WANDISCO PLC ANNUAL REPORT AND ACCOUNTS 2017

# Welcome to the LIVE DATA WORLD

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# Shaping the future of data infrastructure

WANdisco is shaping the future of data infrastructure with its groundbreaking LIVE DATA platform, enabling companies to finally put all their data to work for the business – all the time, at any scale.

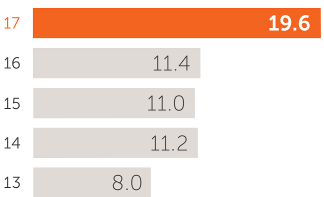
Only WANdisco makes data always available, always accurate, and always protected, delivering hyperscale economics to support exponential data growth within the same IT budget. With significant OEM relationships with IBM and Dell EMC and go-to-market partnerships with Amazon Web Services, Cisco, Microsoft Azure, Google Cloud, Hewlett Packard Enterprise, Oracle and other industry titans – as well as hundreds of customers among the Global 2000 – WANdisco is igniting a Live Data movement worldwide.

# Making strong progress

## Financial highlights

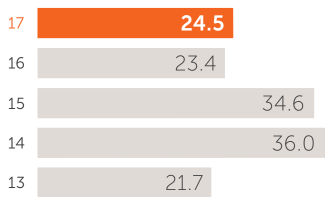
Revenue ($m)

$19.6m +73%



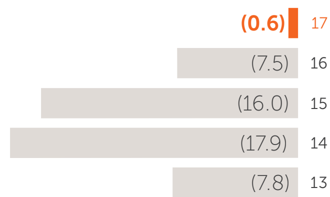

Cash overheads[2] ($m)

$24.5m +5%



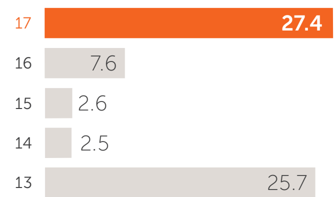

Adjusted loss ($m)[3]

$(0.6)m -92%




Cash ($m)

$27.4m +262%




## Our achievements in 2017

**13**
New Big Data – WANdisco Fusion customers

**1**
New OEM with Virtustream, a Dell Technologies company

**75%**
Product performance improvements in WANdisco Fusion® 2.11

**2**
Record contract wins through IBM OEM each valued over $4m

## The year in milestones

### MARCH

- Announces support for EU-funded data science project, led by the University of Sheffield, which could make it easier for doctors to spot the early signs of dementia
- Releases WANdisco Fusion® 2.10, adding live data replication support for Network File Systems ("NFS")/NetApp devices
- IBM OEM partnership brings in record $4.1m contract with a major financial services multinational for WANdisco Fusion

### APRIL

- First anniversary of IBM OEM deal marked with reports of a strong Q1 thanks to strong bookings, good cash collection and expense efficiencies

### JUNE

- Signs a new 3.5 year contract with a major American multinational retail corporation for WANdisco Fusion, valued at $2m

### JULY

- WANdisco Fusion recognised as an enterprise-grade solution, meeting Oracle's Maximum Availability Architecture ("MAA") best practice guidelines
- Announces first contract in health sector. The three year subscription licence deal will allow large volumes of continuously changing critical patient data to be confidently sent to the Cloud
- Reports a strong first half of the year, with new sales bookings for WANdisco Fusion of $7.0m (up from $2.6m for the same period in 2016), and recognised revenue of $5.1m (up from $1.4m)

## Operational and strategic highlights

- Record bookings[1] secured in 2017, up 45% year-on-year to $22.5 million (2016: $15.5 million)
  - Big Data bookings for WANdisco Fusion ("Fusion") up 121% in 2017 to $15.7 million (2016: $7.1 million)
  - Source Code Management bookings in line with expectations
- Bookings in H2 2017 up 28% year-on-year to $12.3 million (H2 2016: $9.6 million)
- Announced a new $5.0 million term loan facility with Silicon Valley Bank, with an additional $3.0 million revolving credit facility
- Successfully placed 2.97 million shares on 4 December 2017, raising gross proceeds of $22.0 million
- Cash burn reduced to $5.3 million (2016: $8.3 million)
- Established a partner ecosystem further enhancing our market potential
  - Secured another significant OEM partnership with Virtustream, a Dell Technologies company, worth a minimum of $3.6 million over three years, increasing the leverage of our distribution channel
  - Fully integrated WANdisco Fusion with Amazon Web Services ("AWS") Snowball, Microsoft Azure Databox and HD Insights
- Commercial strategy delivering clear results in new and established sectors
  - Our OEM partnership with IBM is delivering clear results securing two record contract wins with major global financial institutions, each worth in excess of $4 million
  - Our product is gaining traction in new sectors with the first contract wins for WANdisco Fusion secured with marquee clients in the retail and healthcare sectors
- Continued investment in research and development to evolve our product
  - Released WANdisco Fusion® 2.11 which includes substantial performance improvements to the Fusion core replication engine, resulting in flexible installation processes for users, as well as significant product performance improvements of up to 75% from the prior version
  - Appointed new VP of Research to explore new applications for our unique replication technology
- Strong order book and sales pipeline going into 2018

Note: Throughout this document, alternative performance measures have been used which are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See Note 2(e) for details.

1 Bookings as defined in this Annual Report and Accounts represent the total value of all contracts received in the year including both new and renewal bookings.

2 Operating expenses adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 6 for a reconciliation.

3 Loss from operations adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 6 for a reconciliation.

### SEPTEMBER

- Announces availability of WANdisco Fusion in the Oracle Cloud Marketplace
- Launches one of the first hybrid data lake architectures in collaboration with Amazon Web Services, so changing data from AWS on-premises data lakes can be reliably replicated to and from Amazon's Cloud infrastructure
- Unveils plans for full integration of WANdisco Fusion with Microsoft Azure HDInsight so Microsoft Azure customers can add WANdisco Fusion via the Azure Marketplace

### OCTOBER

- Announces integration of WANdisco Fusion into Microsoft Azure Data Box

### NOVEMBER

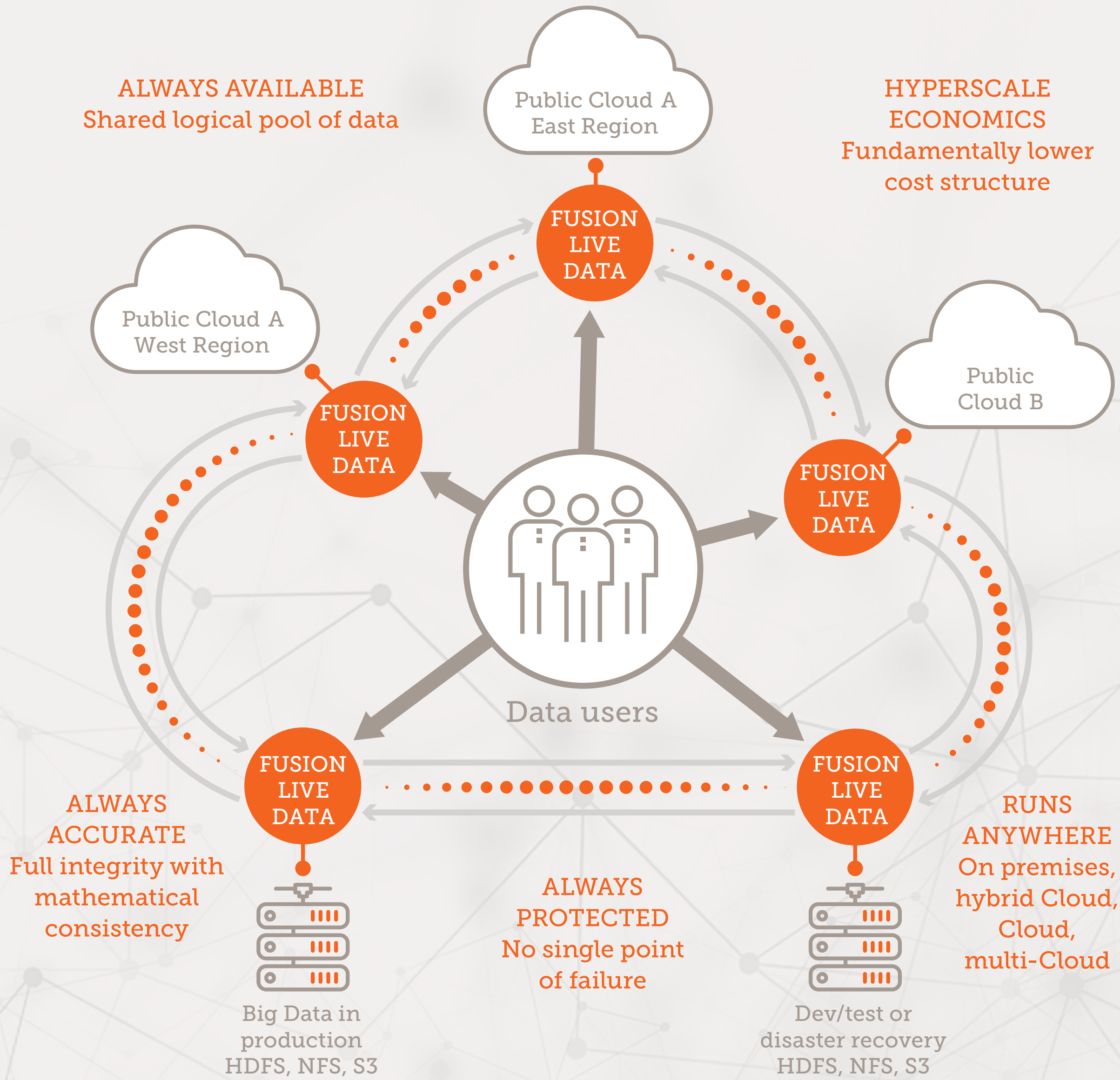
- Launches OEM sales partnership with Dell EMC's Virtustream, which will see WANdisco Fusion embedded as a key replication solution for hybrid Cloud across Virtustream solutions worldwide worth a minimum of $3.6m over three years
- Introduces WANdisco Fusion® 2.11, a major new product release featuring substantial performance improvements to the core replication engine
- Announces integration of WANdisco Fusion with AWS Snowball for hybrid Cloud scenarios

### DECEMBER

- IBM relationship brings in another record contract win with another world-leading financial institution, this time worth $4.3m
- Appoints Ramki Thurimella, PhD, an experienced specialist in algorithm design and information security, as VP of Research, based in San Ramon, California
- Announced successful placing raising gross proceeds of $22.0m

# We think differently with future-proof technology

WANdisco Fusion is a next-generation LIVE DATA platform that enables the replication of continuously changing data to the Cloud and on-premises data centres. Built on unique, patented technology, WANdisco Fusion guarantees data consistency, 100% availability and no business disruption across environments, regardless of distance or data source, all at hyperscale economics to support exponential data growth within the same IT budget.



## Why companies are choosing WANdisco

Organisations around the world can work more effectively and efficiently with the benefits our patented technology provides.

### Always available
Resynchronise your data automatically in the event of hardware and network outages.

### Full data portability
Selectively replicate changes across different environments with guaranteed consistency and no vendor lock-in.

### Lower cost structure
Scale up with no increase in hardware costs with Cloud migration.

### Always protected
Reduce your possible exposure to hackers as only our firewalls are exposed.

### Always accurate
Guaranteed access to the same data everywhere on any distribution.

### Recovery
Automatic failover and recovery with no admin or third party intervention.

### Transparency
Continue to use the tools you are familiar with.

### Productivity
Teams across the world collaborate as one, with no downtime and no disruption.

## Our customers

Our patented technology is creating remarkable results for our customers across all sectors.

### Automotive
Improves self-driving car technology and enables predictive maintenance.

### Entertainment
Allows players to continue to enjoy entertainment experiences with no downtime.

### Government
Gains actionable insights from real-time data analysis of unstructured data.

### Telecommunications
Improves mobile and location services for hundreds of millions of customers.

### Developer collaboration
Enables collaboration across multiple locations to improve productivity.

### Financial services
Meets government regulations and reduces losses due to fraud with no downtime.

### Health care
Monitors patients outside of hospital and contributes to groundbreaking research with continuous access to data.

### Utilities
Provides valuable insights into energy usage and improves engineering operations.

### Retail
WANdisco Fusion lets retailers move active, critical data seamlessly between primary and disaster recovery sites and the Cloud with no downtime. This enables more efficient and robust business continuity provision, and greater flexibility when it comes to analysing live customer data.

### Manufacturing
From monitoring and servicing assets to building greater intelligence into products and production lines, efficient manufacturing depends increasingly on reliable, continuous access to real-time data. WANdisco Fusion ensures this, enabling manufacturers to maximise productivity, reduce costs, conform with regulatory demands and innovate using smarter connections.

# A year of delivery

**DAVID RICHARDS**
CHAIRMAN AND CEO

2017 WAS A PIVOTAL YEAR FOR WANDISCO. WE SHIFTED THE FOCUS TO GROWTH WITH A NEW COMMERCIAL STRATEGY THAT RECORDED CLEAR, DEMONSTRABLE AND MEANINGFUL RESULTS.

- Major contract wins through IBM OEM agreement
- Secured Virtustream OEM agreement
- Signed new or added to partnerships with IT and Cloud industry leaders
- New release of WANdisco Fusion® 2.11 including significant performance improvements

## Business review

2017 was a pivotal year for WANdisco. Where 2016 saw us transform our financial position, realign our cost base and enjoy the first operational benefits of these actions, in 2017 we shifted the focus to growth with a new commercial strategy that recorded clear, demonstrable and meaningful results.

All of our strategic priorities are aligned with this growth plan, and we delivered on each one in 2017. First is our aim to capitalise on the significant growth opportunity for our Fusion product in the Cloud and Big Data markets, leveraging our unique position to ensure that our customers can realise uninterrupted value from the data they hold. To that end, we are developing the scale and reach of our sales partner channel, and investing in the research and development activity necessary to evolve our product and strengthen our competitive advantage. At the same time, we continue to actively support our Source Code Management product, recognising that the ability to keep application development synchronised across distance is one of the original use cases and proof points for our technology.

In 2017 we delivered a new release of WANdisco Fusion, our live data replication platform, featuring more than 1,000 enhancements, enabled by our work with large data sets in live customer deployments. We also delivered on our indirect sales plan, with major new partnership signings during the year, as well as broadening and deepening our existing relationships. In 2017 these partnerships gave rise to our most significant customer wins to date, delivering tangible growth in revenues and bookings while controlling costs.

The investment community has continued to support our story and growth ambitions. In December 2017, we raised $22.0 million of gross proceeds from a secondary placing, which will allow us to invest ahead of customer and partner demand. The placing was well received by both existing and new shareholders.

## Big Data – WANdisco Fusion

The demand for WANdisco's solutions continues to grow as organisations across a wide range of sectors recognise the value of being able to harness and react to very large live data sets in real time. Day to day, this capability is providing the basis for innovative customer service, service personalisation, social-media monitoring, online booking systems, fraud detection, complex diagnostics, and targeted maintenance. It is also central to emerging business models – those being built around the Internet of Things and artificial intelligence/ machine learning. Autonomous cars, smart transport systems, machine-assisted medical research, personalised advertising and media services, and new banking, retail and manufacturing models all rely on the ability to harness live data at significant scale.

Although businesses across a wide range of sectors are moving live data between locations, the lack of parity between the original source data and that data being held or used in secondary locations is limiting what those companies can do with it. As a consequence, this limits the ability for companies to realise the value of their data and potentially creates a tangible business risk. In a backup scenario, the impact of any data disparity is particularly acute; when, in the restore process, core systems have to be rolled back to the last copy of current data. Over the last four years, Fortune 1000 companies have cumulatively lost $3.7 billion of revenue because of failures in their systems, according to calculations by Wikibon Research[1]. WANdisco Fusion reduces companies' exposure to such losses by dramatically reducing their recovery time in the event of an outage.

## Source Code Management

Our long-standing Source Code Management revenue stream continues to produce healthy recurring revenues in line with expectations. This product set harnesses the same data replication technology that underpins WANdisco Fusion, to keep dispersed teams of software developers strictly in sync as they collaborate on code, even if they are on opposite sides of the world.

## Indirect sales strategy

From a strategic perspective, our most significant achievement in 2017 was putting in place a partner ecosystem for WANdisco Fusion, based on OEM and other channel partner arrangements. Our initial OEM relationship with IBM, signed in 2016, has already justified this approach, producing two record contracts with major financial-services multinationals in 2017, each worth in excess of $4 million.

During the year we also signed new or added to partnerships with IT and Cloud industry leaders, expanding our opportunities to capitalise on those companies' global reach and large international enterprise sales teams. IBM alone has 5,000 sales people who are now incentivised to sell WANdisco technology globally.

These partnerships serve as an important endorsement of WANdisco Fusion, too – confirming our leading position in the market. Our flagship platform meets customer needs that prominent technology brands have been unable to satisfy through other means.

## Protecting our advantage

WANdisco's intellectual property, which is based on complex mathematics developed over several years, is well protected; we have more than 27 patents filed to date with 11 now granted. Furthermore, WANdisco Fusion is used every day, at significant scale, by major brands in financial services, retail and manufacturing in North America – those applications feed back into our product development, allowing for continuous improvements.

## People

Our people are vital to our success, and WANdisco is proud to employ some of the most qualified and experienced talent in distributed computing and data science. As a company, we are committed to providing competitive employment conditions as well as very challenging and stimulating work, to ensure we attract and retain the best people.

Our people also make a significant contribution to our local communities. We have initiated a range of creative schemes to inspire schoolchildren about the potential of data science. Our people are also working closely with the University of Sheffield to advance dementia research using WANdisco Fusion, as part of a major European project. On behalf of the Board, I would like to extend our heartfelt appreciation to everyone at WANdisco for their efforts this year.

## The Board

In February 2017, Dr Yeturu Aahlad, 60, WANdisco's Co-founder and Chief Data Scientist, was welcomed to the Board. Dr Aahlad is a pioneer in the field of live data replication, the patented process that forms the basis of WANdisco Fusion. At the same time, James (Jim) Campigli, Chief Operating Officer, Head of Marketing, Co-founder and member of the Board, stepped down to pursue other business interests.

## Outlook

Looking ahead to 2018, WANdisco is well positioned to take advantage of a wide range of attractive growth opportunities. Currently, around 60% of WANdisco Fusion's bookings are in the financial services sector, across applications ranging from fraud management to improved business continuity. We are now beginning to move into retail, manufacturing and healthcare, where there is significant opportunity and we have started to win business. Our strategic partners will help us unlock many more opportunities, both horizontally and internationally, as they introduce our technology to their existing enterprise customers and take it out to their target markets around the world as a means of migrating, exploiting and safeguarding live data at significant scale across locations.

As 2018 unfolds, our momentum with OEM and reseller partnerships continues. In January we secured a sales agreement with Bytes Technology Group UK, a leading provider of software licensing and Cloud services.

Our market does not stand still and nor does our product. As a multi-application, live data replication platform which we improved substantially in 2017, we have not only increased the opportunity for WANdisco Fusion but also made our core platform easier for partners to sell and deploy.

