consolidation
- Data centre efficiencies

Expansion contract

Live production roll-out

- Trial established faster data capture and zero data loss
- Customer service benefits, cost savings and supply efficiencies
- Going live with 2.5x the trial data

2015 and beyond

Further adoption of household appliances = greater data load

Hadoop applied to wider IT estate = greater availability requirement

dunnhumby

Background

dunnhumby is a leading customer science and market research company. Its data scientists are developing new analytics platforms to deepen understanding of customer behaviour using dunnhumby's rich trove of point of sale and customer information.

Use case

Ensuring that vital data is protected through enterprise-grade back-up and disaster recovery, minimising disruption of the end-user experience.

Making more data accessible to analysts and clients in a cost-effective manner, without expanding storage spending.

Integration with Oracle Big Data Appliance server infrastructure.

Solution

Non-Stop Hadoop will make personalised customer analysis available to dunnhumby's clients with the highest levels of reliability. With sales data volumes accelerating and new dunnhumby analysis products coming on stream, demand for Hadoop data processing will grow.

Non-Stop Hadoop's "zoning" of data processing workloads will provide important "burst-out" capabilities to quickly add new processing power during times of peak seasonal retail sales.

In the future, dunnhumby intends to use Hadoop to interrogate more historical customer information to better understand growing consumer trends.

EPSILON

Background

Epsilon runs marketing campaigns across e-mail, mobile and social media, based on deep and wide analysis of shopping habits.

Epsilon's e-mail marketing platforms generate 60 billion e-mails a year, provide insights into campaign effectiveness, and dynamically evolve campaigns by responding to results.

Use case

A new e-mail marketing platform needed to handle more varied and voluminous data at greater speed. Epsilon wanted to promise its customers high service levels for availability and recovery of data, explicitly referencing active data replication as an alternative to redundant Hadoop servers.

Epsilon liked the utilisation benefits of active-active replication, with load balancing to make the utilisation equation even more compelling.

Solution

To "survive without back-ups" was very appealing and it was clear that WANdisco was the only vendor that could make that a reality.

Building applications in Hadoop (including the HBase database that WANdisco supports) is one of the biggest interests of Epsilon's Applications Architecture group over the coming year. Epsilon will look to bring a similar degree of real-time user interaction into other analytics and marketing products that they are serving up to customers.

Risks

The long-term success of the Group depends on the **continual review, assessment and control of the key business risks it faces.** The Group's principal risks and mitigation thereof, are briefly outlined below.

Risk description	Mitigation
People Our future success depends on attraction and retention of senior management and key technical personnel. Whilst much of our proprietary knowledge is documented, our technical experts contribute valuable skills and knowledge and, despite contractual confidentiality agreements, there can be no guarantee that those individuals will not in future join competitors or establish themselves in competition. 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.	*Stock-based compensation has proved to be an important component of attracting, retaining and motivating key talent and so we will continue to deploy stock selectively.* *During the year we augmented the human resources function with an experienced Chief People Officer to work with senior management on recruitment, retention, reward and talent development. The function also oversees employee communications to ensure, given our rapidly developing markets, employees' understanding of our strategic direction enables them to make meaningful contributions to the achievement of our goals.*
Competition There can be no guarantee that competitors will not develop superior products. Competitors may have or develop greater financial, marketing or technical resources, enabling them to successfully develop and market competing products. As the open source software on which we depend is licenced for free, our ability to sell value-added products may be limited by potential customers opting to rely purely on the underlying open source software, together with any free extensions that might be developed to address the same challenges as our software.	*We protect our intellectual property by securing patents whenever possible. Two key patents for our underlying replication technology have already been allowed or issued, and a further four patent applications are in process. We continue to dedicate significant resource to the constant enhancement of our core intellectual property.* *Senior management devotes significant time and resource to monitoring product releases by potential competitors in both ALM and Big Data.*
Distribution partner engagement We serve the Big Data market in partnership with an array of vendors that distribute Hadoop, support Hadoop and provide data storage that is compatible and integrates with Hadoop. Some of these partnerships, including our membership of the new Hadoop Open Data Platform alliance, are relatively new business relationships. There is a risk that we mismanage these relationships or that partners decide not to devote significant sales or product integration resource to our products.	*We have devoted experienced leadership resource, recruited from within the business, focused on proactively developing our new partner relationships and creating new commercial propositions that derive long-term value from these relationships.*

Risk description	Mitigation
Resource allocation and operational execution We address a significant and rapidly growing market, but as a small company we have limited resources of people and capital. Over time it will be essential to keep adding to and refreshing 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 established a business planning process to ensure the investments we make and the allocation of existing resource are aligned with our strategic goals, which in turn are responsive to the evolution of our marketplace.* *We have significantly improved internal reporting of key business lines. These reports are regularly monitored by senior management and the Board.*
Products The software on which our products are based is complex and the products may contain undetected defects which may be discovered after first introduction. Such defects could damage the Group's reputation, and reduce revenue from subscription renewals and extensions. Many of our products are designed for use with open source software, whose development, by the open source community, we do not solely control. Changes to its structure and development path may impair the effectiveness of our products. Regulation of data transfer is rapidly evolving and additional compliance on user privacy, content liability, data encryption and copyright protection may reduce the value added by our products.	*We have invested significantly in both people and quality control processes within our engineering team. We have also strengthened our sales engineering team which helps to ensure that commitments made to customers as to product capability are wholly deliverable. We have a team dedicated committing code to relevant open source tools, to ensure our products interact well with open source components, and to monitoring evolving open source projects to which we could potentially add commercial value.* *Our product roadmap is based on requirements expressed by customers with whom we are pursuing sales opportunities. Features such as "selective replication" deal with regulatory constraints on data transfer. Our product managers are mandated to propose roadmap alterations if regulations render our intended features either more or less relevant.*
Sales cycles and customers' budget constraints Any economic downturn may have an adverse effect on the funds available for customers to invest in our products. Increasing budget scrutiny may periodically extend sales cycles, from customers' evaluations through to commencement of subscription contracts. Variability of sales cycles across different sizes and types and customer may bring quarterly volatility to our quarterly results. New sales executives joining the business in a rapidly changing marketplace may take longer than expected to reach full productivity in concluding sales transactions.	*Our products enable significant savings on data storage and processing and therefore demand should be relatively insensitive to economic conditions.* *Our strategy is oriented to generating a broad-based set of sales opportunities, across regions, industries, sizes of customer and technology use cases. We have invested in senior management and systems to manage the completion of sales engagement in an efficient and commercially beneficial manner.*

Financial review

Summary

- Sales bookings up 18% to $17.4m (2013: $14.8m)
- Revenue up 40% to $11.2m (2013: $8.0m)
- Deferred revenue from booked sales up 47% to $19.3m (2013: $13.1m)
- Adjusted EBITDA[i] loss $17.9m (2013: $7.8m loss)
- Net cash $2.5m at 31 December 2014 (30 December 2013: $25.7m)
- New funds: $10.0m credit facility; $26.1m net equity fundraise (post year-end)

"Strong growth in sales bookings, with significant Big Data contribution."

Sales bookings were $17.4m (2013: $14.8m) representing 18% growth compared to the prior year. Sales bookings are total subscription contract values, subsequently recognised as revenue over the life of the contract. Bookings remain weighted to the well-established ALM business.