We have begun 2018 with a strong new business pipeline across multiple sectors, and, with the proceeds from our recent placing, we now have the resources to better capitalise on the sizeable market opportunity, as we deepen and broaden our strategic partnerships in order to maximise our sales pipeline.

**David Richards**
Chairman and CEO
23 March 2018

1 "Wikibon Big Data in the Public Cloud Forecast, 2017-2026", Ralph Finos, 31 May 2017.

# The future of LIVE DATA

## WANdisco: what we do

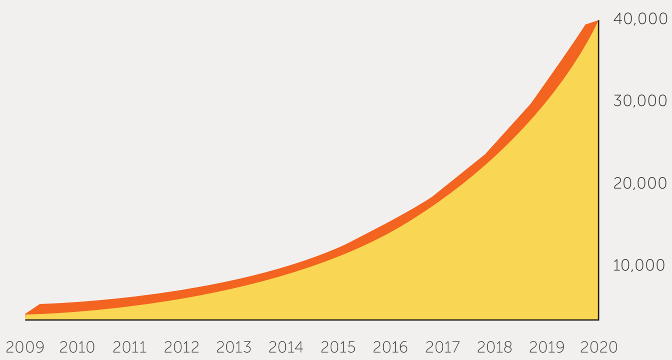
In the digital era, all organisations are in the data business whether they realise it or not. It is through the strategic use of data that new market entrants are disrupting established industries and traditional businesses are creating profitable new revenue streams. The ability to harness vast amounts of live data reliably, so as to inform intelligent actions, has the potential to revolutionise everything from customer service and fraud detection to health care delivery. It will be the key to advances in artificial intelligence, the Internet of Things and much more.

Yet the ability to harness the same live data at vast scale for multiple applications in multiple locations is hard. It relies on having a guaranteed way to keep that data aligned and in sync at all times. Until WANdisco Fusion, this was simply not possible.

WANdisco is the only company with a solution to the replication of continuously changing live data, at vast scale, between locations and with guaranteed consistency. Our foundational technology, Fusion Kernel, uniquely solves a complex problem in **WAN**-scope **Dis**tributed **Co**mputing. It ensures that an organisation's live data is always available, always accurate, and always protected – wherever it is located and at any scale.

In addition to companies' growing appetite for exploiting live data in ever more ambitious ways and at vast scale, there are two other major factors driving our business. These are the rise of Cloud computing and the rapidly decreasing cost of storage. This means it is now both affordable and practical for enterprises to capture and store the digital universe, and to distribute continuous live copies to other locations for use in a range of business-critical applications. WANdisco's technology supports mass-scale live data use across any combination of on-premise and Cloud deployments, including Cloud migration.

### Size of the digital universe (exabytes)[1]




As organisations become increasingly reliant on live data, their vulnerability to outage has grown too. The more they rely on live data for critical business activities, the greater the risks associated with losing access to that data. These risks are not only linked to the period of immediate downtime when productivity stops, but also to the recovery process as distributed systems are brought back in sync.

Downtime and poor data accuracy cannot be tolerated in the on-demand data age. The bigger the data set, and the more frequently it changes, the larger the disparity between end points and the longer the interruption to business if something fails. What might have been 15 minutes of downtime in the old world could be anything up to several days or weeks in a live, distributed, Big Data context.

Our WANdisco Fusion LIVE DATA platform, built on Fusion Kernel, allows enterprises to take advantage of strategic data and ensure that mission-critical applications meet business service-level agreements ("SLAs"). It does this without detracting from the performance of core systems by ensuring that distributed, real-time data is:

- always available as a shared logical pool of data;
- always accurate, with full integrity and mathematical consistency;
- always protected, with all nodes active and no single source of failure; and
- always run with a fundamentally lower cost structure than traditional IT infrastructures have allowed.

Today, some of the largest companies in the world use our technology, illustrating its effectiveness in solving mission-critical issues. The rationale for deploying our technology continues to grow and multiply across industries.

**USE CASE — MEDICAL DIAGNOSTICS**

## Accelerating research via real-time analytics and machine learning

An EU-supported research project led by the University of Sheffield's Centre for Computational Imaging and Simulation Technologies in Biomedicine is using WANdisco Fusion to accelerate dementia research. The technology enables huge volumes of unstructured and continuously changing data – from evolving patient data (e.g. worsening cognitive and motor skills) to the latest MRI scans – to be analysed using almost 1,000 applications distributed across eight different Cloud providers, toward a better understanding of dementia's development. It marks the first time in history that the medical field has not only the volumes of the right data built up over time, but also the means to analyse and make sense of it in a meaningful and timely way.

We analysed all the solutions on the market to transfer data from on-premises to Cloud providers. WANdisco Fusion was the only solution that offered the speed, guaranteed consistency and Active-Active WAN replication we required to analyse our patient data.

**Dr Susheel Varma,** Technology Officer for the Centre for Computational Imaging and Simulation Technologies in Biomedicine

THE ABILITY TO HARNESS THE SAME LIVE DATA AT VAST SCALE FOR MULTIPLE APPLICATIONS IN MULTIPLE LOCATIONS IS HARD. IT RELIES ON HAVING A GUARANTEED WAY TO KEEP THAT DATA ALIGNED AND IN SYNC AT ALL TIMES. UNTIL WANDISCO FUSION, THIS WAS SIMPLY NOT POSSIBLE.

90%

of data in the world created in the last two years (IBM 2016)

19m

software developers in the world

## Our market

The exponential rise in data consumption has been widely documented. Various estimates concur that the size of the digital universe will at least double every two years, equating to a 50-fold increase from 2010 to 2020. This growth is being fuelled by connected people and connected machines, where data is now growing at a rate that is around ten times faster than that for traditional business data[2]. At the same time, we have seen a 100-fold decrease in storage costs, driven by a reduction in the price of hardware as well as the accelerating adoption of Cloud IT services.

These trends have converged to create a significant addressable market for WANdisco's technology. Over the months and years to come, we expect more and more enterprises will seek competitive advantage from the exploitation of complex data sets. The ability to scrutinise more data in detail also offers organisations new scope to increase efficiency – by discerning where to focus resources, and hone problem solving and risk management. More sophisticated data-distribution plans can also help with regulatory compliance by building business resilience and enhancing data protection.

These significant market drivers have led some of the biggest global names in banking, retail, health care and other markets to WANdisco. They are also the reason that prominent IT and Cloud providers have partnered with us to offer our technology to their customers – from the likes of IBM, Dell EMC and Cisco to Amazon Web Services, Google and Microsoft.

### Scoping the data replication market opportunity

Business applications for our products are growing continuously, and so are our potential customers. We expect the market potential for WANdisco Fusion to continue to grow in proportion to the need to replicate large volumes of live data.

To understand the vast size of our market opportunity, we need only look at estimates for stored data and data centre traffic. Statista estimates that data centre storage by 2020 across traditional data centres and private Cloud and public Cloud data centres will be around 1,800 exabytes of data by 2020[3]. At a conservative estimate, based on Cisco's predictions, 10% of this data will pass between data centres, meaning that 180 exabytes of data may be subject to replication within a couple of years[4]. This is the starting point for estimating WANdisco's market opportunity for live data replication.

### Expanding our opportunities

Up to now WANdisco has secured business in a number of vertical industries, most notably financial services, retail, manufacturing and health care. In 2017, through our roll-out of channel partnerships, we identified opportunities to apply WANdisco Fusion more horizontally across the enterprise market.

WANdisco Fusion is relevant to any organisation relying on vast quantities of live data for both core operations (disaster recovery, or synchronising branch and head office systems) and innovative onward purposes (such as real-time analytics in the Cloud). With this in mind, we are now actively promoting new uses for our technology and making it as easy as possible for our strategic partners to apply it widely. To this end, we have been developing a range of plug-ins to make WANdisco Fusion easy to integrate with other applications.

The common denominator for all users is that very high volumes of active data need to exist in more than one place at once. The greater the importance and scale of the data and the bigger the organisation's ambitions for it, the more those businesses need WANdisco Fusion.

**USE CASE — FINANCIAL SERVICES**

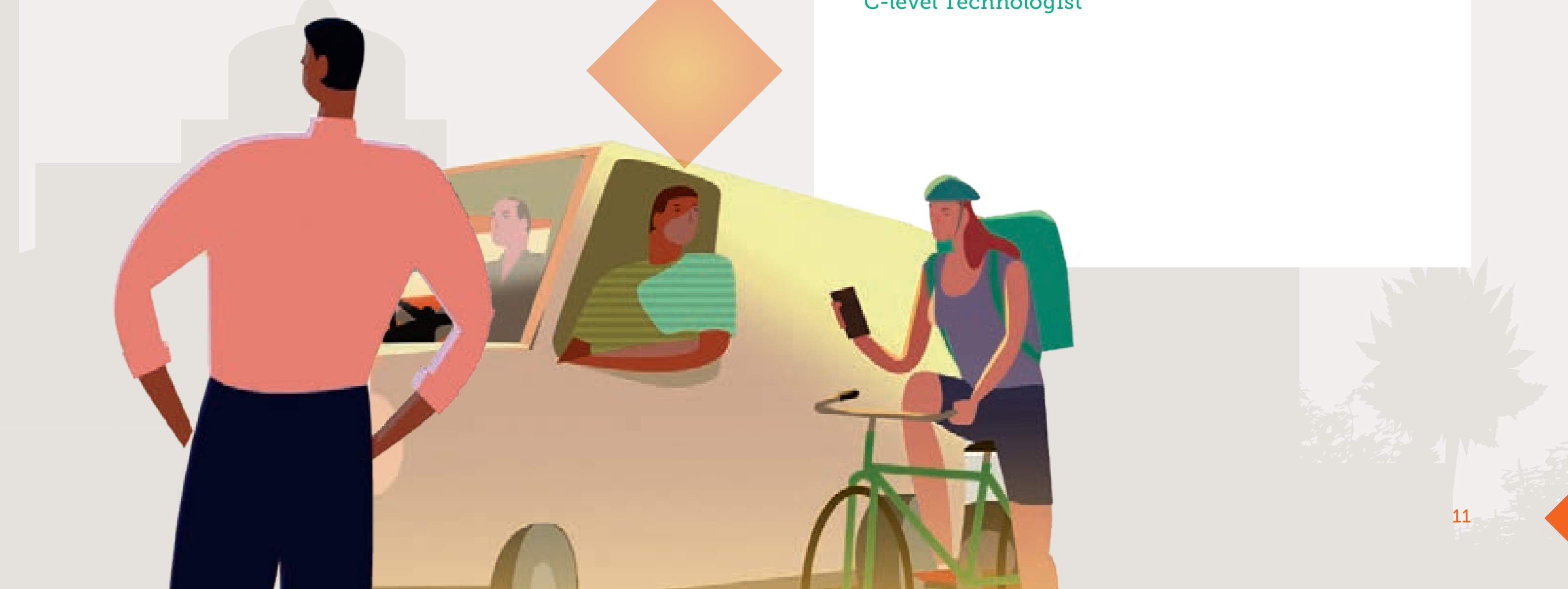
## Data availability compliance

One of WANdisco's largest customer signings in 2017 was a North American bank. It needed to deploy a large "data lake" (a storage repository that holds a vast amount of raw data in its native format until it is needed) to support a range of business-critical applications. But, as strategic applications moved onto the new platform, the bank needed to be able to ensure that access to the latest data could never be compromised – in accordance with industry regulations. This required a level of live data synchronisation between core transactional systems and a new data lake platform that exceeded the bank's existing capabilities.

After extensively testing WANdisco Fusion to be sure it would be able to comply with stringent service levels at scale, the bank has begun moving new applications across to the data lake.

> We extensively evaluated WANdisco against our fundamental requirements for data availability. This was the only solution we could find that could meet and surpass these.

C-level Technologist



USE CASE — HEALTH CARE

## Ensuring continuous access to patient data

Health care organisations rely on uninterrupted access to patient data, whether for providing the best care or managing payment plans. Whatever the use case, health service providers must adhere to rigorous regulations designed to protect patient privacy as well as safety. With such large volumes of patient records being held and added to all the time, managing and harnessing all of this information needs the "Big Data" treatment – on a platform designed to cope with huge live quantities.

In 2017, a US health care payment solutions provider chose WANdisco Fusion to underpin the move of its patient data onto a Big Data platform run in a private Cloud. The company needed to ensure continuous data access, with no risk of the latest data being lost in the event of system failure. Anything more than 15 minutes of downtime, and any data loss whatsoever, could create significant problems. Using WANdisco's live data platform meant the organisation was able to exploit the scalable Big Data infrastructure hosted in a private Cloud, without risk of downtime or data loss.

Without this technology, our testing indicated we could suffer weeks of outage and that is not feasible for these applications.

**Senior Director,** Data and Analytics

## Applications and use cases

As organisations review their IT infrastructures to enable them to exploit live data more efficiently and ambitiously, demand for WANdisco Fusion is linked to:

### The need to operationalise LIVE DATA

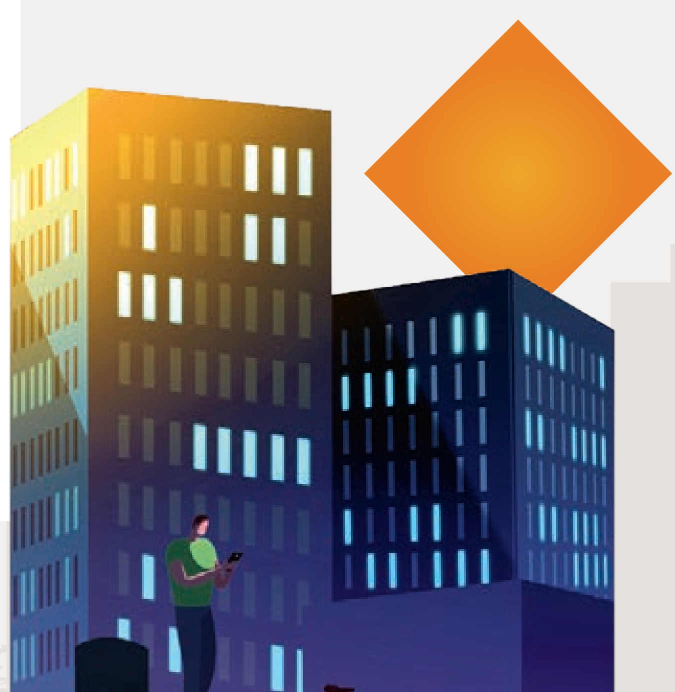
Businesses are seeking to exploit real-time data in new and creative ways to drive competitive advantage. This may be existing data already being captured and processed in core business systems, which is simultaneously replicated to another part of the company's infrastructure, or into the Cloud, for deep analytics (for example as part of fraud monitoring and prevention, or some form of continuous operations monitoring or customer sentiment tracking). Alternatively, it could be new data feeds, such as those captured by smart sensors and devices, as part of new Internet of Things applications designed to drive new service innovation or more intelligent asset management. Examples include real-time traffic and route management, and connected cars.

WANdisco Fusion makes it possible for organisations to simultaneously exploit the same live operational data in multiple ways in multiple places, with full confidence that data is continuously in sync and absolutely accurate all of the time.

Our patented Fusion Kernel guarantees data consistency across all nodes by treating all of these as equals. This means there is no single point of failure. Because all data exists in a shared logical pool, it is always live and always available, even if one end point fails. It also means that organisations do not need cold storage to keep copies of their data.

2.5

quintillion bytes volume of data created every day (IBM 2016)



**USE CASE — RETAIL**

## Keeping primary and disaster recovery sites in sync with the Cloud

When one of the world's largest retailers decided to replace legacy storage systems with more flexible, scalable and cost-efficient resources in the Cloud (Hadoop running on Microsoft Azure) and use a second disaster recovery data centre for compute workloads, it needed to find a failsafe way to move around active, critical customer transaction data. This needed to transfer between primary and disaster recovery sites and the Cloud – with no downtime and no business disruption.

In WANdisco Fusion, the retailer found the only enterprise-grade solution capable of moving critical data in large volumes and upgrading its systems seamlessly, while maintaining strict service-level agreements across its disaster recovery operations.

Now that the retailer has implemented the technology across two data centres and Microsoft's Azure Cloud platform, continuous data replication between the three end points is completely automated; server hardware requirements have been halved (disaster recovery sites are now used for compute workloads); and upgrades and server relocation are seamless. Throughout, there has been no interruption to the retailer's ability to capture and analyse customer data from its stores and website.

Quite simply, WANdisco enables us to use our disaster recovery data centre for compute workloads. This means we are able to fully utilise our server infrastructure, and that dramatically reduces our costs.

**Senior Director,** Data and Analytics

### The need to control IT costs as data volumes soar

In the Big Data age, companies can not afford to build out their infrastructures to cater for every data possibility. With WANdisco Fusion, organisations can migrate to the Cloud without any business disruption, transforming their IT cost structure and making their technology and data investments work harder. WANdisco Fusion is fully automated too.

### The need to embrace continuous innovation

Because it supports live data existing in more than one place, WANdisco Fusion enables businesses to innovate and experiment with that data while simultaneously maintaining business as usual. They can do this on their own premises, in the Cloud or across any combination of the two. WANdisco Fusion's growing spectrum of plug-ins, for easy integration, offer companies maximum options while full data portability means they are never tied to using a particular Cloud provider to host and process their data. WANdisco Fusion is highly scalable too, so companies do not need to be restricted in their ambitions to do more with their Big Data.

We expect WANdisco Fusion's use cases to continue to expand and diverge in 2018 as our partners introduce it to their own customer bases.

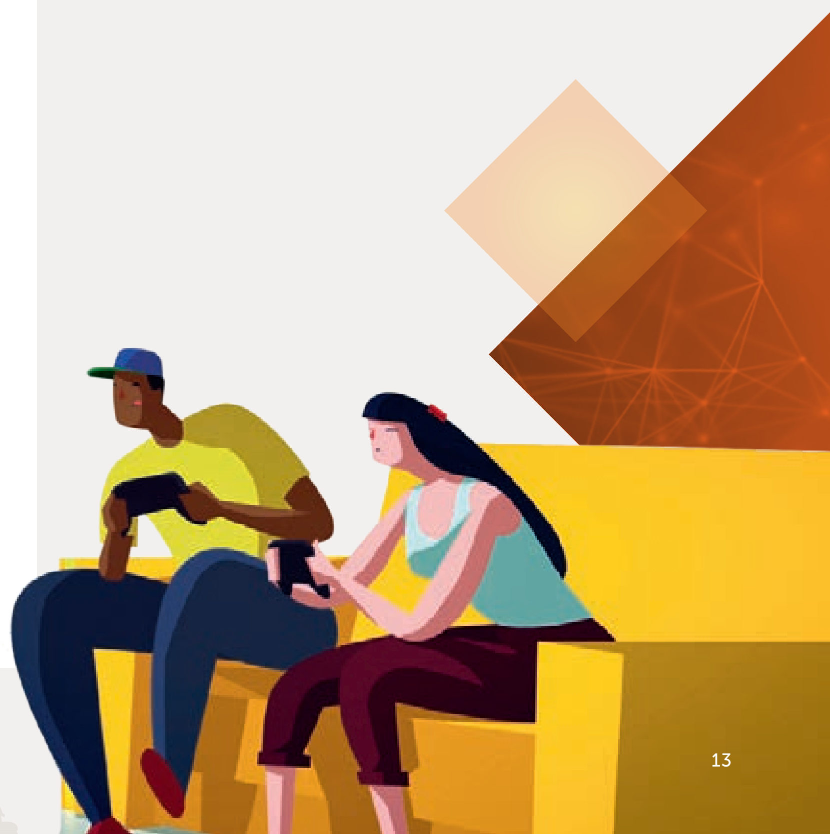
1 The digital universe in 2020, IDC, December 2012: www.emc.com/collateral/analyst-reports/idc-the-digital-universe-in-2020.pdf.