Revenue for the year grew 40% to $11.2m (2013: $8.0m). This growth includes revenue deferred from previous periods, in particular revenue from large multi-year contracts sold at the end of 2013.

Deferred revenue from sales booked during the year and in previous years (and not yet recognised as revenue) increased 47% to $19.3m at 31 December 2014 (31 December 2013: $13.1m), reflecting success in securing forward revenue from multi-year new and renewed contracts.

Big Data

$2.8m of bookings came from our Big Data products (2013: $0.2m). This included a record $2.1m in the fourth quarter (Q4 2013: $nil).

Nine new customers selected our *Non-Stop Hadoop* product. Amongst these, British Gas, after a period of extensive testing, progressed to live production, entering into a new subscription that is our largest-ever Big Data contract.

Contract values ranged up to $750,000, with customers indicating plans to scale up these contracts as they further develop their Hadoop operations.

On 30 June 2014 we announced the acquisition of San Francisco-based OhmData, Inc., a developer of HBase, an open source, non-relational, distributed Hadoop database. The enterprise value of the acquisition was $2.4m, paid in WANdisco stock. This included a post-acquisition share-based payment, which is included in exceptional items.

ALM

$14.6m of bookings came from our ALM products, (2013: $14.6m). The prior year's bookings benefitted from one large multi-year renewal deal in the final quarter.

The high proportion of bookings from new subscriptions, and high renewal rates, continue to demonstrate the potential of the ALM market. Multi-year contracts continue to be prevalent.

Based on its operating scale and revenue potential, it remains our intention to advance the ALM business towards profitability in 2015.

Profit and loss

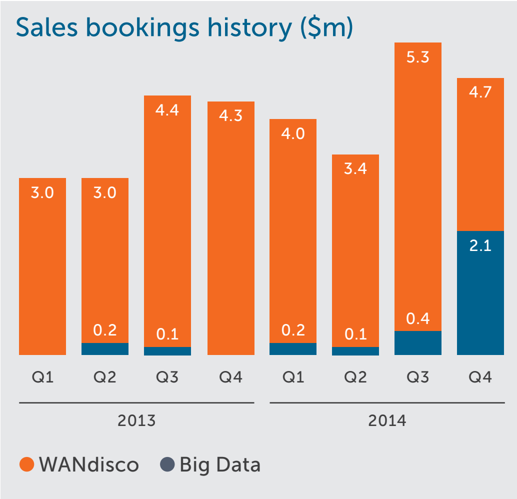
Our headcount increased to 182 as at 31 December 2014 (31 December 2013: 143), reflecting investment to develop and take to market our Big Data products. This includes recruitment of product engineers and sales executives.

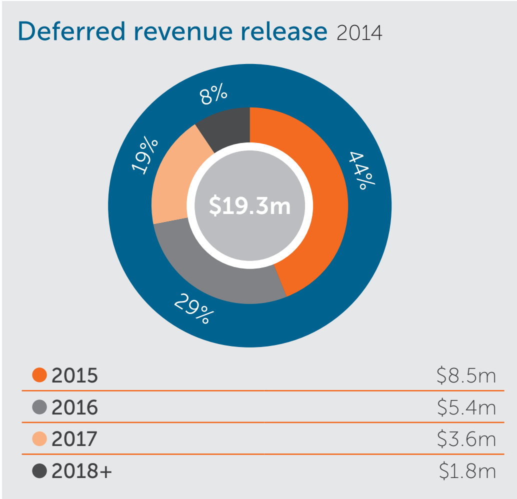
The adjusted EBITDA loss for the year (excluding equity-settled share-based payment, capitalised product development, acquisition-related items and exceptional items) was $17.9m (2013: $7.8m loss). The loss resulted from significant investment to address our high growth markets, albeit in parallel we have begun to realise cost efficiencies across a number of functions.

Headcount by department

	31 December 2014	31 December 2013
Product development	**96**	76
Sales and marketing	**51**	39
Customer support	**16**	13
Administration	**19**	15
	182	143

i EBITDA loss excluding equity-settled share-based payment, capitalised product development, acquisition-related items and exceptional items.





In product development, as our products have matured we have concentrated most of our activity in testing, user interface and release management in our lower-cost UK locations. Resulting cash cost savings enabled us to accelerate development of our core Big Data product features and the underlying technology platform, which remains in the US. Product development expenditure for the year was $9.0m (2013: $7.4m). All of this expenditure was devoted to new product features and was capitalised.

Balance sheet and cash flow

Trade and other receivables at 31 December 2014 were $14.5m (31 December 2013: $10.5m). $4.4m of receivables was billed by the year end (31 December 2013: $4.5m), $8.0m comprised contractual payments not yet billed (31 December 2013: $4.7m), largely from multi-year contracts, and $2.1m related to non-trade receivables (31 December 2013: $1.3m).

Net cash stood at $2.5m at 31 December 2014 (31 December 2013: $25.7m). After the end of the year, we secured $26.1m of new equity funds (net of fees), from a selection of UK and US investors. The new shares commenced trading on 18 February 2015. This is in addition to the existing revolving credit facility with HSBC Bank plc, announced on 5 August 2014, which remained undrawn at 31 December 2014. The funds available will be used to finance continued expansion in the Big Data market, including product development and go-to-market activities.

Paul Harrison
Chief Financial Officer

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Board of Directors

1. Paul Walker
Chairman and Non-executive Director

Committees Audit, Nomination (Chair) and Remuneration (Chair)

Paul 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 serves as non-executive chairman of Halma plc. He is also a non-executive director of Experian plc, chair of governors at Newcastle Royal Grammar School and a member of council at Newcastle University.

Paul previously served as a non-executive director of MyTravel Group plc from December 2000 to December 2004 and was on the board of Diageo plc from 2002 to 2011.

2. David Richards
President, CEO and co-founder

Committees None

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 and interim non-executive chairman of 1Spatial plc.

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

3. Paul Harrison
Chief Financial Officer

Committees None

Prior to joining WANdisco in September 2013, Paul spent over 16 years with The Sage Group plc. Paul joined Sage in 1997, becoming its chief financial officer in 2000. During that time, Sage grew its revenues from £152m to £1,340m, its profit before taxation from £38m to £356m, 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. James Campigli
Chief Product Officer and co-founder

Committees None

James, known as Jim, has over 25 years of software industry experience at both early-stage and public companies. In his previous role as a founder and Chief Technology Officer ("CTO") of Librados from 2003 to 2004, Jim was responsible for overall product strategy and product messaging and served as an evangelist for Librados' standards-based approach to enterprise application integration. Jim was also a member of the management team that led the acquisition of Librados by NetManage, Inc. Following its acquisition, Jim joined NetManage as CTO for the Librados products group.

Prior to Librados, Jim was the vice president of product management for Insevo, Inc. from 2001 to 2003. Jim also held senior product management and consulting management positions at BEA Systems and SAP AG.

5. Ian Duncan
Non-executive Director

Committees Audit (Chair), Nomination and Remuneration

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

Corporate governance report

The UK Corporate Governance Code

Whilst the Company is listed on AIM, it is not required to adopt the provisions of the UK Corporate Governance Code ("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, who formerly held this role, remains Chief Executive Officer. This change was made in light of best corporate governance practice, which advocates a separation of the Chairman and CEO roles.

The Board normally meets at least four times per 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 and 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 informally on an ongoing basis 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.

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

			Committee meetings					
	Board meetings		Audit		Remuneration		Nomination	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors								
David Richards	7	7	–	–	1	1	–	–
James Campigli	7	7	–	–	–	–	–	–
Paul Harrison	7	7	–	–	–	–	–	–
Non-executive Directors								
Paul Walker	7	7	4	4	4	4	1	1
Ian Duncan	7	7	4	4	4	4	1	1

Corporate governance report continued

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 and the other member of the Committee is Paul Walker. The Board considers Ian Duncan to have relevant and recent financial experience given his biography set out on page 20.

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 four 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 Nomination Committee

The Nomination Committee is chaired by Paul Walker and 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.

The Remuneration Committee

The Remuneration Committee is chaired by Paul Walker and the other member of the Committee is Ian Duncan. David Richards retired from the Remuneration Committee on 20 March 2014. The Remuneration Committee meets at least four times 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.

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 the whole number nearest to one-third) of the Directors will retire by rotation.

Shareholder communications

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

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

The annual report and accounts is published on the Company's website, www.wandisco.com, and can be accessed by shareholders.

Internal controls and risk management

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 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.

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 Reports) 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 Non-executive Director (Ian Duncan) and the Chief Executive Officer (David Richards). David Richards stepped down 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 four times a year.

Remuneration policy

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

Non-executive Directors

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

Directors' remuneration

The normal remuneration arrangements for Executive Directors consist of Directors' fees, basic salary and annual performance related bonuses. In addition, they receive private health care. The Committee intends to make further awards under the Long-Term Incentive Plan ("LTIP") during 2015. Details of any awards will be disclosed in next year's Remuneration Committee report.

2014 annual bonus

The 2014 Bonus Plan 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 a) the value of total customer bookings achieved during the year and b) the number of Big Data customer wins.

The Company made solid progress during 2014. Whilst it did not meet its bookings target, it more than doubled its Big Data target. Having regard to the performance of the business, the Remuneration Committee resolved to pay bonuses as set out on page 25.

Similar bonus principles will be adopted for 2015. The Company operates a scorecard which reflects its financial and strategic KPIs. Executive Directors will be rewarded for their contribution to these goals as well as the achievement of personal objectives. Performance targets and weightings were set by the Remuneration Committee at the start of the year.

Directors' interests

Details of the Directors' shareholdings are included in the Directors' report on page 27.

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 2014	Exercise price
Executive		
David Richards	**–**	–
James Campigli	**–**	–
Paul Harrison	**298,183**	$0.16
Non-executive		
Paul Walker (Chairman)	**–**	–
Ian Duncan	**–**	–

On 29 October 2014, Paul Harrison completed the exercise of 138,748 options over the ordinary share capital of the Company. As part of the transaction, 68,463 shares were sold to fund the tax liability arising from the option exercise.

An award of additional options to Paul Harrison, first announced on 27 September 2013 as part of his recruitment arrangements, has now been finalised at 140,061 share options with an exercise price of $0.16 per share.

This table is audited.

	Payment currency	Salary/fees '000	Bonus '000	Benefits '000	**31 December 2014 Total '000**	31 December 2013 Total '000
Executive						
David Richards	$	448	180	17	**645**	692
James Campigli	$	308	116	12	**436**	595
Paul Harrison	$	473	180	12	**665**	317
Non-executive						
Paul Walker (Chairman)	£	110	–	–	**110**	40
Ian Duncan	£	40	–	–	**40**	40

The total Directors' remuneration for the period ended 31 December 2014, in US dollars, was $1,992,000 (2013: $2,409,000).

Paul Walker
Chairman of the Remuneration Committee
31 March 2015

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2014.

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 Strategic review section of the annual report and accounts on pages 8 to 19. 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 profit and loss and other comprehensive income and other components on pages 31 to 57.

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 annual report and accounts. This is described in more detail in Note 2.

Annual General Meeting

On pages 59 to 62 is the notice of the Company's third Annual General Meeting to be held at 10am on 2 June 2015 at the offices of WANdisco plc in Sheffield.

Directors

The Directors who served on the Board and on Board Committees during the year are set out on page 20. 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 24 and 25.

Significant shareholders

The Company is informed that, at 31 March 2015, 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
Schroder Investment Management	3,483,370	11.91%
Oppenheimer	3,288,889	11.25%
Dr Yeturu Aahlad	2,825,021	9.66%
David Richards	2,783,153	9.51%
T Rowe Price	1,897,513	6.49%
James Campigli	1,544,143	5.28%
Global Asset Management	1,456,223	4.98%

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2014 and at 31 March 2015 were as follows:

	Number of shares	% of issued ordinary share capital
Executive		
David Richards	2,783,153	9.51%
James Campigli	1,544,143	5.28%
Paul Harrison	70,285	0.29%
Non-executive		
Paul Walker (Chairman)	111,111	0.45%
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 24 and 25.

The middle market price of the Company's ordinary shares on 31 December 2014 was 477.50 pence and the range during the year was 273.50 pence to 1,370.00 pence with an average price of 684.70 pence.

Research and development

The Group expended $9,040,000 during the year (2013: $7,443,000) on research and development, of which $9,040,000 (2013: $7,443,000) was capitalised within intangible assets and $nil (2013: $nil) was charged to the income statement. In addition, an amortisation charge of $6,855,000 (2013: $3,670,000) 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 19.

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 2014 the Group made political donations of $nil (2013: $nil) and charitable donations of $168 (2013: $409).

Directors' report continued

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 number of creditor days outstanding at 31 December 2014 was 45 days (2013: 45 days).

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
31 March 2015

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 ("IFRS").

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 IFRS as adopted by the European Union ("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 IFRS as adopted by the EU; and

» prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report
to the members of WANdisco plc

We have audited the Group financial statements of WANdisco plc for the year ended 31 December 2014 which comprise the Consolidated statement of profit and loss and other comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRS 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 29, 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 IFRS as adopted by the EU of the state of the Group's affairs as at 31 December 2014 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
31 March 2015

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 31 March 2015. KPMG LLP has carried out no procedures of any nature subsequent to 31 March 2015 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 profit and loss and other comprehensive income
for the year ended 31 December 2014

Continuing operations	Notes	Year ended 31 December 2014 Pre-exceptional $'000	Year ended 31 December 2014 Exceptional items $'000	Year ended 31 December 2014 Total $'000	Year ended 31 December 2013 Pre-exceptional $'000	Year ended 31 December 2013 Exceptional items $'000	Year ended 31 December 2013 Total $'000
Revenue	5	11,218	—	11,218	8,012	–	8,012
Cost of sales		(2,165)	—	(2,165)	(1,579)	–	(1,579)
Gross profit		9,053	—	9,053	6,433	–	6,433
Operating expenses	6	(47,529)	(1,441)	(48,970)	(23,425)	(2,276)	(25,701)
Loss from operations		(38,476)	(1,441)	(39,917)	(16,992)	(2,276)	(19,268)
Finance income	9	584	—	584	52	–	52
Finance costs	9	(27)	—	(27)	(294)	(484)	(778)
Net finance income/(costs)	9	557	—	557	(242)	(484)	(726)
Loss before tax	8	(37,919)	(1,441)	(39,360)	(17,234)	(2,760)	(19,994)
Income tax	11	1,053	—	1,053	263	–	263
Loss for the year		(36,866)	(1,441)	(38,307)	(16,971)	(2,760)	(19,731)
Other comprehensive income							
Items that are or may be reclassified to profit or loss:							
Foreign operations – foreign currency translation differences		(444)	—	(444)	136	–	136
Other comprehensive income for the year, net of tax		(444)	—	(444)	136	–	136
Total comprehensive income for the year		(37,310)	(1,441)	(38,751)	(16,835)	(2,760)	(19,595)
Loss per share							
Basic and diluted	12			$1.59			$0.90