2 Global data centre IP traffic from 2012 to 2020 by type (in exabytes per year), Statista: www.statista.com/statistics/227259/forecast-of-global-data-center-ip-traffic-by-type/.

3 Data centre storage capacity – traditional vs. Cloud storage – worldwide from 2015 to 2020 (in exabytes), Statista: www.statista.com/statistics/638593/worldwide-data-center-storage-capacity-cloud-vs-traditional/.

4 Cisco Global Cloud Index 2016: newsroom.cisco.com/press-release-content?articleId=1804748.

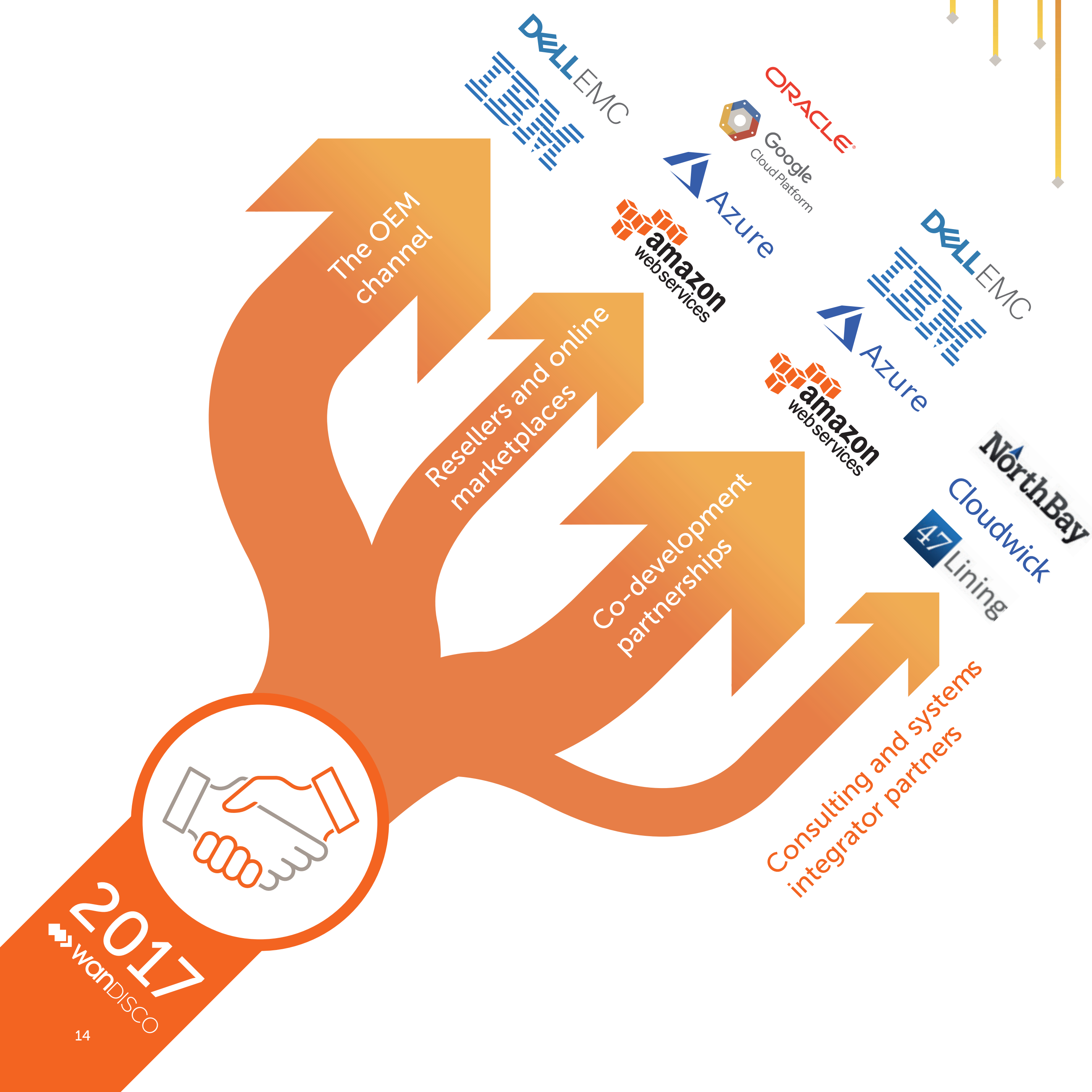




# Developing our indirect channels

WANdisco's growing market penetration comes as its indirect strategy spans multiple types of indirect sales channel, which together offers the Company massive market reach.

**There are four main categories of channel partner currently:**



# Delivering on our sales strategy

## Summary of achievements

Of all the significant developments WANdisco has delivered in 2017, the execution of our indirect sales plan has been the most strategically important. In 2016, WANdisco was still primarily a direct sales organisation, with a market reach that was limited by our finite sales force. In 2017, we won or deepened strategic relationships with market-leading IT and Cloud providers, including Amazon Web Services ("AWS"), Microsoft, Google, Dell EMC, Oracle, Cisco and HP Enterprise. By the end of 2017, our channel revenues outweighed direct sales.

These partnerships are significant for three reasons:

- they provide WANdisco with access to vast sales teams, adding significant global and horizontal market reach;
- they allow WANdisco to drive more bookings at lower cost; and
- their endorsement of WANdisco Fusion strengthens our brand and our portfolio of partners. This is highlighted by the speed at which WANdisco Fusion has been approved and embedded into our partners' portfolios, and by the fact that industry giants such as Amazon and Microsoft are modifying their own products to take advantage of our technology.

## Driving channel sales success: supporting our partners

Part of the $22m we raised in an equity sale towards the end of the year will be invested in developing our channel strategy. We will introduce dedicated channel account managers for key partner accounts, and create a dedicated software engineering team. Their remit will be to work with technology partners on the closer integration of our technologies and to accelerate speed to market with our joint solutions and speed to results for enterprise customers.

In tandem with this shift in emphasis, we have been reducing our direct sales and pre-sales staff. Building teams that support our customers and partners is a more efficient use of our resources, and will ultimately drive faster and more profitable revenue growth.

## The indirect sales plan: a breakdown by channel

WANdisco is targeting third party technology companies and Cloud platform providers who want to embed, offer or recommend our Fusion product as part of or an extension to their platforms.

### 1 OEM partners

The ideal partner relationship, from WANdisco's perspective, is an OEM arrangement, exemplified in our agreements with IBM and Dell EMC. Here, the core Fusion Kernel technology is built into their solutions and sold by their sales teams. This type of relationship offers the most cost-efficient path to market, and gives us maximum market reach. IBM and Dell EMC each have sales teams of several thousand people who will be incentivised to sell our technology with their own Big Data technologies.

Early in 2017, in keeping with our evolving channel account management strategy, we recruited a dedicated team of people to support the IBM OEM account. They are former IBM employees – people who understand the inner workings of the company and have extensive experience of selling IBM Big Data analytics solutions – who operate as an extension of IBM within WANdisco. They are based in the UK and the US to service our customers in Europe and North America respectively.

We plan to replicate this dedicated account team model across other partnerships to ensure WANdisco Fusion is front of mind when sales teams go out to customers, and to provide all the necessary backup for both new sales and developing accounts.

## IBM

During 2017, our OEM relationship with IBM bore significant fruit, bringing in two record contract wins with major global finance institutions, each worth in excess of $4m. WANdisco Fusion's horizontal and international opportunities are extensive when combined with IBM's hyperscale Cloud analytics proposition. Our biggest customer wins in 2017 resulted from this relationship, including two multimillion-dollar deals in financial services and contracts in health care, automotive manufacturing, retail, telecoms and government. Geographically, IBM is already opening up broader sales opportunities in regions such as Asia-Pacific, India and Latin America.

IBM's familiarity with handling large contracts, and its leadership in Big Data analytics, make this a very important partner account.

ONE OF OUR GOALS IS TO REPLICATE [OUR EXISTING SUCCESS] ACROSS MULTIPLE REGIONS. WE ARE ALREADY DOING THIS AND HAVE A PATTERN FOR DRIVING THIS EXECUTION. THE POTENTIAL NOW IS TO EXPAND TO ALL REGIONS – BEYOND THOSE SUCH AS NORTH AMERICA AND EUROPE WHERE WE ALREADY HAVE SUCCESS.

**Nick Dimtchev,** Business Unit Executive, IBM's Analytics Division, speaking at WANdisco's Capital Markets Day in London, UK (October 2017)

## DELL EMC

We signed our second strategic OEM sales partnership in November 2017, with Dell EMC's Virtustream, which provides Cloud management software and managed infrastructure services. The deal will see WANdisco Fusion embedded as a key replication solution for hybrid Cloud scenarios across Virtustream Cloud management solutions worldwide. This agreement, worth a minimum of $3.6m over three years to WANdisco, will further expand Fusion's addressable market.

Significantly, EMC is a recognised leader in elastic Cloud storage ("ECS") – technology that offers companies the flexibility and economics of Cloud-based data management but using appliances on their own premises in the form of local private Clouds. In Gartner's Magic Quadrant for Distributed File Systems and Object Storage[1], Dell EMC and IBM dominate this market.

Between these two major OEM deals and our strategic partnerships with AWS and Microsoft, WANdisco is now in a prime position to capitalise on the private and public Cloud markets for live data replication.

## 2 Reseller partnerships and online marketplaces

Another element of our strategy is to build strong resale partnerships, through which technology or Cloud service providers offer WANdisco Fusion as an authorised and preferred third party add-on to their own propositions.

An important part of this strategy is ensuring that WANdisco Fusion can be accessed, consumed and billed to match the way in which enterprises are increasingly sourcing the technology they need – on tap from online marketplaces, for instance, via a Software-as-a-Service ("SaaS") consumption-based model.

Part of our Cloud and software partnership plan, then, is about being seen in the places where our end customers are likely to be looking for solutions – and being easy to access there. To date, WANdisco Fusion can be found on Amazon Web Services, Microsoft Azure and Oracle's marketplace.

Our relationship with Amazon Web Services is based on the AWS marketplace and joint sales opportunities. It offers us the opportunity to target a massive global market as an approved and recommended Amazon Cloud partner solution.

As a measure of the perceived value of our technology to Amazon and its customers, in 2017 AWS appointed a dedicated partner management team to work alongside us on joint opportunities. This unusual move (towards a company of our relatively modest size and profile) recognises that WANdisco Fusion is an important enabler for AWS's "data lake" plans. During 2017, AWS launched and funded campaigns with us, positioning WANdisco Fusion as the solution for enterprise customers looking to move their data lakes (vast data storage repositories) to the AWS Cloud without risk of downtime.

We are now talking to AWS consulting partners and systems integrators in different regions – those with competencies in Big Data and Cloud migration, for instance. Together we are positioning a joint AWS–WANdisco proposition, a 30 day, zero-cost pilot, to encourage enterprise customers to build a hybrid data lake to harness the economics of the Cloud. Our technology acts as the bridge, prompting customers to move data to AWS. For AWS, the addition of WANdisco Fusion removes potential friction from Cloud adoption and offers to accelerate the time to value for customers.

In late November 2017, we extended our relationship with AWS to include a co-development agreement, involving the integration of WANdisco Fusion with Amazon's Snowball appliance, which customers can use to physically move very large data sets to and from the AWS Cloud. The development will enable AWS customers to exploit the bulk transfer capabilities of AWS Snowball to transfer changing information from Big Data applications to Amazon Simple Storage Service (more commonly known as Amazon S3), with guaranteed data consistency – avoiding the downtime and cost usually involved in transferring data in bulk across a network.

**IBM**

## What our partners see in us: WANdisco's value to IBM

In 2016, IBM agreed to OEM WANdisco Fusion and offers it as an own-branded component of its Big Data analytics proposition. Technology white labelling is an unusual move for IBM; it confirmed the broader global market potential for WANdisco Fusion, and became the trigger for our indirect sales strategy.

In October 2017, Nick Dimtchev of IBM's Analytics Division, spoke at WANdisco's Capital Markets Day for investors, highlighting what WANdisco's technology means for IBM's analytics business and its enterprise customers.

The goal for the customer is to drive better analytics – yet data can stand in the way, being scattered, difficult to find, and vast in scale. This is the opportunity we are addressing. We work with large multinational corporations – companies that have considerable data complexity, who need to simultaneously reduce their IT cost of ownership and their risk of exposure to system failures or compromised data quality.

Big Replicate [the branding IBM uses for WANdisco Fusion] allows us to address all of this. Best of all, this is a proposition that is infinitely repeatable.

**Nick Dimtchev,** Business Unit Executive, IBM's Analytics Division

## Azure

In the second half of 2017, we signed similar agreements with Microsoft – through which WANdisco Fusion:

- has become an authorised Azure solution for Cloud-based Big Data applications; and
- will provide a more resilient means for Microsoft customers to physically transfer large-scale data in and out of the Azure Cloud.

The integration of WANdisco Fusion with Microsoft Azure HDInsight, announced in September 2017, means Microsoft Cloud platform customers can source WANdisco Fusion via the Azure Marketplace – enabling them to continuously replicate live data at scale between any combination of Big Data and Cloud environments. This was followed by the news in October 2017 that Fusion was being integrated into Microsoft Azure Data Box, enabling Microsoft Cloud customers to transfer large volumes of live data to Microsoft Azure (for deep analysis, for example) without downtime or data disparity.

Even at this early stage, Microsoft has awarded us "co-sell" partner status – which is not usually bestowed until a partner has delivered at least 20 sales. This is an indication of our technology's perceived strategic and monetary value to Microsoft's Cloud strategy. This status means Microsoft sales people will be compensated whenever a WANdisco Fusion sale is made on Azure, so it is in their interests to promote our technology.

Microsoft, like AWS, has assigned dedicated partner management resources to WANdisco, in recognition of our strategic value to its Cloud business and customers. By the year end, within just two months of our relationship's launch, we have collaborated on events and built up a healthy pipeline of business.

As Microsoft's established customer base includes some of the oldest financial services organisations in the world, the scope for WANdisco to grow its presence in this important market is considerable. That is in addition to all the other industry sectors where Microsoft has a strong presence.

## 3 Other technology partners

### ORACLE

Oracle represents one of WANdisco's first partnerships, taking the form of a co-sell agreement. In mid-2017, we announced our Maximum Availability Architecture ("MAA") accreditation with Oracle – the highest possible across Oracle products in relation to disaster recovery and high data availability. Although Oracle has its own products to address such requirements, these do not cater for petabyte-scale unstructured data. WANdisco Fusion fills this gap.

We are now working to extend this partnership and level of accreditation to other Cloud-like products that Oracle is developing. In September 2017 we announced WANdisco's inclusion in the Oracle Cloud Marketplace, allowing Oracle Cloud Applications customers to purchase the technology via a consumption-based pricing model.

## 4 Consulting and systems integration partners

Another strand to our evolving indirect channel strategy is the third party consulting and systems integrator channel – those companies that are at the front line, solving real customer problems to do with IT infrastructure, Big Data and digital transformation. These partners will range from well-known international names to more specialist boutique operations. These companies might only go as far as providing consultancy and recommendations, or actively reselling and integrating our technology into final customer solutions. Existing partnerships in this category include 47Lining, Cloudwick and Northbay.

Our strategic IT vendor and Cloud service partners are encouraging us to partner with these third parties too because of their close proximity to complex customer challenges and associated sales opportunities. 47Lining and Cloudwick, for instance, are preferred Amazon data migration partners, while some of the big wins we secured with large financial institutions earlier in the year were driven by Oracle's strategic partners.

1 Magic Quadrant for Distributed File Systems and Object Storage, Gartner, October 2017.

# Solving data management challenges

WANdisco's technology solves critical data management challenges across Cloud computing and Big Data for enterprise customers and their service providers. The ability to replicate live data at vast scale to the Cloud and on-premises data centres with guaranteed consistency, continuous availability and no business disruption frees companies to innovate in the way they exploit data for new business insights and initiatives.

## WANdisco Fusion

WANdisco Fusion, launched two years ago, is our next-generation LIVE DATA replication platform, an architecture that supports a wider range of data environments than our original Hadoop deployments.

In addition, WANdisco Fusion provides storage support for Cloud infrastructure including Amazon S3, Google Cloud, Microsoft Azure and IBM OpenStack Swift, as well as NAS and SAN networked storage environments. In March 2017, we added support for seamless data replication at vast scale from Network File Systems ("NFS") for NetApp devices to any mix of on-premises and Cloud environments. All of these capabilities add to our market potential.

## WANdisco Fusion® version 2.11: major performance improvements

In November 2017, we announced a major new release of WANdisco Fusion® – version 2.11. This featured more than 1,000 improvements, including significant performance enhancements to our core replication engine, Fusion Kernel. These enhancements are the result of extensive testing and production use of WANdisco Fusion with substantial data loads from major global enterprise customers in financial services, retail and manufacturing.

The most significant impact has been to overall product performance. WANdisco testing across a variety of load types shows a doubling of throughput as well as tangible reductions to memory requirements.

In addition, we have introduced greater flexibility in the way our partners and their customers can use our technology. Additional plug-ins mean WANdisco Fusion can address a wider range of use cases, including large-scale data migration between data centres and the use of Cloud storage "appliances".

## Source Code Management

The need for live data replication across distance is exemplified in software development, where geographically dispersed teams of engineers need to stay continuously in sync, confident that they are all working with the latest code.

WANdisco Source Code Management ("SCM") products, which harness the same patented Fusion Kernel as WANdisco Fusion, provides real-time data synchronisation between diverse development locations – between local and offshore software engineers, for instance. This continues to provide a strong revenue stream.

## Product protection: safeguarding our IP

WANdisco's technology continues to be unrivalled in the marketplace. Until we developed WANdisco Fusion, there was no practical or affordable way for companies to keep mass-scale real-time data consistently and continuously replicated across distance.

Our IP – as embodied in WANdisco's Fusion Kernel and the products we have built from this – is well protected. To date, we have filed more than 27 patents, and eleven have been granted already. We also have a head start of more than twelve years over any potential competition. This early foothold, and the ongoing improvements we are making from experience with real-world applications of our technology at massive scale, continue to ensure our market advantage.