Consolidated balance sheet
as at 31 December 2014

	Notes	2014 $'000	2013 $'000
Assets			
Intangible assets	13	**9,814**	8,092
Property, plant and equipment	14	**410**	311
Non-current assets		**10,224**	8,403
Trade and other receivables	16	**14,452**	10,511
Cash and cash equivalents	17	**2,481**	25,673
Current assets		**16,933**	36,184
Total assets		**27,157**	44,587
Liabilities			
Borrowings – finance lease liabilities	18	**(8)**	(35)
Trade and other payables	18	**(3,195)**	(2,508)
Deferred income	18	**(19,269)**	(13,124)
Deferred government grant		**(81)**	(242)
Current tax liabilities		**(2)**	–
Current liabilities		**(22,555)**	(15,909)
Deferred income tax liabilities	11	**(5)**	(5)
Non-current liabilities		**(5)**	(5)
Total liabilities		**(22,560)**	(15,914)
Net assets		**4,597**	28,673
Equity			
Share capital	20	**3,879**	3,755
Share premium	20	**56,587**	53,882
Translation reserve	20	**(302)**	142
Merger reserve	20	**1,247**	1,247
Retained earnings	20	**(56,814)**	(30,353)
Total equity		**4,597**	28,673

The financial statements on pages 31 to 57 were approved by the Board of Directors on 31 March 2015 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 2014

	Share capital $'000	Share premium $'000	Translation reserve $'000	Merger reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2014	3,755	53,882	142	1,247	(30,353)	28,673
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(38,307)	(38,307)
Other comprehensive income	–	–	(444)	–	–	(444)
Total comprehensive income for the year	–	–	(444)	–	(38,307)	(38,751)
Transactions with owners of the Company						
Contributions and distributions						
Shares issued as part of OhmData, Inc. acquisition	47	2,317	–	–	(1,502)	862
Equity-settled share-based payment	–	–	–	–	13,348	13,348
Share options exercised	77	388	–	–	–	465
Total transactions with owners of the Company	124	2,705	–	–	11,846	14,675
Balance at 31 December 2014	**3,879**	**56,587**	**(302)**	**1,247**	**(56,814)**	**4,597**

	Share capital $'000	Share premium $'000	Translation reserve $'000	Merger reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2013	3,388	23,332	6	1,247	(15,739)	12,234
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(19,731)	(19,731)
Other comprehensive income	–	–	136	–	–	136
Total comprehensive income for the year	–	–	136	–	(19,731)	(19,595)
Transactions with owners of the Company						
Contributions and distributions						
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)	–
Equity-settled share-based payment	–	–	–	–	5,799	5,799
Share options exercised	36	529	–	–	–	565
Total transactions with owners of the Company	367	30,550	–	–	5,117	36,034
Balance at 31 December 2013	3,755	53,882	142	1,247	(30,353)	28,673

Consolidated statement of cash flows
for the year ended 31 December 2014

	2014 $'000	2013 $'000
Cash flows from operating activities		
Loss for the year	(38,307)	(19,731)
Adjustments for:		
– Depreciation of property, plant and equipment	267	138
– Amortisation of intangible assets	8,283	4,918
– Net finance income	(31)	(17)
– Income tax	(1,053)	(263)
– Foreign exchange	156	743
– Equity-settled share-based payment	13,348	5,799
	(17,337)	(8,413)
Changes in:		
– Trade and other receivables	(2,938)	(8,060)
– Trade and other payables	737	(1,122)
– Deferred income	6,145	6,756
– Deferred government grant	(147)	(338)
– Provisions	—	(393)
Net working capital change	3,797	(3,157)
Cash used in operating activities	(13,540)	(11,570)
Interest paid	(11)	(35)
Income tax paid	(3)	—
Net cash used in operating activities	(13,554)	(11,605)
Cash flows from investing activities		
Purchase of property, plant and equipment and computer software	(475)	(320)
Development expenditure	(9,040)	(7,443)
Interest received	58	52
Net cash used in investing activities	(9,457)	(7,711)
Cash flows from financing activities		
Net proceeds from share issues	465	30,235
Payment of finance lease liabilities	(27)	—
Net cash from financing activities	438	30,235
Net (decrease)/increase in cash and cash equivalents	(22,573)	10,919
Cash and cash equivalents at the start of the year	25,673	14,545
Effect of movements in exchange rates on cash and cash equivalents	(619)	209
Cash and cash equivalents at the end of the year	2,481	25,673

Notes to the consolidated financial statements
for the year ended 31 December 2014

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 2014 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 those parts of Companies (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 2014 the Group had net assets of $4,597,000 (31 December 2013: $28,673,000) as set out in the Consolidated balance sheet on page 32. The Directors have prepared detailed forecasts of the Group's performance over the coming years, this review included the benefit of $26,100,000 new equity funds (net of issue costs) which were raised following the year end. As a consequence, the Directors believe that WANdisco plc and the Group are well-placed to manage their 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 their 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 and WANdisco, Pty Ltd in Australian dollar. 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.

Estimates
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 statements is included in the following notes:

» Note 13 – valuation of intangible assets; and

» Note 21 – valuation of share-based payment.

Judgements
The accounting policy descriptions set out the areas where judgement needs to be exercised, the most significant of which are:

» Research and development – Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone.

» Intangible assets – The judgements in relation to intangible impairment testing relate to the assumptions applied in calculating the value in use of the Cash Generating Unit being tested for impairment. The key assumptions applied in the calculation relates to the future performance expectations of the business. The carrying value of intangible assets and the key assumptions used in performing the annual impairment assessment are disclosed in Note 13.

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

As a result of IFRS 10 (2011) "Consolidated Financial Statements", the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the Group's investees were required. 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 statements.

Business combinations

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

Acquisitions on or after 1 January 2009

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

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

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

3. Significant accounting policies continued

(c) Financial instruments

(i) Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

(ii) Classification of financial instruments issued by the Group

Following the adoption of IAS 32 "Financial Instruments: Presentation", 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 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.

3. Significant accounting policies continued

(e) Intangible assets

(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 and computer software are amortised over an estimated useful life of two years.

Amortisation of the intangible assets recognised on the acquisitions of AltoStor, Inc. and OhmData, Inc. is recognised in profit or loss on a straight-line basis over their estimated useful lives of three years.

(f) Impairment (excluding deferred tax assets)

(i) 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.

(ii) 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 generate 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.

3. Significant accounting policies continued

(f) Impairment (excluding deferred tax assets) continued

(ii) Non-financial assets continued

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.

(iv) Share-based payment

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.

3. Significant accounting policies continued

(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 costs

Finance costs comprise interest expense on borrowings and exchange differences on intra-group balances.

(k) Taxation

Income tax comprises current and deferred tax. Income tax 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 temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Government grants

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

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

(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 ("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 that merit separate disclosure in order to provide an understanding of the Group's underlying financial performance.

3. Significant accounting policies continued

(q) New accounting standards and amendments

(i) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2014:

- IFRS 10 "Consolidated Financial Statements", IAS 27 "Consolidated and Separate Financial Statements", IFRS 11 "Joint Arrangements" and amendments to IAS 28 "Investments in Associates and Joint Ventures".
- IFRS 12 "Disclosure of Interests in Other Entities".
- Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities.
- IFRIC Interpretation 21 "Levies".
- Amendments to IAS 36 "Impairment of Assets" – Recoverable Amount Disclosures for Non-Financial Assets.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting.

These standards and amendments to standards have not had a material impact on the consolidated financial statements.

(ii) New and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted

The Group has not applied the following amendments to standards which are EU endorsed but not yet effective:

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions.
- Annual Improvements to IFRSs 2010–2012 Cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle.

The Group is currently considering the implication of these standards, however it is not anticipated that they will have a material impact on the consolidated financial statements.

4. Determination of fair values

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

(a) Intangible assets

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

(b) Trade and other receivables

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

(c) Non-derivative financial liabilities

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

5. Segmental analysis

Operating segments

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

Geographical segments

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

	2014 $'000	2013 $'000
North America	9,414	7,069
Europe	1,376	660
Rest of the world	428	283
Total	11,218	8,012

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 (2013: nil) customers representing individually over 10% of revenue.

6. Operating expenses

Loss from operations has been arrived at after charging:

	2014 $'000	2013 $'000
Staff costs (see Note 10)	25,886	12,133
Research and development – amortisation charge	6,855	3,670
Amortisation of intangible assets	1,428	1,248
Depreciation of property, plant and equipment	267	138
Auditor's remuneration (see Note 7)	89	262

Reconciliation of loss from operations to adjusted earnings before interest, taxation, depreciation and amortisation ("Adjusted EBITDA")

	2014 $'000	2013 $'000
Operating loss	(39,917)	(19,268)
Adjusted for:		
Amortisation and depreciation	8,550	5,056
Acquisition-related items	145	—
Exceptional items within operating expenses (see Note 8)	1,441	2,276
EBITDA before exceptional items	(29,781)	(11,936)
Adjusted for share-based payment (see Note 21)	11,907	4,104
Adjusted EBITDA before exceptional items	(17,874)	(7,832)
Development expenditure capitalised (see Note 13)	(9,040)	(7,443)
Adjusted EBITDA before exceptional items including development expenditure	(26,914)	(15,275)

Acquisition-related items include legal and professional costs of $145,000 (2013: $nil), which were incurred on the acquisition of OhmData, Inc.

7. Auditor's remuneration

	2014 $'000	2013 $'000
Audit of these financial statements	**70**	65
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**14**	13
Other services related to taxation	**—**	99
Other services pursuant to legislation	**5**	85
	89	262

8. Exceptional items

Exceptional items comprise the following:

	2014 $'000	2013 $'000
Equity-settled share-based payment charge in relation to acquisitions:		
– AltoStor, Inc.	**659**	1,459
– TortoiseSVN.net	**290**	236
– OhmData, Inc.	**492**	—
Total equity-settled share-based payment charge in relation to acquisitions	**1,441**	1,695
Reorganisation costs	**—**	581
Total exceptional items in loss from operations	**1,441**	2,276
Currency exchange loss	**—**	484
	1,441	2,760

» The equity-settled share-based payment charge recognised in the year in relation to the acquisitions of OhmData, Inc., AltoStor, Inc. and the purchase of the intellectual property of TortoiseSVN.net has been classified as exceptional. See Note 21 for further details.

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

» The exchange loss in 2013 arose on cash balances held in sterling.

9. Net finance income/(costs) (pre-exceptional items)

	2014 $'000	2013 $'000
Interest receivable – bank	58	52
Exchange gain	526	–
Finance income	584	52
Unwind of discount on pledged shares	(16)	–
Exchange loss	–	(259)
Interest payable on bank borrowings	(2)	(12)
Bank charges	(9)	(23)
Finance costs	(27)	(294)
Net finance income/(costs)	557	(242)

10. Staff numbers and costs

	2014 $'000	2013 $'000
Wages and salaries	20,258	12,229
Social security costs	1,621	1,418
Other pension costs	–	34
Equity-settled share-based payment (see Note 21)	11,907	4,104
Development expenditure capitalised	(7,900)	(5,652)
Total staff costs	25,886	12,133

Average number of persons employed

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

	2014 Number	2013 Number
Software development	103	74
Selling and distribution	48	34
Administration	14	13
Total number of employees	165	121

Remuneration of key management personnel

	2014 Total $'000	2013 Total $'000
Short-term employee benefits of key management personnel	4,192	3,445

There were no other long-term benefits or post-employment benefits in the year ended 31 December 2014 (2013: $nil).

In addition to the above, an equity-settled share-based payment charge of $8,231,000 in relation to share options granted to key management personnel, was incurred in the year ended 31 December 2014 (2013: $1,822,000).

Further details on the remuneration, share options and pension entitlement of the Directors are included in the Remuneration Committee report on pages 24 and 25.

11. Income tax

	2014 $'000	2013 $'000
Current tax expense		
Current year	478	–
Adjustment for prior years	575	263
	1,053	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	1,053	263

Reconciliation of effective tax rate

	2014 %	2014 $'000	2013 %	2013 $'000
Loss before taxation		39,360		19,994
Expected tax credit based on the Group's domestic tax rate of 40%	40%	15,744	40%	7,998
Effects of:				
Non-deductible expenses	(14.0%)	(5,523)	(13.4%)	(2,683)
Tax rates in foreign jurisdictions	(5.3%)	(2,101)	1.2%	247
R&D tax credits	2.7%	1,053	3.2%	633
Losses not recognised for current or deferred tax	(20.6%)	(8,120)	(29.7%)	(5,932)
Taxation credit for the year	2.7%	1,053	1.3%	263

Factors affecting the current and future tax charges

A reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was 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 2014 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:

	2014 $'000	2013 $'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 $11,689,000 (2013: $7,473,000) 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.

Notes to the consolidated financial statements continued
for the year ended 31 December 2014

12. Loss per share

Basic loss per share

Basic loss per share is calculated based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:

	2014 $'000	2013 $'000
Loss for the year attributable to ordinary shareholders	**38,307**	19,731

Weighted average number of ordinary shares

	2014 Shares '000s	2013 Shares '000s
At the start of the year	**23,693**	21,421
Effect of shares issued in the year	**325**	586
Weighted average number of ordinary shares during the year	**24,018**	22,007

	2014 $	2013 $
Basic loss per share	**1.59**	0.90

Adjusted loss per share

Adjusted loss per share is based on the result attributable to ordinary shareholders before exceptional items, acquisition-related items and the cost of equity-settled share-based payment, and the weighted average number of ordinary shares outstanding:

	2014 $'000	2013 $'000
Loss for the year attributable to ordinary shareholders	**38,307**	19,731
Add back:		
Exceptional items	**(1,441)**	(2,760)
Acquisition-related items	**(161)**	–
Equity-settled share-based payment (excluding exceptional items)	**(11,907)**	(4,104)
Adjusted basic loss	**24,798**	12,867

	2014 $	2013 $
Adjusted loss per share	**1.03**	0.58

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 profit and loss and other comprehensive income, is the same as for the basic loss per share.