## Product plans for 2018 and beyond

Our product strategy will continue to evolve in line with our indirect sales strategy, with further enhancements designed to capitalise on the cross-industry opportunities and high-growth use cases we have identified. Our main focus for 2018 will be to accelerate the speed to market of solutions co-developed with or optimised for our strategic partners.

We are currently exploring how our unique replication technology can address challenges prevalent in new distributed ledger technologies such as blockchain, for example the current lack of transparency.

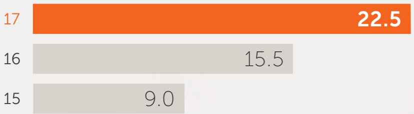
# Measuring success

Our KPIs reflect the business' financial performance in 2017.

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

### New sales bookings ($m)

$22.5m +45%

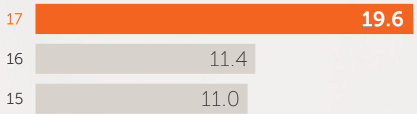



#### Performance in 2017

New sales bookings increased compared to the prior year. This was primarily due to Fusion, where bookings increased to $15.7m (2016: $7.1m), an increase of 121%.

### Revenue ($m)

$19.6m +73%

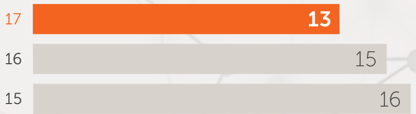



#### Performance in 2017

Revenue for the year ended 31 December 2017 was $19.6m (2016: $11.4m). The growth in revenue was due to a significant number of new customer contracts and a consistent revenue stream from existing contracts.

### Big Data – WANdisco Fusion customer wins

13 -13%

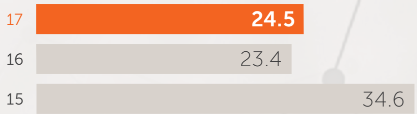



#### Performance in 2017

During the year we continued to evolve our Fusion product in response to customer and channel partner requirements. Our customer base expanded by 13 (2016: 15). The new customer wins in 2017 were at a higher average value than the prior year. A number of these have developed through the new channel relationships established during the prior year, such as the IBM OEM.

### Cash overheads ($m)

$24.5m +5%




#### Performance in 2017

We made targeted increases in expenditure during the year, principally in the areas of research and development and sales and marketing, resulting in a slight increase of $1.1m.

# Key risks and risk management

## The Group's operations expose it to a variety of risks.

Effective risk management aids decision making, underpins the delivery of the Group's strategy and objectives and helps to ensure that the risks the Group takes are adequately assessed and actively managed.

The Group regularly monitors its key risks and reviews its management processes and systems to ensure that they are effective and consistent with good practice. The Board is ultimately responsible for the Group's risk management.

The risk management process involves the identification and prioritisation of key risks, together with appropriate controls and plans for mitigation, which are then reported to the Board. As with all businesses, the Group is affected by a number of risks and uncertainties, some of which are beyond our control.

The table below shows the principal risks and uncertainties which could have a material adverse impact on the Group.

This is not an exhaustive list and there may be risks and uncertainties of which the Board is not aware, or which are believed to be immaterial, which could have an adverse effect on the Group.



**PEOPLE**

| Risk description | Risk mitigation | Risk change |
|---|---|---|
| Our future success depends on 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 the future join competitors or establish themselves in competition.<br><br>During the year the headcount increased from 118 to 132 heads. This increase was a targeted increase in the R&D and sales teams to support investment in our product and channel strategy. It is essential that we retain and motivate our workforce and attract the right talent in the case of any replacement and new hires in the future. | Our Human Resources function 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.<br><br>Stock-based compensation has continued to be an important component of retaining, motivating and attracting key talent. | Decrease ▼ |

## FINANCING RISK

| Risk description | Risk mitigation | Risk change |
|---|---|---|
| Our product, Fusion, addresses a still emerging market in which we have limited forward visibility. We are a loss-making business; however, in 2017 we have significantly reduced our losses and reduced our levels of cash burn. | Our own and partner sales pipelines continue to grow and we have continued to build on the OEM relationship established with IBM during 2016. Operating costs increased during the year due to some targeted investment in research and development and sales and marketing. We have prepared a detailed budget and forecasts of the Group's expected performance over a period covering at least the next twelve months from the date of these financial statements. As well as modelling the realisation of the sales pipeline, these forecasts also cover a number of scenarios. During the year we raised $22.0m of gross proceeds through a successful placing and also negotiated a new debt facility for $5.0m and a revolving credit facility of $3.0m, secured on accounts receivable with Silicon Valley Bank. We maintain close relationships with our principal and potential providers of finance and continue to review the need for additional or alternative funding. See also Note 2(b). | Decrease |

## COMPETITION

| Risk description | Risk mitigation | Risk change |
|---|---|---|
| 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.<br><br>As the open source software on which we depend is licensed 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. To date, we have filed more than 27 patents, eleven of which have been granted. We continue to dedicate significant resource to the constant enhancement of our core intellectual property.<br><br>Senior management devotes significant time and resource to monitoring product releases by potential competitors in the data replication software market both for replication of Source Code Management and Big Data.<br><br>During the year, we have continued to invest in our products and there was a major new release of WANdisco Fusion® – version 2.11 announced in November 2017, which had some significant improvements in functionality and performance. | No change |

## CHANNEL PARTNER ENGAGEMENT

| Risk description | Risk mitigation | Risk change |
|---|---|---|
| Our replication products serve both the Source Code Management and Big Data market. In the Big Data market we are in partnership with an array of vendors that offer on-premises and Cloud solutions.<br><br>Some of these partnerships 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. | No change |

## RESOURCE ALLOCATION AND OPERATIONAL EXECUTION

| Risk description | Risk mitigation | Risk change |
|---|---|---|
| We address a significant and rapidly growing market, but, as a small company, we have limited people and capital resources. 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 a business planning process which aims 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.<br><br>We continued to improve internal financial reporting and cost control processes. These financial reports are regularly monitored by senior management and the Board. | No change |

## PRODUCTS

| Risk description | Risk mitigation | Risk change |
|---|---|---|
| The software on which our products is 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.<br><br>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 in quality control processes and training within our engineering team. We have a dedicated team committing code to relevant open source tools to ensure our products interact well with open source components and to monitor evolving open source projects to which we could potentially add commercial value.<br><br>Our product road map is based on requirements expressed by customers with whom we are pursuing sales opportunities. Our product managers are mandated to propose road map alterations if regulations render our intended features either more or less relevant. | No change |

## SALES CYCLES, CAPABILITY AND CUSTOMERS' BUDGET CONSTRAINTS

| Risk description | Risk mitigation | Risk change |
|---|---|---|
| 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.<br><br>Variability of sales cycles across different sizes and types of customer may bring volatility to our quarterly results.<br><br>Any 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.<br><br>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. | No change |

# Strong performance

**ERIK MILLER**
CHIEF FINANCIAL OFFICER

## Summary

- Revenue growth of 73% driven by new sales bookings
- Targeted increases in expenditure
- Adjusted EBITDA[2] loss significantly reduced
- Cash consumption[3] reduced to $5.3 million

Cash consumption ($m)

$5.3m -36%


WANdisco is shaping the future of data infrastructure with its groundbreaking Live Data platform, enabling companies to put all their data to work for the business – all the time, at any scale.

WANdisco makes data always available, always accurate, and always protected, delivering hyperscale economics to support exponential data growth with the same IT budget. With significant OEM relationships with IBM and Dell EMC and go-to-market partnerships with Amazon Web Services, Cisco, Microsoft Azure, Google Cloud, Hewlett Packard Enterprise, Oracle and other industry titans – as well as hundreds of customers among the Global 2000 – WANdisco is igniting a Live Data movement worldwide.

### Big Data – WANdisco Fusion

Big Data revenue was $11.1 million (2016: $3.2 million), demonstrating strong growth on the previous year of 249%. The performance was driven by a number of significant new customer contracts and a consistent revenue stream from existing contracts.

In Q2 2016, we signed an OEM agreement with IBM for WANdisco Fusion to be sold as IBM Big Replicate, a significant milestone in establishing the credibility of our products in the large enterprise market. IBM, along with our other channel partners Amazon and Oracle, have increased the leverage in our distribution channel and increased our sales reach in a very cost-effective manner.

Average deal size continues to increase, with several of the bookings made through our channel partners in 2017 valued above $1 million.

While contract wins continue to exhibit variability in the timing of their completion, demand for WANdisco Fusion continues to grow, with new sales bookings from initial and expanded contracts of $15.7 million (2016: $7.1 million), an increase of 121%.

### Source Code Management

Source Code Management revenue for the year was $8.5 million (2016: $8.2 million). Revenues were essentially flat because the product and market are relatively mature.

During 2016, the Source Code Management product line began generating positive margin contribution – a trend that continued through 2017 due to its product maturity, stable revenue base and the inherent operating leverage in the business.

## Operating costs

Operating expenses reduced by 2% to $27.4 million (2016: $28.0 million) due to lower amortisation on software development costs, offset by an increased share-based payment charge and an increase in underlying cash overheads. We made targeted increases in expenditure during the year, principally in the areas of research and development and sales and marketing, resulting in a slight increase in cash overheads year-on-year of $1.1 million. We continue to gain operating leverage through our channel partner strategy, driving more bookings with less cost. Our strong cost disciplines across all areas of the business have resulted in an efficient cost structure with significant future operating leverage.

Product development expenditure was $6.3 million (2016: $5.9 million), all of which was associated with new product features and was capitalised.

Total cash overheads[1] (excluding cost of sales and including capitalised product development) of $24.5 million was up slightly from the prior year (2016: $23.4 million). Cash overheads expected to increase at a lower rate than bookings as we make targeted investments in our engineering and go-to-market resources.

Our headcount was 132 as at 31 December 2017 (31 December 2016: 118). Headcount increases were in the areas of research and development and sales and marketing, as we added key hires to capitalise on our market opportunity.

## Profit and loss

The adjusted EBITDA[2] loss for the year was $0.6 million (2016: $7.5 million loss), due to a significant increase in revenues offset by a slight increase in cash overheads.

The loss after tax for the year increased to $13.5 million (2016: $9.3 million), mostly as a result of two non-cash items: an exceptional finance loss of $4.0 million and an increased share-based payment charge which was partially offset by the significant reduction in EBITDA loss for the year. The exceptional finance loss arose from the retranslation of intercompany balances at 31 December 2017, reflecting the appreciation of sterling against the US dollar. There is uncertainty around the effect of future FX rates, but the impact of this on the financial statements should be restricted to the retranslation of non-USD denominated loans, as opposed to the operating activities of the business.

## Balance sheet and cash flow

Trade and other receivables at 31 December 2017 were $6.0 million (2016: $6.1 million). This includes $2.1 million of trade receivables (2016: $3.9 million) and $3.9 million related to non-trade receivables (2016: $2.2 million).

Principally as a result of significantly improved bookings performance, and with a slight increase in cash overheads, our net consumption of cash was significantly reduced during the course of the year. The cash balance at year end was $27.4 million (2016: $7.6 million) which included the benefit of funds from the equity placing which closed on 4 December 2017. In addition, we retain a revolving credit facility with Silicon Valley Bank of which $4.0 million was drawn as at 31 December 2017.

With strong cash collection, a significant increase in bookings and billings in advance of revenue recognition, we have moved significantly closer to our goal of cash flow break-even.

**Erik Miller**
Chief Financial Officer
23 March 2018

1 Operating expenses adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 6 for a reconciliation.

2 Loss from operations adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 6 for a reconciliation.

3 Net increase in cash and equivalents before net cash from financing activities.

# Delivering relevant talent

WANdisco prides itself on its wealth of talent and its retention record. This is important given the competition for good software engineers. We have a strong track record of keeping people challenged, motivated and enthused by the complex scenarios our technology addresses.

In addition to providing work that stretches our people, we operate a mentoring scheme for those joining us fresh from university or early in their careers. Our young engineers are given the chance to shadow and work alongside data scientists with PhDs and 30 or more years' real-world experience. Our Chief Data Scientist, Inventor and Co-founder, Dr Yeturu Aahlad, who developed the complex mathematical algorithm that forms the basis of WANdisco's patented Fusion Kernel technology, is well known for being highly approachable. Our younger employees say that their day-to-day contact with Dr Aahlad and other senior engineers is more inspiring and useful than weeks of classroom training. Dr Aahlad is recognised as a global authority on distributed computing. He has a PhD in the subject from the University of Texas at Austin, as well as a BS in Electrical Engineering from IIT Madras.

Our engineers work in different locations around the world, reflecting the diversity of our talent pool and contributing to our international outlook.

## California: Silicon Valley

Silicon Valley is a recognised centre of excellence for open source development. In San Ramon, California, our engineering heritage goes back to our roots in the Hadoop open source community. Today, some 20 developers are based here, including our Chief Data Scientist, Dr Aahlad, and our Chief Technology Officer, Jagane Sundar, who is a skilled developer. Dr Ramki Thurimella, VP of Research, joined us at the start of 2018 and brings extensive experience in algorithm design and information security to the Company. He has published more than 50 peer-reviewed papers and three book chapters in these areas, and has a PhD in Computer Science with a thesis in Parallel Graph Algorithms from the University of Texas at Austin and an MSc in Computer Science from IIT Madras.

## UK

Our employees in the UK come from all over the world, and include graduates and PhD students from Belfast's Queen's University, in Northern Ireland, which is globally acclaimed for its IT credentials. Belfast is the location of our software development pool, including the core of the WANdisco Fusion development team. Sheffield is the Company's European base and home to our main support organisation. It is also where some serious data science takes place, with the technology skills to match.

## Talent development and employment policy

Although we are very much a technology company, our people are hands on and used to liaising with clients and being at the front end of a project, rather than tucked away in a back room – even at an early stage in their career. As a Company, we pride ourselves on developing well-rounded professionals. We allow employees to take ownership of what they do and make a recognisable contribution to the business.

We look forward to building our partner engineering capability, using recent funding to hire new digital engineers. As Cloud platforms and Big Data application skills become more important to our business, reflecting the expanding role of WANdisco's technology in customer projects, we also anticipate some redeployment of talent to these new areas.

We continue to look for opportunities to achieve gender balance in our hiring policies, in addition to seeking the best professionals across the age and experience spectrum. Our approach continues to be to match the most appropriate person to the role, but in light of findings that female representation in technology companies is still below 20% in some Western markets, we are taking proactive steps, such as improving our maternity provision, to ensure that our Company policies are not a barrier to women considering IT as a long-term career.

In addition, we have taken proactive steps during the year to attend local events which aim to encourage more women into careers in engineering.

At grass-roots level, we are also committed to attracting talented new generations to data science.

# Delivering on corporate social responsibility

WANdisco's overriding purpose is to power the LIVE DATA future in a responsible and efficient manner. We aspire to apply sustainability management standards equal to our business ambitions, and every day we strive to make a difference in the communities in which we operate.

As a Company we have a strong ethos of giving back to the community. This includes fostering the next generation of data scientists. This commitment spans both sides of the Atlantic, from Sheffield in the UK, where the Company's British operations are based (and where CEO David Richards originates from), to Silicon Valley, where WANdisco's North American operations are headquartered.

In 2017, the Company and its employees supported the following charitable and community causes:

## UK

### Neurocare

Neurocare is a charity that raises money for the neurosciences and neurology departments at the Royal Hallamshire Hospital, the Northern General Hospital, the Sheffield Children's Hospital and the Institute for Translational Neuroscience, also in Sheffield. Employees organised various charity events in 2017, including a sponsored 10k run and a bake sale.

### Made in Sheffield Ambassadors

Our Sheffield office hosted a scheme for the Made in Sheffield Young Ambassadors for Computer Science, which introduces students of GCSE Computer Science to businesses that make extensive use of technology. The aim of this scheme is to improve the pipeline of young talent into technology-based businesses.

### Promoting data science in schools

Through the charitable David and Jane Richards Family Foundation, WANdisco's CEO, David Richards, is investing in programmes to improve the way schools inspire children to learn about technology, specifically data science. Although many schools have introduced creative ways to teach coding to even very young children, David wants to see schools inspiring pupils to use technology to solve real-world problems – skills he believes will be more useful to the economy in the future. The scheme will encourage schools to use the latest tools and techniques to ask important questions and make new discoveries in fields as diverse as sporting performance, medical advancement and space exploration. In December 2017, David made a charitable donation of 100,000 ordinary shares, for nil consideration, to the foundation.

## USA

### Covenant House California

Covenant House, located in Oakland, CA, is a non-profit agency that reaches out to at-risk youths living on the streets to help them turn their lives around.

### St Anthony's

St Anthony's is an organisation providing essential support to San Franciscans living in poverty. It offers a hot meal daily and fresh clothing to those in need.

### Food drive

Regular donations to the Contra Costa Food Bank, which distributes more than eight million lbs of food, feeds more than 190,000 people through a range of local programmes.

### Toys for Tots drive

We make an annual donation to the Toys for Tots drive at Christmas. Toys for Tots is a nationwide programme, sponsored by the US Marine Corps for more than 50 years, operating at both a national and local level. It distributes toys to children whose parents cannot afford to buy them gifts for Christmas.

### Donation of shares to the University of Texas at Austin

In May 2017, Dr Yeturu Aahlad, WANdisco's Chief Data Scientist, Inventor and Co-founder, made a charitable donation of 50,000 ordinary shares to the James C Browne Graduate Fellowship Fund at the University of Texas at Austin's Department of Computer Science, to directly support graduate students for educational and research success. The fund is managed by Professor James C Browne, who was Dr Aahlad's PhD supervisor and is credited with inspiring Dr Aahlad's work in distributed computing, culminating in the invention of WANdisco Fusion.

# BOARD OF DIRECTORS

## DAVID RICHARDS

N

Chairman, President, CEO and Co-founder

Age 47

Appointed 11 May 2012 (Chairman from 6 October 2016)

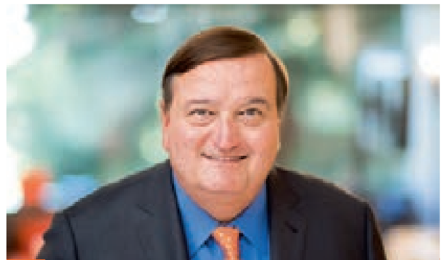
### Skills and experience

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 WANdisco to a hugely successful listing on the London Stock Exchange (WAND:LSE) and, shortly after, the acquisition of AltoStor, which accelerated the development of WANdisco's first products for the Big Data market.

With over 20 years of 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 and successfully exited several highly successful Silicon Valley technology companies. David was the founder and CEO of Librados, an application integration software provider, and led the company's acquisition by NASDAQ listed NetManage, Inc. in 2005. David is a frequent commentator on a range of business and technology issues, appearing regularly on Bloomberg and CNBC. David holds a BSc in Computer Science from the University of Huddersfield.

After Paul Walker, the former Chairman, stepped down from the Board in October 2016, David took the role of Chairman. In 2017 David was awarded an Honorary Doctorate by Sheffield Hallam University in recognition of him being a champion of British technology and a passionate advocate of entrepreneurship.

David and his wife Jane founded the David and Jane Richards Family Foundation with the purpose to educate, empower and improve the lives of children through hands on programmes and targeted assistance. They aim to encourage children to fulfil their potential and make a positive impact on the world around them. The first programmes will commence in 2018 in some state schools in the UK where they will use new methods to teach computing skills and install beehives as part of a wider teaching curriculum.



## ERIK MILLER

N

Chief Financial Officer

Age 57

Appointed 5 December 2016

### Skills and experience

Erik was the Chief Financial Officer of Envivio, Inc., a NASDAQ-listed provider of video transcoding software from February 2010 to January 2016, following its acquisition by Ericsson AB. From January 2008 to July 2009, Erik served as Chief Financial Officer at SigNav Pty. Ltd., a component supplier to the wireless industry, where he was responsible for finance and administration functions. From March 2006 to January 2008, he served as Chief Financial Officer at Tangler Pty. Ltd., a social networking company, where he was responsible for finance and administrative functions. Erik received a BS degree in Business Administration from the University of California, Berkeley.

## DR YETURU AAHLAD

Chief Data Scientist, Inventor and Co-founder

Age 60

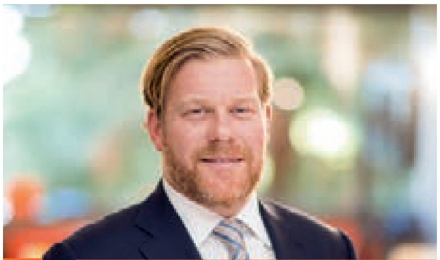
Appointed 23 February 2017

### Skills and experience

Dr Aahlad is a recognised worldwide authority on distributed computing where he currently holds 28 patents. It was Dr Aahlad's vision and years of persistence that led to the invention of technology that many thought was impossible – that of Active-Active replication (WANdisco's patented DConE technology). Prior to WANdisco, Dr Aahlad served as the distributed systems architect for iPlanet (Sun/Netscape Alliance) Application Server. At Netscape, Dr Aahlad joined the elite team in charge of creating a new server platform based on the CORBA distributed object framework.

Prior to Sun/Netscape Dr Aahlad worked on incorporating the CORBA security service into Fujitsu's Object Request Broker. Dr Aahlad designed and implemented the CORBA event services while working on Sun's first CORBA initiative. Earlier in his career, Dr Aahlad worked on a distributed programming language at IBM's Palo Alto Scientific Center.

Dr Aahlad has a PhD in Distributed Computing from the University of Texas, Austin and a BS in Electrical Engineering from IIT Madras.



GRANT DOLLENS

A N R

Non-executive Director

Age 38

Appointed 9 October 2016

## Skills and experience

Grant founded Global Frontier Investments, LLC, a long-term oriented global equities fund, in 2010 and serves as its Portfolio Manager. Previously Grant was an investment analyst and member of the investment committee for Ayer Capital, a long/short equity health care fund, where he was focused on medical devices, diagnostics, health care services, biotechnology and pharmaceutical investments. Prior to Ayer, Grant was an associate in the health care group at BA Venture Partners (now Scale Ventures), where he sourced, evaluated and invested in private medical device, biotechnology, specialty pharmaceutical and health care service companies. Before BA Venture Partners, Grant was an investment banking analyst in corporate finance at Deutsche Bank Alex. Brown focused on the technology sector.

Grant received his MBA from the Kellogg School of Management at Northwestern University, with majors in Analytical Finance, Management and Strategy, and Accounting. He received his BS in Biomedical Engineering from Duke University.

KARL MONAGHAN

A N R

Non-executive Director

Age 55

Appointed 5 December 2016

## Skills and experience

Karl Monaghan is currently Managing Partner at Ashling Capital LLP, which he founded in December 2002, to provide consultancy services to both quoted and private companies.

Prior to founding Ashling Capital, Karl has worked in corporate finance for Robert W. Baird, Credit Lyonnais Securities, Bank of Ireland, Johnson Fry and BDO Stoy Hayward. Additionally, he trained as a Chartered Accountant with KPMG in Dublin and holds a Bachelor of Commerce degree from University College Dublin.

Karl brings a wealth of capital markets and board experience and is currently a Non-executive Director of AIM companies CareTech Holdings plc and Sabien Technology Group plc.

## Committee membership key

A Audit Committee

N Nomination Committee

R Remuneration Committee

Committee Chairman

# High standards of corporate governance

**DAVID RICHARDS**
CHAIRMAN AND CEO

Compliance with the UK Corporate Governance Code 2016 published by the Financial Reporting Council is not currently mandatory to the Company. However, the Directors recognise the importance of sound corporate governance and intend to observe and adhere to, so far as practicable, the recommendations set out in the corporate governance code for small and mid-size quoted companies, published by the Quoted Companies Alliance ("the QCA Code"). The Company acknowledges that good corporate governance is about ensuring that the Company is aligned with its shareholders' objectives and that the execution of the strategy adopted will create long-term incremental shareholder value. Therefore, the Board remains committed to high standards of corporate governance and has complied with the QCA Code to the extent practicable for a public company of its nature and size with the following exceptions:

- The role of Chairman and Chief Executive Officer are currently exercised by the same individual, David Richards.
- There is only one independent Non-executive Director (Karl Monaghan) whereas the QCA Code states that the Company should have at least two. The Nomination Committee will continue to look for an additional independent Non-executive Director who has relevant domain experience.

During the year under review, we have continued to evaluate the composition of our Board. The only changes made during the year to the Board were that on 23 February 2017 Jim Campigli stepped down from the Board and Dr Yeturu Aahlad was appointed to the Board.

In considering refreshment of the Board and succession planning, the Board will have regard for ongoing developments and trends including in relation to matters such as diversity in its broadest sense. Whilst the Company pursues diversity, including gender diversity, throughout the business, the Board is not committed to any specific targets. Instead, the Board will continue to pursue a policy of appointing talented people at every level to deliver high performance.

The Board holds all its strategic decision-making meetings at the Group's US offices and, as a result, takes the opportunity to meet with members of the Executive Team and to build on knowledge of the business. There are regular interactive presentations from, and discussions with, the Executive Team and in 2017, these have included the topics of product strategy and global business development progress.

Finally, the AGM will be held on 23 May 2018; my fellow Directors and I look forward to seeing you. It is an excellent opportunity to meet the Board and to raise questions on the matters in hand at the meeting.

**David Richards**
Chairman and CEO
23 March 2018

### Board composition

Non-executive Director 2
Executive Director 3

### Sector experience

Technology 100%

### Tenure

0–3 years 80%
3–5 years 20%

## Board of Directors and Board responsibilities

The Board comprises three Executive (including the Chairman) and two Non-executive Directors only one of whom (Karl Monaghan) is independent.

The Board is responsible for the long-term success of the Group. It sets strategic aims and oversees implementation within a framework of prudent and effective controls, ensuring only acceptable risks are taken. It provides leadership and direction and is also responsible for corporate governance and the overall financial performance of the Group.

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 sets dividend policy.

An Executive Committee supports the Board in implementing strategy and reports relevant matters to the Board for its consideration and approval. This Executive Committee comprises three Executive Directors and nine members of senior management.

All the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with applicable rules, regulations and Board procedures.

Directors have the right to request that any concerns they have are recorded in the appropriate Committee or Board minutes.

## Board meetings and attendance

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[1] | | Audit | | Remuneration | | Nomination | |
| | Possible | Attended | Possible | Attended | Possible | Attended | Possible | Attended |
| **Executive Directors** | | | | | | | | |
| David Richards | 6 | 6 | – | – | – | – | 2 | 2 |
| Erik Miller | 6 | 6 | – | – | – | – | 2 | 2 |
| Dr Yeturu Aahlad (appointed 23 February 2017) | 5 | 5 | – | – | – | – | – | – |
| James Campigli (resigned 23 February 2017) | 1 | 1 | – | – | – | – | – | – |
| **Non-executive Directors** | | | | | | | | |
| Grant Dollens | 6 | 6 | 2 | 2 | 4 | 4 | 2 | 2 |
| Karl Monaghan | 6 | 6 | 2 | 2 | 4 | 4 | 2 | 2 |

1 There was one further meeting called at short notice; Grant Dollens and Dr Yeturu Aahlad could not attend.

## Board activities throughout the year

### JANUARY

- Approval of Board calendar

### FEBRUARY

- Approval of annual budget
- Review and approval of preliminary announcement of 2016 results
- Review and approval of Annual Report and Accounts 2016
- Consideration and approval of appointment of external auditor
- Review of Non-executive Director fees
- Review of product strategy
- Review of global sales and business development progress
- Review of the level of voluntary compliance with the UK Corporate Governance Code

### APRIL

- Informal update meeting

### MAY

- Informal update meeting

### JULY (one short notice meeting)

- Review and approval of the 2017 interim results announcement

### OCTOBER

- Informal update meeting

### AT EACH SCHEDULED MEETING

**Discuss:**

- Strategic and operational matters
- Trading results
- Management accounts and financial commentary
- Treasury matters
- Legal, company secretarial and regulatory matters
- Investor relations
- Corporate affairs

**Review:**

- Minutes of previous meetings
- The implementation of actions agreed at previous meetings
- The rolling annual agenda items

## Board Committees

To assist the Board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the Board delegates certain responsibilities to its three principal Committees as shown in the governance framework diagram below.

More detail on each of the Committees can be found on pages 34 to 37.

## Governance framework

**BOARD**

**EXECUTIVE TEAM**

Chaired by the Chief Executive Officer, it comprises the three Executive Directors and senior management representation from product, marketing, engineering, business development, finance, legal, HR, sales and support. It assists the Executive Directors in implementing the business plan and policies and managing the operational and financial performance of the Company.

Nomination Committee

READ MORE INFORMATION
PAGE 34

Audit Committee

READ MORE INFORMATION
PAGE 35

Remuneration Committee

READ MORE INFORMATION
PAGES 36 AND 37

## Board effectiveness

The performance of the Board was 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 were conducted and administered (including the content of those meetings); the effectiveness of the various Committees; whether corporate governance issues were handled in a satisfactory manner; and whether there was a clear strategy and objectives. The conclusion was that the Board was performing as expected.

Each Director's performance is appraised through the normal appraisal process. Save for the Chairman and Chief Executive Officer, who was appraised by the Non-executive Directors, the Executive Board members were appraised by the Chairman and Chief Executive Officer. The Non-executive Directors were appraised by the Chairman and Chief Executive Officer.

## Directors' independence

There is only one Non-executive Director who is considered by the Board to be independent of the management and is free to exercise independence of judgement. He has never been an employee of the Group nor does he participate in the Group's bonus arrangements. He receives no other remuneration from the Group other than his Directors' fees.

## Board appointments

There was the replacement of one of the Executive Directors during the year. Each 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 were updated on a frequent and regular basis on the Group's business.

Directors are subject to re-election at the Annual General Meeting ("AGM") following their appointment. In addition, at each AGM one-third (or the whole number nearest to one-third) of the Directors retire by rotation.

## 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 mitigate against and 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 considered the potential financial and non-financial risks which may impact on the business as part of the quarterly management reporting procedures. The Board received the principal risk outputs of these quarterly management reports and monitored the position at Board meetings. The principal risks are set out on pages 21 to 23.

The Board confirms that there are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group. The processes, which have been in place throughout the year and up to the date of approval of the Annual Report and Accounts, are consistent, so far as is appropriate for the nature and size of the Group's business, with the guidance 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, reviewed 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.

## Shareholder communications

The Chief Executive Officer and the Chief Financial Officer regularly meet with institutional shareholders to foster a mutual understanding of objectives. In particular, an extensive programme of meetings with analysts and institutional shareholders is held following the interim and preliminary results announcements. Feedback from these meetings and market updates prepared by the Company's Nomad are presented to the Board to ensure it has an understanding of shareholders' views. The other Non-executive Directors are available to shareholders to discuss strategy and governance issues.

The Directors encourage the participation of all shareholders, including private investors, at the Annual General Meeting.

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

**KARL MONAGHAN**
COMMITTEE CHAIRMAN

## Committee composition

The Nomination Committee is chaired by Karl Monaghan and the other members of the Committee are Grant Dollens, David Richards and Erik Miller.

## Committee responsibilities

The Nomination Committee has responsibility for: reviewing the structure, size and composition of the Board and recommending to the Board any changes required; succession planning; and identifying and nominating for approval of the Board candidates to fill vacancies as and when they arise. The Committee is also responsible for reviewing the results of any Board performance evaluation process and making recommendations to the Board concerning the Board's Committees and the re-election of Directors at the AGM.

The membership of the Nomination Committee comprises the two Non-executive Directors, David Richards and Erik Miller.

The Nomination Committee is required to meet not less than twice a year and at such other times as required.

It has written terms of reference, which are available for review at www.wandisco.com.

## Committee meetings

The Nomination Committee met twice in the year, with the Chief Executive Officer and Chief Financial Officer in attendance.

The Board has considered diversity in broader terms than just gender and believes it is also important to have the correct balance of skills, experience, independence and knowledge on the Board. All Board appointments will be made on merit and with the aim of achieving a correct balance. The Group has formal policies in place to promote equality of opportunity across the whole organisation and training is provided to assist this.

Currently, there are no women on the Board. As opportunities arise, the Board will seek to increase the presence of women on the Board consistent with the above policy and the terms of reference of the Nomination Committee.

**KARL MONAGHAN**
COMMITTEE CHAIRMAN

## Committee composition

Karl Monaghan is the Chairman of the Committee and the other member of the Committee is Grant Dollens. The Board considers Karl Monaghan to have relevant and recent financial experience, given his biography set out on page 29.

## Committee responsibilities

The Audit Committee ("the Committee") is established by and is responsible to the Board. It has written terms of reference, which are available for review at www.wandisco.com. 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 AIM Rules;
- 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.

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.

## Committee meetings

There were two meetings of the Committee during the year scheduled 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 attended all of these meetings. Since the end of the financial year, the Committee has met once (in February 2018) to consider, amongst other matters, this Annual Report, with the external auditor being present at this meeting. The Committee also met with the external auditor, without the Executive Directors being present, once during the year.

The Audit Committee carried out a full review of the year-end financial statements and of the audit, using as a basis the reports to the Committee prepared by the Chief Financial Officer and external auditor and taking into account any significant accounting policies, any changes to them and any significant estimates or judgements. Questions were asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations.

The Committee received reports from management on the effectiveness of the system of internal controls. It also received from the external auditor a report of matters arising during the course of the audit which the auditor deemed 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.

Significant matters considered by the Committee in relation to the financial statements and areas of judgement routinely considered and challenged were as follows:

- revenue recognition;
- capitalised development costs and other intangible assets;
- share-based payments; and
- going concern.

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures in relation to key judgements and estimates have been included in the financial statements.

In reaching this conclusion the Committee has considered reports and analysis prepared by management and has also constructively challenged assumptions. The Committee has also considered detailed reporting from and discussions with the external auditor.

## Committee performance

The Committee carried out an annual assessment of its own performance during the year and the conclusion was that the Committee was performing as expected.

## External auditor

KPMG has been the external auditor since 2012, when the Company's shares were admitted to trading on AIM. As such, an audit partner rotation process commenced in 2016 in time for the 2017 rotation.

As required, the external auditor provided the Committee with information for review about policies and processes for maintaining its independence and compliance regarding the rotation of audit partners and staff. The Committee considered all relationships between the external auditor and the Group and was satisfied that they did not compromise the auditor's judgement or independence, particularly with the provision of non-audit services.

An internal review of the effectiveness of the external audit process was carried out during the year and no deficiencies were found. Management was satisfied with the external audit team's knowledge of the business and that the scope of the audit was appropriate, all significant accounting judgements had been challenged robustly and the audit had been effective.

All of the above was taken into account before a recommendation was made by the Committee to the Board to propose KPMG for re-election at the AGM.

## Internal audit function

Given the Group's size and development, the Board did not consider it necessary to have an internal audit function during the year. The Board will continue to monitor this requirement annually.

**KARL MONAGHAN**
COMMITTEE CHAIRMAN

This report sets out information about the remuneration of the Directors of the Company for the year ended 31 December 2017. As a company admitted to AIM, WANdisco plc is not required to prepare a Directors' remuneration report. However, the Board supports the principle of transparency and has prepared this report in order to provide information to shareholders on executive remuneration arrangements. This report has been substantially prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations").

## The Remuneration Committee

### Committee composition

The Remuneration Committee is chaired by Karl Monaghan and the other member of the Committee is Grant Dollens.

### Committee responsibilities

The Remuneration Committee's primary purposes are to assist the Board in determining the Company's remuneration policies, review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service, the granting of share options, and other equity incentives.

### Committee meetings

The Remuneration Committee met four times in the year, with the other Board members in attendance as appropriate.

## Remuneration Committee report

As an AIM listed company, WANdisco plc is not required to comply with the regulations. The content of this report is unaudited unless stated.

### 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 so 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, subject to re-appointment at the AGM, renewable for further periods 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 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 2018. Details of any awards will be disclosed in next year's Remuneration Committee report.

### 2017 annual bonus

The 2017 Bonus Plan comprised a target bonus based on a % of base salary. The Bonus Plan is based on the achievement of corporate financial performance measures, including bookings and overheads targets. Having regard to the performance of the business, the Remuneration Committee resolved to pay bonuses as set out on page 37.

Similar bonus principles will be adopted for 2018. 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 39.

### Directors' share options

Aggregate emoluments disclosed on page 37 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:

| | Exercise price | Number of options at 1 January 2017 | Number of options granted | Number of options exercised | Number of options lapsed | Number of options at 31 December 2017 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| David Richards[1] | $0.12 | 97,441 | – | (32,480) | – | **64,961** |
| | $2.34 | 92,771 | – | – | – | **92,771** |
| | $0.13 | – | 62,785 | – | – | **62,785** |
| Dr Yeturu Aahlad[1] | $0.12 | 15,000 | – | (5,000) | – | **10,000** |
| Erik Miller | $2.34 | 410,789 | – | – | – | **410,789** |
| | $0.13 | – | 7,124 | – | – | **7,124** |
| | $11.04 | – | 423,707 | – | – | **423,707** |
| **Former Executive Directors** | | | | | | |
| James Campigli[2] | $0.12 | 62,931 | – | (34,969) | (27,962) | **–** |
| James Campigli[3] | $2.34 | 27,623 | – | (27,623) | – | **–** |
| **Non-executive Directors** | | | | | | |
| Grant Dollens | – | – | – | – | – | **–** |
| Karl Monaghan | – | – | – | – | – | **–** |

1 Exercised on 31 March 2017 at a market price of £4.235.
2 20,977 shares exercised on 31 March 2017 at a market price of £4.235 and 13,992 shares exercised on 21 April 2017 at a market price of £3.85.
3 Exercised on 14 April 2017 at a market price of £4.00.

| | Payment currency | Salary/fees '000 | Bonus '000 | Benefits[1] '000 | 31 December 2017 Total '000 | 31 December 2016 Total '000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| David Richards | $ | 490 | 367 | 90 | **947** | 512 |
| Erik Miller[2] | $ | 250 | 125 | 13 | **388** | 72 |
| Dr Yeturu Aahlad[3] | $ | 125 | – | 56 | **181** | – |
| **Former Executive Directors** | | | | | | |
| Paul Harrison[4] | $ | – | – | – | **–** | 625 |
| James Campigli[5] | $ | 316 | – | 4 | **320** | 533 |
| **Non-executive Directors** | | | | | | |
| Grant Dollens[6] | £ | 40 | – | – | **40** | 9 |
| Karl Monaghan[7] | £ | 40 | – | – | **40** | 3 |
| **Former Non-executive Directors** | | | | | | |
| Paul Walker[8] | £ | – | – | – | **–** | 100 |
| Ian Duncan[8] | £ | – | – | – | **–** | 54 |

1 Benefits include the provision of private health insurance for Executive Directors and their immediate families. In addition, for David Richards and Dr Yeturu Aahlad the figure includes contribution to the cost of share sales (gross) of $72,000 and $48,000 respectively.
2 Joined 21 September 2016 and appointed to the Board 5 December 2016.
3 Joined 23 February 2017.
4 Left 23 September 2016.
5 Left 23 February 2017.
6 Joined 9 October 2016.
7 Joined 5 December 2016.
8 Left 6 October 2016.