13. Intangible assets

	Other intangible assets $'000	Development costs $'000	Computer software $'000	Total $'000
Cost				
At 1 January 2013	2,308	6,304	995	9,607
Additions – externally purchased	—	—	35	35
Additions – own work capitalised	—	7,443	—	7,443
At 31 December 2013	2,308	13,747	1,030	17,085
At 1 January 2014	2,308	13,747	1,030	17,085
Reclassification from property, plant and equipment	—	—	30	30
Acquisitions through business combinations	846	—	—	846
Additions – externally purchased	—	—	103	103
Additions – own work capitalised	—	9,040	—	9,040
Effect of movements in exchange rates	—	—	26	26
At 31 December 2014	**3,154**	**22,787**	**1,189**	**27,130**
Amortisation				
At 1 January 2013	(94)	(3,850)	(122)	(4,066)
Amortisation charge for the year	(766)	(3,670)	(482)	(4,918)
Effect of movements in exchange rates	—	—	(9)	(9)
At 31 December 2013	(860)	(7,520)	(613)	(8,993)
At 1 January 2014	(860)	(7,520)	(613)	(8,993)
Reclassification from property, plant and equipment	—	—	(19)	(19)
Amortisation charge for the year	(935)	(6,855)	(493)	(8,283)
Effect of movements in exchange rates	—	—	(21)	(21)
At 31 December 2014	**(1,795)**	**(14,375)**	**(1,146)**	**(17,316)**
Net book value				
At 31 December 2013	1,448	6,227	417	8,092
At 31 December 2014	**1,359**	**8,412**	**43**	**9,814**

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 2014 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.

Notes to the consolidated financial statements continued
for the year ended 31 December 2014

13. Intangible assets continued

Other intangible assets arose as part of the acquisitions of OhmData, Inc. in June 2014 and AltoStor, Inc. in November 2012. The intangibles arising as part of these acquisitions are allocated to the DConE CGU. The recoverable amount of the DConE CGU has been calculated on a VIU basis at both 31 December 2014 and 31 December 2013. 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 10.0% (2013: 8.0%) and a terminal value growth rate of 2% from 2019. The Directors have reviewed the recoverable amount of the CGU and do not consider there to be any indication of impairment.

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 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 $1.0m. This software became fully amortised during the year ended 31 December 2014.

The amortisation charge on intangible assets is included in operating expenses in the Consolidated statement of profit and loss and other comprehensive income.

14. Property, plant and equipment

	Leasehold improvements $'000	Fixtures and fittings $'000	Computers $'000	Total $'000
Cost				
At 1 January 2013	30	151	108	289
Additions	66	138	116	320
At 31 December 2013	96	289	224	609
At 1 January 2014	96	289	224	609
Reclassification to intangible assets	—	—	(30)	(30)
Additions	34	81	257	372
At 31 December 2014	**130**	**370**	**451**	**951**
Depreciation				
At 1 January 2013	(2)	(78)	(80)	(160)
Depreciation charge for the year	(29)	(58)	(51)	(138)
At 31 December 2013	(31)	(136)	(131)	(298)
At 1 January 2014	(31)	(136)	(131)	(298)
Reclassification to intangible assets	—	—	19	19
Depreciation charge for the year	(44)	(89)	(134)	(267)
Effect of movements in exchange rates	1	3	1	5
At 31 December 2014	**(74)**	**(222)**	**(245)**	**(541)**
Net book value				
At 31 December 2013	65	153	93	311
At 31 December 2014	**56**	**148**	**206**	**410**

15. Investments in subsidiaries

The Group has the following investments in subsidiaries:

Company name	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
OhmData, 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, Pty Ltd	Australia	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

	2014 $'000	2013 $'000
Trade receivables	4,440	4,511
Other receivables		
– Unbilled receivables	8,005	4,668
– Other receivables	556	706
Total other receivables	8,561	5,374
Corporation tax	1,056	263
Prepayments	395	363
	14,452	10,511

Included in other receivables is $4,895,000 which falls due after more than one year (2013: $3,252,000).

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

Ageing of trade receivables

	2014 $'000	2013 $'000
Due from current month	4,278	2,764
Due from previous month	121	894
Due from earlier months	41	853
Total trade receivables	4,440	4,511

All trade receivables are denominated in US dollars.

17. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and in hand	**2,481**	25,673
Short-term deposits	**—**	—
Total cash and cash equivalents	**2,481**	25,673

18. Current liabilities

Trade and other payables

	2014 $'000	2013 $'000
Trade payables	**722**	854
Other payables and accruals	**2,473**	1,654
	3,195	2,508

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:

	2014 $'000	2013 $'000
At 1 January	**13,124**	6,368
Customer bookings	**17,363**	14,768
Released to revenue	**(11,218)**	(8,012)
At 31 December	**19,269**	13,124

Included in the 31 December 2014 year-end balance are amounts falling due after more than one year of $10,792,000 (2013: $6,844,000).

Borrowings – finance lease liabilities

Finance lease liabilities include amounts payable after more than one year of $nil (2013: $8,000).

19. 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.

19. Financial instruments and risk management continued

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. Details of the going concern review is included in Note 2.

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, Australia 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:

	Sterling $'000	Australian dollar $'000	US dollar $'000	Total $'000
2014 cash and cash equivalents	**359**	**105**	**2,017**	**2,481**
2013 cash and cash equivalents	10,886	—	14,787	25,673

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 $28,000 (2013: $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.

20. Share capital and reserves

	2014 Number	**2014 $'000**	2013 Number	2013 $'000
Share capital				
Allotted and fully paid	**24,435,035**	**3,879**	23,692,555	3,755

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

20. Share capital and reserves continued

	Share capital $'000	Share premium $'000	Translation reserve $'000	Merger reserve $'000	Retained earnings $'000
At 1 January 2013	3,388	23,332	6	1,247	(15,739)
Loss for the year	—	—	—	—	(19,731)
Foreign currency translation differences	—	—	136	—	—
Shares issued by WANdisco plc	323	30,381	—	—	—
Share issue costs	—	(1,034)	—	—	—
Shares issued as part of TortoiseSVN.net IP purchase	8	674	—	—	(682)
Equity-settled share-based payment	—	—	—	—	5,799
Shares options exercised	36	529	—	—	—
At 31 December 2013	3,755	53,882	142	1,247	(30,353)
At 1 January 2014	3,755	53,882	142	1,247	(30,353)
Loss for the year	—	—	—	—	(38,307)
Foreign currency translation differences	—	—	(444)	—	—
Shares issued as part of OhmData, Inc. acquisition	47	2,317	—	—	(1,502)
Equity-settled share-based payment	—	—	—	—	13,348
Shares options exercised	77	388	—	—	—
At 31 December 2014	**3,879**	**56,587**	**(302)**	**1,247**	**(56,814)**

Share capital and share premium

During the year, 742,480 ordinary shares were issued as a result of employees exercising share options.