The total Directors' remuneration for the period ended 31 December 2017, in US dollars, was $1,940,000 (2016: $1,965,000).

## Approval

This report was approved by the Directors and signed by order of the Board.

**Karl Monaghan**
**Chairman of the Remuneration Committee**
23 March 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2017 in accordance with section 415 of the Companies Act 2006. Particulars of important events affecting the Group, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 6 to 27, which is incorporated into this report by reference together with the Corporate governance report on pages 31 to 33. In addition, this report should be read in conjunction with information concerning employee share schemes, which can be found in the Remuneration Committee report on pages 36 and 37 and in Note 22 to the financial statements, and which is incorporated by way of cross-reference into the Directors' report.

## 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 report section of the Annual Report and Accounts on pages 6 to 27. 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 45 to 71.

## Dividends

The Directors do not recommend the payment of a dividend.

## Going concern

The Company's business activities, together with risk factors which potentially affect its future development, performance or position, can be found in the Strategic report on pages 6 to 27. Details of the Company's financial position and its cash flows are outlined in the Financial review on pages 24 and 25.

After making reasonable enquiries, the Board has an expectation that the Group and the Company have adequate financial resources together with a strong business model to ensure they continue to operate for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements. This is described in more detail in Note 2(b).

## Annual General Meeting ("AGM")

On pages 73 to 75 is the notice of the Company's sixth AGM to be held at 10 am on 23 May 2018 at the Novotel Sheffield Centre, 50 Arundel Gate, Sheffield S1 2PR.

## Directors

The Directors who served on the Board and on Board Committees during the year are set out on pages 28 and 29. One-third of the Directors are required to retire at the AGM and can offer themselves for re-election.

Information on Directors' remuneration and share option rights is given in the Remuneration Committee report on pages 36 and 37.

## Directors' indemnity arrangements

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. Other than this, and with the exception of employment contracts between each Executive Director and the Group, at no time during the year did any Director hold a material interest in any contract of significance with the Group or any of its subsidiary undertakings. The Group has purchased and maintained throughout the year directors' and officers' liability insurance in respect of all Group companies.

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 36 and 37.

The middle market price of the Company's ordinary shares on 31 December 2017 was 572.50 pence and the range during the year was 175.00 pence to 881.50 pence, with an average price of 564.68 pence.

## Significant shareholders

The Company is informed that, at 23 March 2018, 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 |
|---|---|---|
| OppenheimerFunds, Inc | 5,835,399 | 14.13% |
| T Rowe Price | 2,775,917 | 6.72% |
| Dr Yeturu Aahlad | 2,425,091 | 5.87% |
| David Richards | 2,056,753 | 4.98% |
| Blueport Capital, L.P. | 2,052,556 | 4.97% |
| Grant Dollens[1] | 1,583,902 | 3.83% |
| Deutsche Bank | 1,344,872 | 3.26% |
| Ross Creek Partners | 1,250,000 | 3.03% |
| Herald Investment Trust | 1,242,580 | 3.01% |

1 Of which 526,384 shares (1.27%) are held by Grant Dollens personally and 1,057,518 shares (2.56%) are held by Global Frontier Partners, in which Grant Dollens is interested (Grant Dollens is currently Managing Member at Global Frontier Investments, LLC, a US-based investment manager, and Portfolio Manager for Global Frontier Partners, LP, a shareholder in WANdisco).

## Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2017 and at 23 March 2018 were as follows:

| | At 31 December 2017 | | At 23 March 2018 | |
|---|---|---|---|---|
| | Number of shares | % of issued ordinary share capital | Number of shares | % of issued ordinary share capital |
| **Executive** | | | | |
| David Richards | **2,089,233** | **5.11%** | 2,056,753 | 4.98% |
| Dr Yeturu Aahlad | **2,430,091** | **5.94%** | 2,425,091 | 5.87% |
| Erik Miller | **10,000** | **0.02%** | 10,000 | 0.02% |
| **Non-executive** | | | | |
| Grant Dollens[1] | **1,583,902** | **3.88%** | 1,583,902 | 3.83% |
| Karl Monaghan | **53,542** | **0.13%** | 53,542 | 0.13% |

1 Of which 526,384 shares (1.27%) are held by Grant Dollens personally and 1,057,518 shares (2.56%) are held by Global Frontier Partners, in which Grant Dollens is interested (Grant Dollens is currently Managing Member at Global Frontier Investments, LLC, a US-based investment manager, and Portfolio Manager for Global Frontier Partners, LP, a shareholder in WANdisco).

## Articles of Association

Any amendments to the Articles of Association of the Company may be made by special resolution of the shareholders.

## Research and development

The Group expended $6,303,000 during the year (2016: $5,860,000) on research and development, of which $6,303,000 (2016: $5,860,000) was capitalised within intangible assets and $nil (2016: $nil) was charged to the income statement. In addition, an amortisation charge of $6,366,000 (2016: $8,116,000) has been recognised against previously capitalised costs.

## Derivatives and financial instruments

The Group's policy and exposure to derivatives and financial instruments is set out in Note 20.

## Employee involvement

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

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

## Health and safety

The Group is committed to providing a safe and healthy working environment for all staff and contractors. The Group's health and safety standard sets out the range of policies, procedures and systems required to manage risks and promote wellbeing.

## Political and charitable donations

During the year ended 31 December 2017 the Group made political donations of $nil (2016: $nil) and charitable donations of $nil (2016: $352).

## 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 2017 was 40 days (2016: 47 days).

## Auditor

As recommended by the Audit Committee, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM.

## Audit information

Each of the Directors at the date of the Directors' report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware and he has taken all the reasonable steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

The Directors' report has been approved by the Board of Directors on 23 March 2018.

Signed on behalf of the Board.

**Erik Miller**
**Chief Financial Officer**
23 March 2018

# STATEMENT OF DIRECTORS' RESPONSIBILITIES
## in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 1. Our opinion is unmodified

We have audited the consolidated financial statements of WANdisco plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated statement of profit and loss and other comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, Consolidated statement of changes in cash flows, and the related notes, including the accounting policies in Note 3.

### In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), of the state of the Group's affairs as at 31 December 2017 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Overview

| | |
|---|---|
| **Materiality**<br>Group financial statements as a whole | $300k (2016: $200k)<br>2.1% (2016: 2.0%) of loss before tax |
| **Coverage** | 97% (2016: 99%) of Group loss before tax |
| **Risks of material misstatement vs 2016** | |
| **Recurring risks** | Revenue recognition ◀▶ |
| | Capitalisation of development costs as intangible assets ◀▶ |
| | Carrying value of capitalised development costs ◀▶ |

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2016):

| Key audit matters | The risk | Our response |
|---|---|---|
| **Revenue recognition**<br>(Group revenue $19.6 million, deferred income $14.2 million; 2016: Group revenue $11.4 million, deferred income $12.5 million)<br>*Refer to page 35 (Audit Committee Report), page 54 (accounting policy) and page 58 (financial disclosures).* | **Accounting application**<br>The Group's contracts with customers can involve multiple contract deliverables. Revenue recognition within the Group may require separate recognition of each deliverable.<br>As a result, judgement is required over the assessment of separate contract deliverables.<br>The fair value of each identified deliverable requires the Group to make estimates as to the fair value of each contract deliverable identified.<br>This includes some elements recognised upfront and some recognised over time resulting in significant deferred income balances.<br>There is therefore a risk that not all revenue is recognised in the correct period. | Our procedures included:<br>• **Accounting analysis:** Determining if several performance obligations exist within a contract that results in more than one component of revenue. This was achieved by assessing a sample of contracts using the guidance in the relevant accounting standard, particularly as to deliverables having a stand alone value.<br>• **Accounting analysis**: Assessment of the Group's estimate of subjective fair value attributed to each identified contract deliverable within a contract and the timing of the revenue recognition for each deliverable against our own knowledge of similar contracts in the industry.<br>• **Test of details:** Testing a sample of revenue transactions to assess if revenue was recorded in the correct period with reference to contractual documents.<br>• **Assessing transparency:** Assessing the adequacy of the Group's disclosures on revenue recognition. |

## 2. Key audit matters: our assessment of risks of material misstatement continued

| Key audit matters | The risk | Our response |
|---|---|---|
| **Capitalisation of development costs as intangible assets**<br>(Additions in the year $6.3 million; 2016: $5.9 million)<br>(Net book value $5.9 million; 2016: $6.0 million)<br>*Refer to page 35 (Audit Committee Report), page 53 (accounting policy) and page 63 (financial disclosures).* | **Accounting treatment**<br>The Group capitalises internal costs in respect of development projects. The Directors apply judgement in the classification of expenditure as capital in nature rather than ongoing operational expenditure.<br>There is a risk that costs are capitalised that should be expensed under the relevant accounting standard. | Our procedures included:<br>• **Testing application:** Assessing the nature of the items capitalised and evaluating the appropriateness of their classification as capitalised costs, having regard to the relevant accounting standards.<br>• This included assessing whether major projects are technically feasible and commercially viable by reference to existing orders and future forecasts.<br>• **Test of details:** Agreeing a sample of costs to supporting documentation.<br>• **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the capitalisation of development intangible assets. |
| **Carrying value of capitalised development costs**<br>(Net book value $5.9 million; 2016: $6.0 million)<br>*Refer to page 35 (Audit Committee Report), page 53 (accounting policy) and page 63 (financial disclosures).* | **Forecast-based valuation**<br>The Group continues to be loss making. As a result the Group has tested previously capitalised development costs for impairment. There remains a degree of uncertainty around whether expected revenues and profits will be realised and be sufficient to ensure recoverability of the assets recognised on the balance sheet. Certain of the key inputs, specifically customer sign up rates to future cash flows, require estimation. | • **Historical comparison:** Assessing the Group's forecasting accuracy by comparing actual results in the period to what was previously forecast for the year for each significant project.<br>• Critically evaluating the assumptions for future customer sign up rates, having regard to actual rates in previous years.<br>• **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the recoverability of capitalised development intangible assets. |

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $300k (2016: $200k), determined with reference to a benchmark of loss before tax (of which it represents 2.1% (2016: 2.0% of loss before tax)).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $15k (FY16: $10k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

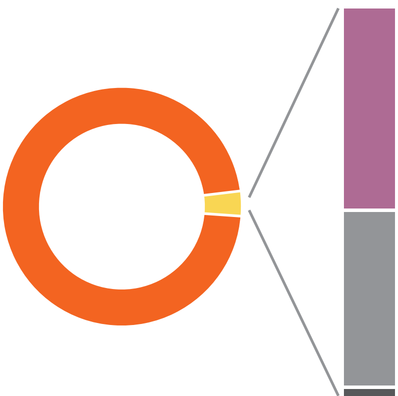
Of the Group's five (2016: five) reporting components, we subjected three (2016: three) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team approved the component materialities, which ranged from $300k to $261k (2016: $200k to $186k), having regard to the mix of size and risk profile of the Group across the components.

## 3. Our application of materiality and an overview of the scope of our audit continued

### Loss before tax
$14.0m (2016: $10.0m)



Loss before tax

Group materiality

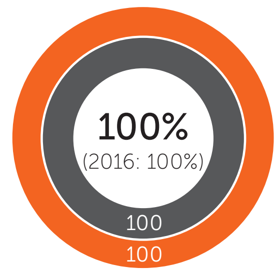
### Group materiality
$300k (2016: $200k)

**$300k**
Whole financial statements materiality (2016: $200k)

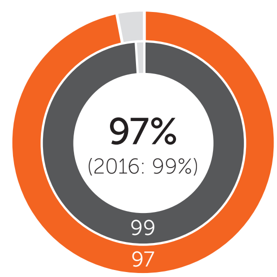
**$261k**
Range of materiality at three components $300k–$261k (2016: $200k–$186k)

**$15k**
Misstatements reported to the Audit Committee (2016: $10k)

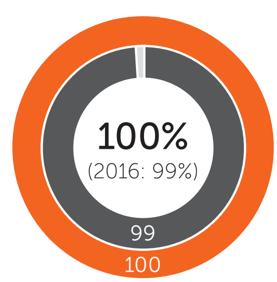
### Group revenue




### Group loss before tax




### Group total assets




Full scope for Group audit purposes 2017

Full scope for Group audit purposes 2016

Residual components

# INDEPENDENT AUDITOR'S REPORT CONTINUED
## To the members of WANdisco plc

### 4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### 5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### 6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required 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's accounts 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.

We have nothing to report in these respects.

### 7. Respective responsibilities

#### Directors' responsibilities

As explained more fully in their statement set out on page 40, the Directors are responsible for:

- the preparation of the financial statements including being satisfied that they give a true and fair view;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

### 8. The purpose of our audit work and to whom we owe our responsibilities

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.

**Adrian Stone**
**for and on behalf of KPMG LLP**
**Chartered Accountants and Recognised Auditor**
**1 Sovereign Square**
**Leeds**
**LS1 4DA**
23 March 2018

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
## For the year ended 31 December 2017

| Continuing operations | Notes | Year ended 31 December 2017 Pre-exceptional $'000 | Year ended 31 December 2017 Exceptional items[8] $'000 | Year ended 31 December 2017 Total $'000 | Year ended 31 December 2016 Pre-exceptional $'000 | Year ended 31 December 2016 Exceptional items[8] $'000 | Year ended 31 December 2016 Total $'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 5 | **19,637** | **—** | **19,637** | 11,379 | — | 11,379 |
| Cost of sales | | **(1,972)** | **—** | **(1,972)** | (1,349) | — | (1,349) |
| Gross profit | | **17,665** | **—** | **17,665** | 10,030 | — | 10,030 |
| Operating expenses | 6 | **(27,360)** | **—** | **(27,360)** | (27,921) | (32) | (27,953) |
| Loss from operations | 6 | **(9,695)** | **—** | **(9,695)** | (17,891) | (32) | (17,923) |
| Finance income | 9 | **29** | **—** | **29** | 1 | 8,169 | 8,170 |
| Finance costs | 9 | **(344)** | **(3,994)** | **(4,338)** | (269) | (25) | (294) |
| Net finance (costs)/income | 9 | **(315)** | **(3,994)** | **(4,309)** | (268) | 8,144 | 7,876 |
| (Loss)/profit before tax | | **(10,010)** | **(3,994)** | **(14,004)** | (18,159) | 8,112 | (10,047) |
| Income tax | 11 | **489** | **—** | **489** | 772 | — | 772 |
| **(Loss)/profit for the year** | | **(9,521)** | **(3,994)** | **(13,515)** | (17,387) | 8,112 | (9,275) |
| **Other comprehensive income** | | | | | | | |
| Items that are or may be reclassified to profit or loss: | | | | | | | |
| Foreign operations – foreign currency translation differences | | **(184)** | **3,994** | **3,810** | 107 | (8,144) | (8,037) |
| **Other comprehensive income for the year, net of tax** | | **(184)** | **3,994** | **3,810** | 107 | (8,144) | (8,037) |
| **Total comprehensive income for the year** | | **(9,705)** | **—** | **(9,705)** | (17,280) | (32) | (17,312) |
| **Loss per share** | | | | | | | |
| Basic and diluted | 12 | | | **$0.36** | | | $0.28 |

The notes on pages 49 to 71 form part of these financial statements.

Financial statements

# CONSOLIDATED BALANCE SHEET
## As at 31 December 2017

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 13 | **7,081** | 5,977 |
| Property, plant and equipment | 14 | **556** | 492 |
| Other assets | 16 | **889** | – |
| **Non-current assets** | | **8,526** | 6,469 |
| Trade and other receivables | 17 | **5,969** | 6,145 |
| Cash and cash equivalents | 18 | **27,396** | 7,558 |
| **Current assets** | | **33,365** | 13,703 |
| **Total assets** | | **41,891** | 20,172 |
| **Liabilities** | | | |
| Borrowings – finance lease liabilities | 19 | **(95)** | (89) |
| Borrowings – bank loan | 19 | **(889)** | – |
| Trade and other payables | 19 | **(5,953)** | (3,488) |
| Deferred income | 19 | **(7,102)** | (5,809) |
| Deferred government grant | | **(2)** | (12) |
| Current tax liabilities | | **(11)** | (11) |
| **Current liabilities** | | **(14,052)** | (9,409) |
| Deferred income | 19 | **(7,058)** | (6,683) |
| Borrowings – finance lease liabilities | 19 | **(199)** | (294) |
| Borrowings – bank loan | 19 | **(3,111)** | – |
| Deferred tax liabilities | 11 | **(4)** | (3) |
| **Non-current liabilities** | | **(10,372)** | (6,980) |
| **Total liabilities** | | **(24,424)** | (16,389) |
| **Net assets** | | **17,467** | 3,783 |
| **Equity** | | | |
| Share capital | 21 | **6,156** | 5,638 |
| Share premium | 21 | **115,196** | 94,526 |
| Translation reserve | 21 | **(4,474)** | (8,284) |
| Merger reserve | 21 | **1,247** | 1,247 |
| Retained earnings | 21 | **(100,658)** | (89,344) |
| **Total equity** | | **17,467** | 3,783 |

The notes on pages 49 to 71 form part of these financial statements.

The financial statements on pages 45 to 71 were approved by the Board of Directors on 23 March 2018 and signed on its behalf by:

**David Richards**
Chairman and CEO

**Erik Miller**
Chief Financial Officer

Company registered number: 110497

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## For the year ended 31 December 2017

| | Share capital $'000 | Share premium $'000 | Translation reserve $'000 | Merger reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | 5,638 | 94,526 | (8,284) | 1,247 | (89,344) | 3,783 |
| **Total comprehensive income for the year** | | | | | | |
| Loss for the year | – | – | – | – | (13,515) | (13,515) |
| Other comprehensive income | – | – | 3,810 | – | – | 3,810 |
| **Total comprehensive income for the year** | – | – | 3,810 | – | (13,515) | (9,705) |
| **Transactions with owners of the Company** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Equity-settled share-based payment | – | – | – | – | 2,201 | 2,201 |
| Proceeds from share placing | 401 | 20,131 | – | – | – | 20,532 |
| Share options exercised | 117 | 539 | – | – | – | 656 |
| **Total transactions with owners of the Company** | 518 | 20,670 | – | – | 2,201 | 23,389 |
| **Balance at 31 December 2017** | **6,156** | **115,196** | **(4,474)** | **1,247** | **(100,658)** | **17,467** |

| | Share capital $'000 | Share premium $'000 | Translation reserve $'000 | Merger reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | 4,667 | 81,974 | (247) | 1,247 | (82,049) | 5,592 |
| **Total comprehensive income for the year** | | | | | | |
| Loss for the year | – | – | – | – | (9,275) | (9,275) |
| Other comprehensive income | – | – | (8,037) | – | – | (8,037) |
| **Total comprehensive income for the year** | – | – | (8,037) | – | (9,275) | (17,312) |
| **Transactions with owners of the Company** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Equity-settled share-based payment | – | – | – | – | 1,819 | 1,819 |
| Proceeds from share placing | 894 | 12,696 | – | – | – | 13,590 |
| Share options exercised | 77 | (144) | – | – | 161 | 94 |
| **Total transactions with owners of the Company** | 971 | 12,552 | – | – | 1,980 | 15,503 |
| **Balance at 31 December 2016** | 5,638 | 94,526 | (8,284) | 1,247 | (89,344) | 3,783 |

The notes on pages 49 to 71 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## For the year ended 31 December 2017

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | **(13,515)** | (9,275) |
| Adjustments for: | | | |
| – Depreciation of property, plant and equipment | 14 | **215** | 174 |
| – Amortisation of intangible assets | 13 | **6,699** | 8,466 |
| – Loss on disposal of property, plant and equipment | | **—** | 4 |
| – Net finance costs | | **315** | 268 |
| – Income tax | 11 | **(489)** | (772) |
| – Foreign exchange | | **3,860** | (7,507) |
| – Equity-settled share-based payment | 22 | **2,201** | 1,819 |
| | | **(714)** | (6,823) |
| Changes in: | | | |
| – Trade and other receivables | | **(1,618)** | 328 |
| – Trade and other payables | | **1,331** | 827 |
| – Deferred income | | **1,668** | 2,735 |
| – Deferred government grant | | **(11)** | (11) |
| Net working capital change | | **1,370** | 3,879 |
| **Cash generated from/(used in) operating activities** | | **656** | (2,944) |
| Interest paid | | **(286)** | (162) |
| Income tax received | | **1,364** | 690 |
| **Net cash generated from/(used in) operating activities** | | **1,734** | (2,416) |
| **Cash flows from investing activities** | | | |
| Purchase of third party software | | **(500)** | – |
| Purchase of property, plant and equipment | | **(254)** | (64) |
| Proceeds from sale of property, plant and equipment | | **1** | 2 |
| Development expenditure | 13 | **(6,303)** | (5,860) |
| Interest received | 9 | **29** | 1 |
| **Net cash used in investing activities** | | **(7,027)** | (5,921) |
| **Cash flows from financing activities** | | | |
| Net proceeds from share issues | | **21,188** | 13,523 |
| Draw down of bank loan | 19 | **4,000** | – |
| Payment of finance lease liabilities | 19 | **(89)** | (8) |
| **Net cash from financing activities** | | **25,099** | 13,515 |
| **Net increase in cash and cash equivalents** | | **19,806** | 5,178 |
| Cash and cash equivalents at the start of the year | | **7,558** | 2,555 |
| Effect of movements in exchange rates on cash and cash equivalents | | **32** | (175) |
| **Cash and cash equivalents at the end of the year** | 18 | **27,396** | 7,558 |

The notes on pages 49 to 71 form part of these financial statements.

## 1. Reporting entity

WANdisco plc is a public limited company incorporated and domiciled in Jersey. The Company's ordinary shares are traded on AIM. The consolidated financial statements of the Company for the year ended 31 December 2017 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 ("IFRS") 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 2017 the Group had net assets of $17.5m (31 December 2016: $3.8m), including cash of $27.4m (2016: $7.6m) as set out in the Consolidated balance sheet, with a debt facility drawn of $4.0m (2016: unutilised revolving credit facility $10.0m). In the year ended 31 December 2017, the Group incurred a loss before tax of $14.0m (2016: $10.0m) and net cash outflows before financing of $5.3m (2016: $8.3m).

During 2017, the performance of the Group improved, with bookings growing by 45% to $22.5m (2016: $15.5m). Most of this growth was achieved through increased momentum in bookings as a result of success from new partnerships, including the IBM OEM. This growth in bookings led to increased revenue which was greater than a small increase in the cost base, which included an investment into supporting the new partnerships. In addition, during 2017 the Group received $4.0m in debt funding from Silicon Valley Bank and raised $20.5m, net of costs, through an equity raise; as a result of this, the Group had $27.4m (2016: $7.6m) of cash at 31 December 2017.

The Directors have prepared a detailed budget and forecasts of the Group's expected performance over a period covering at least the next twelve months from the date of these financial statements. As well as modelling the realisation of the sales pipeline, these forecasts also cover a number of scenarios and sensitivities in order for the Board to satisfy itself that the Group remains within its current cash facilities.

Whilst the Directors are confident in the Group's ability to grow bookings, the Board's sensitivity modelling shows that the Group can remain within its facilities in the event that bookings growth is delayed (i.e. bookings do not increase from the level reported in 2017) for a period in excess of twelve months. The Directors' financial forecasts and operational planning and modelling also include the actions that the Group could take to further significantly reduce the cost base during the coming year in the event that longer-term bookings were set to remain consistent with the level reported in 2017. On the basis of this financial and operational modelling, the Directors believe that the Group has the capability and the operational agility to react quickly, cut further costs from the business and ensure that the cost base of the business is aligned with its sales bookings, cash revenue and funding scale.

As a consequence, the Directors have a reasonable expectation that the Group can continue to operate and be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of these financial statements. 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, as the revenue for the Group is predominately derived in this currency. Billings to the Group's customers during the year by WANdisco, Inc. were all in US dollars with certain costs being incurred by WANdisco International Limited in sterling and WANdisco, Pty Ltd in Australian dollars. 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 IFRS 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.

## 2. Basis of preparation continued

### (d) Use of estimates and judgements continued

#### (i) Accounting estimates

The preparation of financial statements in conformity with adopted IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Directors consider the following to be the estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long term:

*Revenue*

Key assumption: When allocating revenue between different performance obligations, the fair value of the various components is required, which involves the use of estimates to establish the relative fair values.

*Intangible impairment*

Other assumption: Within the Intangible asset calculation we undertake an exercise to estimate future cash flows from the CGUs. We have assumptions on the growth rates of revenue and operating expenses which impacts the profit assumed and hence cash flow generation. These assumptions are used in the calculation of the net present value of cash flows. The further assumptions are the perpetuity growth rate and discount rate.

See Note 13.

#### (ii) Judgements

The Group applies judgement in how it applies its accounting policies, which do not involve estimation, but could materially affect the numbers disclosed in these financial statements. The key accounting judgements, without estimation, that have been applied in these financial statements are as follows:

*Research and development*

Capitalisation of development expenditure is completed only if development costs meet certain criteria. Full detail of the criteria is in Note 3(e)(ii).

Alternative accounting judgement that could have been applied – Not capitalising development costs.

Effect of that alternative accounting judgement – Reduction of $5,914,000 of assets carrying value.

*Revenue*

An additional area of judgement is the recognition and deferral of revenue in the situation when different performance obligations are bundled. For example, the sale of a perpetual licence with an annual maintenance and support contract. When products are bundled together for the purpose of sale, the associated revenue, net of all applicable discounts, is allocated between the constituent parts of the bundle on a relative fair value basis. The Group has a systematic basis for allocating relative fair values in these situations.

Alternative accounting judgement that could have been applied – Alternative methodology to allocate the fair values.

Effect of that alternative accounting judgement – Change in revenue figure and deferred income by the same amount.

### (e) Alternative performance measures

The Group uses a number of key performance measures ("KPIs") which are non-IFRS measures to monitor the performance of its operations. The Group believes these KPIs provide useful historical financial information to help investors and other stakeholders evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses KPIs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group. The Group has been using the following KPIs on a consistent basis and they are defined and reconciled as follows:

- New sales bookings: A new sales booking relates to agreement with the customer via a contract to purchase. Bookings can be to both new and existing customers.
- Cash overheads: Operating expenses adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 6 for a reconciliation.
- Adjusted EBITDA: Loss from operations adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 6 for a reconciliation.

## 3. Significant accounting policies

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

### (a) Basis of consolidation

The consolidated financial statements include the financial statements of Wandisco plc, all its subsidiary undertakings and investments. Consistent accounting policies have been applied in the preparation of all such financial statements.

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### (ii) Business combinations

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

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 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.

#### (iii) Transactions eliminated on consolidation

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

### (b) Foreign currency

#### (i) Foreign currency transactions

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

#### (ii) Foreign operations

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

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

### (c) Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, 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.

## 3. Significant accounting policies continued

### (c) Financial instruments continued

#### (i) Non-derivative financial instruments continued

*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 – Three years
- Fixtures and fittings – Three years
- Leasehold improvements – Three years

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

### (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.

## 3. Significant accounting policies continued

### (e) Intangible assets continued

#### (ii) Research and development continued

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 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.

#### (iv) Carrying value

The recoverable amount of development costs is based on the discounted cash flows expected to be derived from the use and eventual sale of products developed.

### (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.

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.

## 3. Significant accounting policies continued

### (f) Impairment (excluding deferred tax assets) continued

#### (ii) Non-financial assets continued

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

In the UK there is a Company personal pension scheme, which is a defined contribution scheme, for employees. Contributions are recognised in the income statement as they become payable in accordance with the rules of the scheme.

#### (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) Royalties

Royalties are accounted for on an accruals basis in accordance with the substance of the relevant agreement when it is probable that economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. Royalties which are receivable in more than one year are discounted to present value and disclosed as an Other non-current asset on the balance sheet.

#### (v) Multi-element

Where there are multiple components in a single transaction, the revenue recognition criteria is applied to the separately identifiable components in order to reflect the substance of the transaction.

## 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 Consolidated statement of profit and loss and other 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 by our salesforce 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.

### (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 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12).
- Disclosure Initiative (Amendments to IAS 7).
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 12).

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

## 3. Significant accounting policies continued

### (q) New accounting standards and amendments continued

### (ii) New and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application.

*IFRS 15 "Revenue from Contracts with Customers"*

The Group is required to adopt IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The principles in IFRS 15 must be applied using the following five step model:

1. Identify the contract(s) with a customer.

2. Identify the performance obligations in the contract.

3. Determine the transaction price.

4. Allocate the transaction price to the performance obligations in the contract.

5. Recognise revenue when or as the entity satisfies its performance obligations.

Revenue is recognised either when the performance obligation in the contract has been performed (so "point in time" recognition) or "over time" as control of the performance obligation is transferred to the customer.

The Group is continuing to assess the estimated impact that the initial application of IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of this standard on the Group's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standard at 1 January 2018 may change because the Group has not finalised the testing and assessment of all income streams and controls over its new reporting approach.

*Software licences*

Following the provision of access to the software licence, revenue from sales of term licences is currently recognised over the period of the licence and perpetual licences are recognised as revenue in full.

Under IFRS 15, term licences will be treated like perpetual licences with revenue being recognised in full once the licence has been granted and the customer has been provided with access to the software as it is considered that control has been passed at that point in time.

Based on the work undertaken to date, it is not believed that there will be a change in the policy for perpetual licences.

*Software subscriptions*

Sales of software subscriptions which include maintenance and support over the period are currently recognised on a straight-line basis over the period of the contract, once the licence has been granted and the customer has been provided with access to the software.

Under IFRS 15, the subscription will be split into the two performance obligations, being the licence component, and maintenance and support which are both being considered as distinct. The allocation of transaction price between the two performance obligations will be based on an adjusted market assessment approach.

The licence component will be recognised in full as revenue on provision of access to the licence to the customer as control is considered to pass at that point. The maintenance and support component will continue to be spread over the life of the contract as the performance obligation is satisfied over the period of the contract.

*Maintenance and support contracts*

Sales of maintenance and support contracts are currently recognised on a straight-line basis over the period of the contract. Based on the work undertaken to date, it is not believed that there will be a change under IFRS 15 and the approach will be in line with current accounting practice as the performance obligation is satisfied over the period of the contract.

*Training, implementation and professional services*

Sales of training, implementation and professional services are currently recognised on delivery of the services. Based on the work undertaken to date, it is not believed that there will be a change under IFRS 15, as the performance obligation is satisfied on delivery of these services.

### 3. Significant accounting policies continued

#### (q) New accounting standards and amendments continued

(ii) New and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted continued

*IFRS 15 "Revenue from Contracts with Customers"* continued

*Royalties*

Royalties are accounted for on an accruals basis in accordance with the substance of the relevant agreement when it is probable that economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. Under IFRS 15 the recognition of royalties are prohibited until the sale or usage occurs, even if the sale or usage is probable.

*Transition*

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

*IFRS 16 "Leases"*

IFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The new standard replaces existing leases guidance, principally IAS 17 "Leases".

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is conducting an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of properties and the expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to $1,584,000, on an undiscounted basis.

*Transition*

As a lessee, the Group can apply the standard using either a retrospective approach, or a modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all its leases. The Group plans to apply IFRS 16 initially on 1 January 2019, with a preference of using the retrospective approach. In this case, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2018, with a restatement of comparative information.

*Other new and amended standards and interpretations*

The following IFRSs are not expected to have a material effect on the financial statements:

- IFRS 9 "Financial Instruments" (effective date 1 January 2018).
- IFRS 17 "Insurance Contracts" (effective date 1 January 2021).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective date 1 January 2018).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective date 1 January 2019).
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective date 1 January 2018).
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (effective date 1 January 2018).
- Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (Amendments to IFRS 4) (effective date 1 January 2018).
- Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2018).
- Annual Improvements to IFRS Standards 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) (effective date 1 January 2019).
- Transfers of Investment Property (Amendments to IAS 40) (effective date 1 January 2018).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective date 1 January 2019).
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (effective date 1 January 2019).

## 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) 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.

### (b) 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:

| Revenue | 2017 $'000 | 2016 $'000 |
|---|---|---|
| North America | **16,132** | 8,192 |
| Europe | **2,865** | 2,476 |
| Rest of the world | **640** | 711 |
| | **19,637** | 11,379 |

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's core patented technology, the Distributed Coordination Engine ("DConE"), enables the replication of data. The Group has developed software based on this technology which is applied into two key markets, the Big Data and Source Code Management markets:

| Revenue | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Source Code Management | **8,484** | 8,182 |
| Big Data | **11,153** | 3,197 |
| | **19,637** | 11,379 |

Included in revenue from Big Data of $11,153,000 (2016: $3,197,000) are revenues of $7,794,000 (2016: $563,000) which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue (2016: nil).

## 6. Operating expenses

| Loss from operations has been arrived at after charging: | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Staff costs | 10 | **11,673** | 12,081 |
| Research and development – amortisation charge | 13 | **6,366** | 8,116 |
| Amortisation of intangible assets | 13 | **333** | 350 |
| Depreciation of property, plant and equipment | 14 | **215** | 174 |
| Auditor's remuneration | 7 | **89** | 72 |

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

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Loss from operations | | **(9,695)** | (17,923) |
| Adjusted for: | | | |
| Amortisation and depreciation | | **6,914** | 8,640 |
| Exceptional items within operating expenses | 8 | **—** | 32 |
| EBITDA before exceptional items | | **(2,781)** | (9,251) |
| Equity-settled share-based payment (excluding exceptional item) | 22 | **2,201** | 1,787 |
| Adjusted EBITDA before exceptional items | | **(580)** | (7,464) |
| Development expenditure capitalised | 13 | **(6,303)** | (5,860) |
| Adjusted EBITDA before exceptional items including development expenditure | | **(6,883)** | (13,324) |

### Reconciliation of operating expenses to "cash overheads"

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Operating expenses | | **(27,360)** | (27,953) |
| Remove: | | | |
| Amortisation and depreciation | | **6,914** | 8,640 |
| Exceptional items within operating expenses | 8 | **—** | 32 |
| Equity-settled share-based payment (excluding exceptional item) | 22 | **2,201** | 1,787 |
| Development expenditure capitalised | 13 | **(6,303)** | (5,860) |
| Cash overheads | | **(24,548)** | (23,354) |

## 7. Auditor's remuneration

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Audit of these financial statements | **74** | 60 |
| Amounts receivable by auditor in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | **15** | 12 |
| | **89** | 72 |

## 8. Exceptional items

| Exceptional items comprise the following: | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Exchange (loss)/gain on intercompany balances | | (3,994) | 8,144 |
| Equity-settled share-based payment charge in relation to acquisitions: TortoiseSVN.net | 22 | — | (32) |
| | | (3,994) | 8,112 |

The exceptional (loss)/gain arose on sterling-denominated intercompany balances. These balances were retranslated at the closing exchange rate at 31 December 2017, which was 1.35, a 10% increase compared to the rate of 1.23 at 31 December 2016. Sterling to US dollar exchange rates improved during 2017 compared to 2016, which declined following the Brexit vote on 23 June 2016. Due to the size and nature of the exchange (loss)/gain in both years, it has been included as an exceptional item.

The exceptional (loss)/gain on intercompany balances in the Consolidated statement of profit and loss is offset by an equivalent exceptional exchange gain/(loss) on the retranslation of the intercompany balances, which is included in the retranslation of net assets of foreign operations, included in the other comprehensive income.

The equity-settled share-based payment charge recognised in the prior year in relation to the purchase of the intellectual property of TortoiseSVN.net has been classified as exceptional. See Note 22 for further details.

## 9. Net finance (costs)/income

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Interest receivable – bank | 29 | 1 |
| Exchange gain | — | 8,169 |
| Finance income | 29 | 8,170 |
| Exchange loss | (3,994) | (25) |
| Interest payable on bank borrowings | (167) | (79) |
| Finance charges | (119) | (83) |
| Loan amortisation costs | (58) | (107) |
| Finance costs | (4,338) | (294) |
| Net finance (costs)/income | (4,309) | 7,876 |

## 10. Staff numbers and costs

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Wages and salaries | | 12,565 | 12,842 |
| Redundancy costs | | 155 | 679 |
| Social security costs | | 1,298 | 1,296 |
| Other pension costs | | 186 | 142 |
| Equity-settled share-based payment | 22 | 2,201 | 1,787 |
| Development expenditure capitalised | | (4,732) | (4,665) |
| Total staff costs | | 11,673 | 12,081 |

## 10. Staff numbers and costs continued

### Average number of persons employed

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

| | 2017 Number | 2016 Number |
|---|---|---|
| Software development | **77** | 76 |
| Selling and distribution | **30** | 32 |
| Administration | **15** | 17 |
| Total number of employees | **122** | 125 |

### Remuneration of key management personnel

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Short-term employee benefits of key management personnel | **4,060** | 3,059 |

There were no other long-term benefits or post-employment benefits in the year ended 31 December 2017 (2016: $nil).