On 1 October 2013, the Company issued an additional 2,000,000 ordinary shares at a price of £9.50 each, raising funds of $29.3m net of transaction costs.

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

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 merger reserve.

21. Share-based payment

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.

21. Share-based payment continued

Analysis of equity-settled share-based payment charge

	2014 $'000	2013 $'000
Exceptional equity-settled share-based payment charge in relation to acquisitions:		
– AltoStor, Inc.	**659**	1,459
– TortoiseSVN.net	**290**	236
– OhmData, Inc.	**492**	–
Total equity-settled share-based payment charge in relation to acquisitions (see Note 8)	**1,441**	1,695
Non-exceptional equity-settled share-based payment charge (see Note 10)	**11,907**	4,104
Total equity-settled share-based payment charge	**13,348**	5,799

Terms and conditions of share option grants

The terms and conditions of the share option grants between 16 May 2012 (the date WANdisco plc acquired WANdisco, Inc.) and 31 December 2014 are as follows:

Date of grant	Expected term (years)	Exercisable between Commencement	Exercisable between Lapse	Exercise price	Vesting schedule (see below)	Outstanding at 31 December 2014
16 May 2012	7	16 May 2012	3 August 2019	£0.24	2	**1,146**
16 May 2012	8	16 May 2012	15 September 2020	$0.36	2	**35,000**
16 May 2012	8	16 May 2012	7 October 2020	£0.45	2	**13,886**
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	**9,680**
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	**96,333**
16 May 2012	9	1 August 2012	20 September 2021	£0.46	3	**2,000**
16 May 2012	9	13 January 2013	12 January 2022	$0.36	3	**458,000**
16 May 2012	9	13 January 2013	30 January 2022	£0.23	3	**735,685**
21 June 2012	10	21 June 2012	21 June 2022	£2.00	4	**55,400**
7 December 2012	10	7 December 2012	7 December 2022	£4.55	5	**327,069**
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	**23,750**
25 February 2013	10	25 February 2013	25 February 2023	£8.20	5	**15,000**
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	**7,500**
13 May 2013	10	13 May 2013	13 May 2023	£9.80	5	**20,000**
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**

Notes to the consolidated financial statements continued
for the year ended 31 December 2014

21. Share-based payment continued

Terms and conditions of share option grants continued

Date of grant	Expected term (years)	Exercisable between: Commencement	Lapse	Exercise price	Vesting schedule (see below)	**Outstanding at 31 December 2014**
29 July 2013	10	29 July 2013	29 July 2023	£9.25	5	**20,000**
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	2.5	27 September 2013	15 March 2016	£0.10	6	**100,000**
27 September 2013	2.5	27 September 2013	15 March 2016	£0.10	7	**58,122**
27 September 2013	2.5	27 September 2013	15 March 2016	£0.10	6	**70,030**
27 September 2013	2.5	27 September 2013	15 March 2016	£0.10	7	**70,031**
15 October 2013	10	15 October 2013	15 October 2023	£11.54	5	**30,000**
11 November 2013	10	11 November 2013	11 November 2023	£12.71	5	**10,000**
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	**205,000**
14 March 2014	4	14 March 2014	14 March 2018	£0.10	8	**100,000**
9 April 2014	3	9 April 2014	9 April 2017	£0.10	9	**150,000**
24 April 2014	3	24 April 2014	24 April 2017	£0.10	9	**100,000**
14 May 2014	10	14 May 2014	14 May 2024	£5.79	5	**55,000**
16 June 2014	10	16 June 2014	16 June 2024	£4.30	5	**350,000**
26 June 2014	3	26 June 2014	26 June 2017	£0.10	9	**323,076**
18 August 2014	3	18 August 2014	18 August 2017	£0.10	5	**80,000**
15 September 2014	10	15 September 2014	15 September 2024	£4.00	5	**288,500**
3 November 2014	10	3 November 2014	3 November 2024	£4.00	5	**65,000**
5 December 2014	10	5 December 2014	5 December 2024	£3.80	5	**25,000**
5 December 2014	3	5 December 2014	5 December 2017	£0.10	9	**15,000**
22 December 2014	3	22 December 2014	22 December 2017	£0.10	9	**55,000**

The following vesting schedule applies:

1. Fully vested at grant date.
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 grant date.
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 60% on 1 January 2015.
8. Option vests 1/3 on 31 January 2015 and then 1/6 every six months until final vesting date.
9. Option vests 1/3 on first anniversary of vesting commencement date, with the balance vesting monthly thereafter until final vesting date.

21. Share-based payment continued

Share-based payment charges related to acquisitions

As part of the acquisitions of OhmData, Inc. in June 2014, AltoStor, Inc. in November 2012 and TortoiseSVN.net community website in June 2013, restricted shares were issued to the former owners of the business for OhmData, Inc. and AltoStor, Inc. and the lead developer of the website for TortoiseSVN.net community website. These shares were treated as contingent payments and have been accounted for under IFRS 2 "Share-based Payment" rather than as part of the acquisition consideration under IFRS 3 "Business Combinations".

Acquisition	Restricted shares $'000	Equity-settled share-based payment charge $'000
OhmData, Inc.	173,266	492
AltoStor, Inc.	375,651	659
TortoiseSVN.net	50,000	290
	598,917	1,441

Number and weighted average exercise price of shares

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

	2014 Number	2013 Number
Balance at the start of the year	**3,305,201**	2,681,470
Granted	**1,878,561**	1,046,870
Forfeited	**(414,100)**	(201,372)
Exercised	**(467,995)**	(221,767)
Balance at the end of the year	**4,301,667**	3,305,201
Exercisable at the end of the year	**675,631**	364,465
Vested at the end of the year	**1,081,844**	1,075,550

Weighted average exercise price for:

	2014 $	2013 $
Shares granted	**3.25**	11.97
Shares forfeited	**11.06**	5.52
Options exercised	**0.99**	2.46
Exercise price in the range:		
From	**0.16**	0.16
To	**20.96**	22.37

	2014 Years	2013 Years
Weighted average contractual life remaining	**6.5**	7.8

Notes to the consolidated financial statements continued
for the year ended 31 December 2014

21. Share-based payment continued

Number and weighted average exercise price of shares continued

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:

	2014	2013
Dividend yield	**0.00%**	0.00%
Risk-free interest rate	**2.28%**	2.19%
Stock price volatility	**30%**	30%
Expected life (years)	**4.9**	3.2
Weighted average fair value of options granted during the year	**$7.61**	$9.54

- 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.

22. Acquisition

On 27 June 2014, the Group acquired 100% of the share capital of OhmData, Inc. ("OhmData") for a total consideration of $846,000. $526,000 was issued in shares at the date of the acquisition, and $320,000 is deferred share consideration. OhmData is engaged in the development of database solutions based on the Apache HBase database.

Share type	Number of shares	Fair value $'000
Consideration – equity	60,040	526
Deferred consideration – equity	41,170	320
Total consideration – equity	101,210	846
Provisional net assets assumed at date of acquisition		
Net assets – intangible assets		(846)
Goodwill arising on acquisition		–

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

Share type	Number of shares	Fair value $'000
Shares issued at acquisition	60,040	526
Pledged shares	41,170	320
Restricted shares	173,266	1,518
Total shares issued	274,476	2,364

22. Acquisition continued

- The pledged shares have been treated as deferred consideration and will be released to the OhmData founders 15 months after the acquisition date, but contain no contingency clauses related to post acquisition performance.
- The restricted shares have been treated as equity-settled share-based payment charges as they have conditions attached relating to employment post acquisition, and have been accounted for under IFRS 2, "Share-based Payment".
- The equity-settled share-based payment charge will be recognised over the 2 1/2 year vesting period of the shares.
- Prior to acquisition, OhmData generated revenue of $negligible and losses of $94,000.
- OhmData did not generate any revenues, profits or losses during the period from acquisition to 31 December 2014.

23. Commitments and contingent liabilities

Operating lease commitments

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

Land and buildings	**2014 $'000**	2013 $'000
Within one year	**290**	250
Between two and five years	**477**	574
	767	824

Capital commitments and contingent liabilities

At 31 December 2014 the Group had no capital commitments (2013: $nil).

The Group had no contingent liabilities at 31 December 2014 (2013: none).

24. 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.

25. Post-balance sheet events

On 23 January 2015 the Group announced its intention to raise circa $25m (net of expenses) by a conditional non-preemptive placing of 4,798,859 new ordinary shares of 10 pence each in the capital of the Company at a price of 375.00 pence per share. The condition was, inter alia, the passing of certain resolutions by the shareholders of the Company.

On 17 February 2015, at a general meeting of the Company, the shareholders approved the disapplication of pre-emption rights and the allotment of the placing shares. On 18 February 2015 the placing shares were admitted, dealing commenced and, as a result, $26.1m cash (net of expenses) was raised.

Five year record

31 December	2010 $'000	2011 $'000	2012 $'000	2013 $'000	**2014 $'000**
Bookings	3,080	4,618	7,916	14,768	**17,360**
Bookings growth	33%	50%	71%	87%	**18%**
Revenue	2,984	3,878	6,031	8,012	**11,218**
Revenue growth	21%	30%	56%	33%	**40%**
Deferred revenue	3,726	4,466	6,368	13,124	**19,269**
Deferred revenue growth	8%	20%	43%	106%	**47%**
Net cash	(554)	74	14,545	25,673	**2,481**
Operating loss	(1,860)	(1,154)	(8,541)	(19,268)	**(39,917)**
Development costs and software amortised	597	980	2,018	4,918	**8,283**
Depreciation	49	46	52	138	**267**
Acquisition-related items	—	—	—	—	**145**
Exceptional items	204	205	2,656	2,276	**1,441**
EBITDA before exceptional costs	(1,010)	77	(3,815)	(11,936)	**(29,781)**
Add back equity-settled share-based payment charge	182	73	813	4,104	**11,907**
Adjusted EBITDA before exceptional items	(828)	150	(3,002)	(7,832)	**(17,874)**
Development expenditure capitalised	(1,103)	(1,207)	(2,912)	(7,443)	**(9,040)**
Adjusted EBITDA before exceptional items including development expenditure	(1,931)	(1,057)	(5,914)	(15,275)	**(26,914)**

Notice of Annual General Meeting

Notice is given that the third Annual General Meeting of WANdisco plc ("the Company") will be held at the Company's offices, Electric Works, 3 Concourse Way, Sheffield Digital Campus, Sheffield S1 2BJ on 2 June 2015 at 10am for the following purposes:

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

1. That the Company's financial statements for the year ended 31 December 2014 and the reports of the Directors and auditors thereon be received and considered.
2. That David Richards, who retires by rotation as a Director of the Company, be re-appointed as a Director of the Company.
3. That Paul Walker, who retires by rotation as a Director of the Company, be re-appointed as a Director of the Company.
4. That KPMG LLP be re-appointed as auditor of the Company.
5. That the Directors be authorised to determine the remuneration of the auditor.
6. 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 £974,661, 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:

7. That, subject to the passing of resolution 6 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 6 above, as if pre-emption rights did not apply to any such allotment, such power being limited to:

    7.1 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

    7.2 the allotment (other than pursuant to resolution 7.1 above) wholly for cash of ordinary shares up to an aggregate nominal amount of £292,398,

    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.

8. 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:

    8.1 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;

    8.2 the minimum price (exclusive of expenses) which may be paid for an ordinary share is £0.001; and

8.3 the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed:

8.3.1 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

8.3.2 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.

9. That the articles of association of the Company be amended as follows:

9.1 Article 1.2.4 be deleted and the following provisions of Article 1 renumbered accordingly;

9.2 any references to "Financial Services Authority" be deleted and replaced with "Financial Conduct Authority";

9.3 any references to "Financial Services Authority Handbook" be deleted and replaced with "Financial Conduct Authority Handbook";

9.4 any references to "Disclosure and Transparency Rules" be deleted and replaced with "Disclosure Rules and Transparency Rules";

9.5 Article 2.18 be deleted;

9.6 Article 2.19 be deleted and the following provisions of Article 2 renumbered accordingly;

9.7 at the end of Article 25.4, there shall be added: "In calculating any period of 48 hours referred to above, the Board may specify that no account shall be taken of any part of a day that is not a working day";

9.8 the final sentence of Article 27.1 be deleted;

9.9 the final sentence of Article 29.1 be deleted;

9.10 Article 30.3 be deleted and replaced with the following: "The Board may, by power of attorney or otherwise, appoint any person to be the agent of the Company for such purposes, with such powers, authorities and discretions (not exceeding those vested in the Board) and on such conditions as the Board determines, including without limitation authority for the agent to delegate all or any of his powers, authorities and discretions, and may revoke or vary such delegation.";

9.11 Article 33.2 be deleted and the following provisions of Article 33 renumbered accordingly;

9.12 Article 36.3 be deleted and the following provisions of Article 36 renumbered accordingly ;

9.13 Article 36.5 be deleted and replaced with the following: "Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote.";

9.14 the first sentence of Article 36.11 be amended by deleting the words "provided that" and all of the following words in that sentence; and

9.15 Article 36.13 be deleted,

and that any relevant cross references within the articles of association of the Company be renumbered or deleted accordingly.

10. That, pursuant to Article 58A(1)(b) of the Law and Article 13 of the Articles, an ordinary share purchased pursuant to resolution 8 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

Louise Hall
Company Secretary
31 March 2015

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 10am on 31 May 2015 (or, if the meeting is adjourned, 48 hours before the time 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 timestamp 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.

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.

Notes continued

Proxies continued

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 10am on 31 May 2015 (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 prior to the commencement of the Annual General Meeting or adjourned meeting at which the vote is given or, in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting, 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.

Biographical details of Directors

8. Biographical details of all those Directors who are offering themselves for appointment or reappointment at the meeting are set out on page 20 of the enclosed annual report and accounts.

Secretary and advisers

Secretary
Louise Hall

Offices
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
Investec Bank plc
2 Gresham Street
London EC2V 7QP

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
HSBC Bank plc
Yorkshire and North East Corporate Banking Centre
4th Floor
City Point
29 King Street
Leeds LS1 2HL

Barclays Bank plc
St. Paul's Place
121 Norfolk Street
Sheffield S1 2JW

Registrars
Neville Registrars Limited
18 Laurel Lane
Halesowen
West Midlands B63 3DA

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio plants ten trees for each of its corporate report projects, in association with Trees for Cities.

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