In addition to the above, an equity-settled share-based payment charge of $1,529,000 in relation to share options granted to key management personnel was incurred in the year ended 31 December 2017 (2016: $1,697,000).

Further details on the remuneration, share options and pension entitlements of the Directors are included in the Remuneration Committee report on pages 36 and 37.

## 11. Income tax

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | **390** | 542 |
| Adjustment for prior years | **99** | 230 |
| Income tax | **489** | 772 |

### Reconciliation of effective tax rate

| | 2017 % | 2017 $'000 | 2016 % | 2016 $'000 |
|---|---|---|---|---|
| Loss before tax | | **14,004** | | 10,047 |
| Expected tax credit based on the Group's domestic tax rate of 35% | **35%** | **4,901** | 40% | 4,019 |
| Effects of: | | | | |
| Non-deductible expenses | **(10%)** | **(1,430)** | (14%) | (1,429) |
| Non-taxable (expenses)/income | **(9%)** | **(1,288)** | 31% | 3,111 |
| Tax rates in foreign jurisdictions | **(7%)** | **(995)** | (15%) | (1,457) |
| R&D tax credits | **6%** | **786** | 8% | 834 |
| Losses not recognised for current or deferred tax | **(11%)** | **(1,485)** | (42%) | (4,306) |
| | **3%** | **489** | 8% | 772 |

Non-taxable (expenses)/income reflects the tax impact of the exceptional foreign exchange translation gain included in loss before taxation.

### Factors affecting the current and future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the Group's future current tax charge accordingly. The deferred taxation liability for UK tax resident members of the Group at 31 December 2017 has been calculated based on the rate of 17%.

## 11. Income tax continued

### Deferred tax assets and liabilities

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Deferred tax liability | (4) | (3) |

The Group has unrecognised deferred tax assets of $16,012,000 (2016: $23,511,000) in respect of tax losses arising in the Group.

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

## 12. Loss per share

### Basic loss per share

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Loss for the year attributable to ordinary shareholders | 13,515 | 9,275 |

### Weighted average number of ordinary shares

| | 2017 Shares '000s | 2016 Shares '000s |
|---|---|---|
| At the start of the year | 37,068 | 29,564 |
| Effect of shares issued in the year | 715 | 3,727 |
| Weighted average number of ordinary shares during the year | 37,783 | 33,291 |

| | 2017 $ | 2016 $ |
|---|---|---|
| Basic loss per share | 0.36 | 0.28 |

### Adjusted loss per share

Adjusted loss per share is calculated based on the loss 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:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Loss for the year attributable to ordinary shareholders | 13,515 | 9,275 |
| Add back: | | |
| Exceptional items | (3,994) | 8,112 |
| Equity-settled share-based payment (excluding exceptional items) | (2,201) | (1,787) |
| Adjusted basic loss for the year | 7,320 | 15,600 |

| | 2017 $ | 2016 $ |
|---|---|---|
| Adjusted loss per share | 0.19 | 0.47 |

### Diluted loss per share

Due to the Group having losses in all years presented, 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

| At 31 December 2017 | Other intangible assets $'000 | Development costs $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 3,154 | 37,016 | 189 | 40,359 |
| Additions – third party | — | — | 1,500 | 1,500 |
| Additions – own work capitalised | — | 6,303 | — | 6,303 |
| **At 31 December 2017** | **3,154** | **43,319** | **1,689** | **48,162** |
| **Amortisation** | | | | |
| At 1 January 2017 | (3,154) | (31,039) | (189) | (34,382) |
| Amortisation charge for the year | — | (6,366) | (333) | (6,699) |
| **At 31 December 2017** | **(3,154)** | **(37,405)** | **(522)** | **(41,081)** |
| **Net book value** | | | | |
| **At 31 December 2017** | **—** | **5,914** | **1,167** | **7,081** |

| At 31 December 2016 | Other intangible assets $'000 | Development costs $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2016 | 3,154 | 31,156 | 189 | 34,499 |
| Additions – own work capitalised | — | 5,860 | — | 5,860 |
| At 31 December 2016 | 3,154 | 37,016 | 189 | 40,359 |
| **Amortisation** | | | | |
| At 1 January 2016 | (2,804) | (22,923) | (189) | (25,916) |
| Amortisation charge for the year | (350) | (8,116) | — | (8,466) |
| At 31 December 2016 | (3,154) | (31,039) | (189) | (34,382) |
| **Net book value** | | | | |
| At 31 December 2016 | — | 5,977 | — | 5,977 |

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 is determined using value in use ("VIU") calculations. As at 31 December 2017 and 2016, the Group had one CGU, the DConE CGU, which represents the Group's patented DConE replication technology, forming the basis of products for both the Source Code Management and Big Data markets, including the new Fusion platform that was launched in 2015.

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 2017 and 31 December 2016. These calculations use cash flow projections based on financial forecasts, which anticipate growth in the Group's installed base along with new customer growth, along with a stable cost base, 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% (2016: 10%) and a terminal value growth rate of 2% from 2022. The Directors have reviewed the recoverable amount of the CGU and do not consider there to be any indication of impairment.

A sensitivity analysis was performed for the DConE CGU and management concluded that no reasonably possible change in any of the key assumptions would cause for the carrying value of the DConE CGU to exceed its recoverable amount.

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.

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

| At 31 December 2017 | Leasehold improvements $'000 | Fixtures and fittings $'000 | Computers $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 125 | 276 | 909 | 1,310 |
| Additions | 24 | 1 | 229 | 254 |
| Effect of movements in exchange rates | 20 | 12 | 29 | 61 |
| Disposals | – | – | (3) | (3) |
| **At 31 December 2017** | **169** | **289** | **1,164** | **1,622** |
| **Depreciation** | | | | |
| At 1 January 2017 | (125) | (270) | (423) | (818) |
| Depreciation charge for the year | (7) | (7) | (201) | (215) |
| Effect of movements in exchange rates | (2) | (11) | (22) | (35) |
| Disposals | – | – | 2 | 2 |
| **At 31 December 2017** | **(134)** | **(288)** | **(644)** | **(1,066)** |
| **Net book value** | | | | |
| **At 31 December 2017** | **35** | **1** | **520** | **556** |

| At 31 December 2016 | Leasehold improvements $'000 | Fixtures and fittings $'000 | Computers $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2016 | 128 | 341 | 556 | 1,025 |
| Reclassification | 3 | (40) | (43) | (80) |
| Additions | – | – | 455 | 455 |
| Effect of movements in exchange rates | (6) | (25) | (48) | (79) |
| Disposals | – | – | (11) | (11) |
| At 31 December 2016 | 125 | 276 | 909 | 1,310 |
| **Depreciation** | | | | |
| At 1 January 2016 | (116) | (300) | (379) | (795) |
| Reclassification | – | 40 | 40 | 80 |
| Depreciation charge for the year | (13) | (33) | (128) | (174) |
| Effect of movements in exchange rates | 4 | 23 | 39 | 66 |
| Disposals | – | – | 5 | 5 |
| At 31 December 2016 | (125) | (270) | (423) | (818) |
| **Net book value** | | | | |
| At 31 December 2016 | – | 6 | 486 | 492 |

## 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. Other non-current assets

| Due in more than a year | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Accrued income | **889** | – |

## 17. Trade and other receivables

| Due within a year | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Trade receivables | **2,115** | 3,926 |
| Other receivables | **466** | 485 |
| Accrued income | **2,350** | – |
| Corporation tax | **527** | 1,446 |
| Prepayments | **511** | 288 |
| Total trade and other receivables | **5,969** | 6,145 |

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

### Ageing of trade receivables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Due from current month | **394** | 3,069 |
| Due from previous month | **1,704** | 764 |
| Due from earlier months | **17** | 93 |
| Total trade receivables | **2,115** | 3,926 |

All trade receivables are denominated in US dollars.

## 18. Cash and cash equivalents

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Cash at bank and in hand | **27,396** | 7,558 |

## 19. Current liabilities

### Trade and other payables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Trade payables | **2,134** | 808 |
| Accruals | **3,819** | 2,680 |
| | **5,953** | 3,488 |

### Deferred income

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

| Deferred income which falls due: | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within a year | **7,102** | 5,809 |
| In more than a year | **7,058** | 6,683 |
| Total deferred income | **14,160** | 12,492 |

### Borrowings – finance lease liabilities

Finance lease liabilities include amounts payable after more than one year of $199,000 (2016: $294,000).

| | Present value of minimum lease payments 2017 $'000 | Interest 2017 $'000 | Minimum lease payments 2017 $'000 | Present value of minimum lease payments 2016 $'000 | Interest 2016 $'000 | Minimum lease payments 2016 $'000 |
|---|---|---|---|---|---|---|
| Less than one year | **95** | **15** | **110** | 89 | 21 | 110 |
| Between one and five years | **199** | **11** | **210** | 294 | 26 | 320 |
| | **294** | **26** | **320** | 383 | 47 | 430 |

### Borrowings – bank loan

| Unsecured bank loan | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within a year | **889** | – |
| In more than a year | **3,111** | – |
| **Total bank loan** | **4,000** | – |

At 31 December 2017, the $4.0m of bank loan represents term debt drawn down under a new debt facility with Silicon Valley Bank that was announced on 26 June 2017. The facility replaced the previous HSBC facility that was due to expire on 30 June 2017. The new facility is due to mature on 1 April 2021 and comprises up to $5.0m available as term debt, with an interest only period to 31 May 2018, followed by a three year maturity at a floating interest rate charged at 1.5% above the US prime rate. There is an additional $3.0m available through a revolving credit facility secured by qualifying accounts receivable.

### Changes in liabilities from financing activities

| | Finance lease liabilities $'000 | Bank loan $'000 |
|---|---|---|
| Balance at 1 January 2017 | 383 | – |
| Payment of finance lease liabilities | (89) | – |
| Draw down of bank loan | – | 4,000 |
| Total changes from financing cash flows | (89) | 4,000 |
| **Balance at 31 December 2017** | **294** | **4,000** |

## 20. Financial instruments and risk management

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

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

### Market risk

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

The Group is exposed to interest rate risk on its $4.0m debt drawing, on which interest is charged at 1.5% above the US prime rate. In the prior year the Group was not exposed to interest rate risk as it had not drawn down on its $10.0m revolving credit facility.

### 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 are included in Note 2(b).

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

All financial liabilities (trade and other payables) mature within one year of the balance sheet date.

### 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 |
|---|---|---|---|---|
| **2017 cash and cash equivalents** | **10,622** | **60** | **16,714** | **27,396** |
| 2016 cash and cash equivalents | 538 | 118 | 6,902 | 7,558 |

Had the foreign exchange rate between the US dollar and sterling changed by 5%, this would have affected the loss for the year and the net assets of the Group by $573,000 (2016: $530,000).

### Fair values of financial assets and financial liabilities

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

## 21. Share capital and reserves

| | 2017 Number | 2017 $'000 | 2016 Number | 2016 $'000 |
|---|---|---|---|---|
| **Share capital** | | | | |
| Allotted and fully paid | **40,903,941** | **6,156** | 37,067,641 | 5,638 |

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

| | Share capital $'000 | Share premium $'000 | Translation reserve $'000 | Merger reserve $'000 | Retained earnings $'000 |
|---|---|---|---|---|---|
| At 1 January 2017 | 5,638 | 94,526 | (8,284) | 1,247 | (89,344) |
| Loss for the year | – | – | – | – | (13,515) |
| Foreign currency translation differences | – | – | 3,810 | – | – |
| Proceeds from share placing | 401 | 20,131 | – | – | – |
| Share options exercised | 117 | 539 | – | – | – |
| Equity-settled share-based payment | – | – | – | – | 2,201 |
| **At 31 December 2017** | **6,156** | **115,196** | **(4,474)** | **1,247** | **(100,658)** |

| | Share capital $'000 | Share premium $'000 | Translation reserve $'000 | Merger reserve $'000 | Retained earnings $'000 |
|---|---|---|---|---|---|
| At 1 January 2016 | 4,667 | 81,974 | (247) | 1,247 | (82,049) |
| Loss for the year | – | – | – | – | (9,275) |
| Foreign currency translation differences | – | – | (8,037) | – | – |
| Proceeds from share placing | 894 | 12,696 | – | – | – |
| Share options exercised | 77 | (144) | – | – | 161 |
| Equity-settled share-based payment | – | – | – | – | 1,819 |
| At 31 December 2016 | 5,638 | 94,526 | (8,284) | 1,247 | (89,344) |

### Share capital and share premium

During the year, 865,231 ordinary shares were issued as a result of employees exercising share options.

On 5 December 2017, the Company issued an additional 2,971,069 ordinary shares at a price of £5.50 each, raising funds of $20.5m net of transaction costs. The net proceeds are to be invested in support of further revenue growth and to establish new strategic partnerships.

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.

## 22. 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.

### Analysis of equity-settled share-based payment charge

| | Notes | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Exceptional equity-settled share-based payment charge in relation to acquisitions: TortoiseSVN.net | 10 | — | 32 |
| Non-exceptional equity-settled share-based payment charge | | 2,201 | 1,787 |
| Total equity-settled share-based payment charge | | 2,201 | 1,819 |

### 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 2017 are as follows:

| Date of grant | Expected term (years) | Exercisable between: Commencement | Exercisable between: Lapse | Exercise price | Vesting schedule (see page 70) | Outstanding at 31 December 2017 |
|---|---|---|---|---|---|---|
| 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 | 886 |
| 16 May 2012 | 9 | 16 May 2012 | 20 September 2021 | £0.46 | 2 | 6,650 |
| 16 May 2012 | 9 | 22 July 2012 | 14 September 2021 | £0.36 | 3 | 85,000 |
| 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 | 455,000 |
| 16 May 2012 | 9 | 13 January 2013 | 30 January 2022 | £0.23 | 3 | 474,120 |
| 21 June 2012 | 10 | 21 June 2012 | 20 June 2022 | £2.00 | 4 | 18,700 |
| 7 December 2012 | 10 | 7 December 2012 | 6 December 2022 | £4.55 | 5 | 101,250 |
| 26 June 2014 | 3 | 26 June 2014 | 25 June 2024 | £0.10 | 9 | 53,473 |
| 18 August 2014 | 3 | 18 August 2014 | 17 August 2024 | £0.10 | 9 | 15,833 |
| 15 September 2014 | 10 | 15 September 2014 | 14 September 2024 | £4.00 | 5 | 17,084 |
| 22 December 2014 | 3 | 22 December 2014 | 21 December 2024 | £0.10 | 9 | 10,973 |
| 2 June 2015 | 10 | 2 June 2015 | 1 June 2025 | £2.55 | 10 | 2,983 |
| 23 June 2015 | 3 | 23 June 2015 | 22 June 2025 | £0.10 | 10 | 74,286 |
| 6 July 2015 | 3 | 6 July 2015 | 5 July 2025 | £0.10 | 10 | 319,961 |
| 23 October 2015 | 3 | 23 October 2015 | 22 October 2025 | £0.10 | 10 | 36,666 |
| 2 November 2015 | 3 | 2 November 2015 | 1 November 2025 | £0.10 | 10 | 5,000 |
| 22 January 2016 | 10 | 22 January 2016 | 21 January 2026 | £0.75 | 10 | 7,450 |
| 28 January 2016 | 3 | 28 January 2016 | 27 January 2026 | £0.10 | 10 | 10,000 |
| 24 March 2016 | 3 | 24 March 2016 | 23 March 2026 | £0.10 | 10 | 10,001 |
| 9 March 2016 | 10 | 9 March 2016 | 8 March 2026 | £1.41 | 10 | 37,018 |
| 1 April 2016 | 3 | 1 April 2016 | 1 April 2026 | £0.10 | 10 | 213,333 |
| 22 June 2016 | 3 | 22 June 2016 | 21 June 2026 | £0.10 | 10 | 7,300 |
| 17 August 2016 | 3 | 17 August 2016 | 16 August 2026 | £0.10 | 10 | 6,667 |
| 15 September 2016 | 3 | 15 September 2016 | 14 September 2026 | £0.10 | 10 | 50,000 |
| 16 September 2016 | 10 | 16 September 2016 | 15 September 2026 | £2.00 | 10 | 20,000 |
| 6 December 2016 | 10 | 6 December 2016 | 5 December 2026 | £1.90 | 9 | 845,302 |
| 21 January 2017 | 10 | 21 January 2017 | 20 January 2027 | £3.90 | 9 | 232,500 |
| 13 March 2017 | 10 | 13 March 2017 | 10 March 2027 | £4.58 | 9 | 420,000 |
| 31 March 2017 | 10 | 31 March 2017 | 28 March 2027 | £4.24 | 9 | 81,000 |
| 30 May 2017 | 10 | 30 May 2017 | 27 May 2027 | £4.45 | 9 | 65,000 |
| 24 October 2017 | 10 | 24 October 2017 | 21 October 2027 | £8.20 | 9 | 82,000 |
| 31 May 2017 | 1 | 31 May 2017 | 28 May 2027 | £0.10 | 11 | 95,556 |

## 22. Share-based payment continued

### Terms and conditions of share option grants continued

| Date of grant | Expected term (years) | Exercisable between: Commencement | Exercisable between: Lapse | Exercise price | Vesting schedule (see page 70) | Outstanding at 31 December 2017 |
|---|---|---|---|---|---|---|
| 11 September 2017 | 10 | 1 July 2017 | 8 September 2027 | £6.68 | 9 | **50,000** |
| 11 September 2017 | 10 | 1 July 2017 | 8 September 2027 | £0.10 | 10 | **500,000** |
| 24 October 2017 | 10 | 24 October 2017 | 21 October 2027 | £0.10 | 10 | **30,000** |
| 7 November 2017 | 10 | 24 October 2017 | 29 October 2027 | £8.39 | 9 | **423,707** |
| | | | | | | **4,901,699** |

The following vesting schedule applies:

2. Partially vested at grant date; 1/48 of granted option shares vest monthly thereafter.
3. Option vests 25% on exercisable commencement date; 1/48 of granted option shares vest monthly thereafter.
4. Option vests on third anniversary of the date of grant.
5. Option vests 25% on first anniversary of vesting commencement date, with the balance vesting monthly thereafter until final vesting date.
9. Option vests 33% on first anniversary of vesting commencement date, with the balance vesting monthly thereafter until final vesting date.
10. Option vests in three instalments. One-third on the first anniversary of vesting commencement date, one-third on the second anniversary and one-third on the third anniversary.
11. Option vests 100% on first anniversary of vesting commencement date.

### 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:

| | 2017 Number | 2016 Number |
|---|---|---|
| Balance at the start of the year | **4,318,899** | 4,437,995 |
| Granted | **2,020,514** | 1,592,924 |
| Forfeited | **(572,483)** | (1,052,031) |
| Exercised | **(865,231)** | (659,989) |
| Balance at the end of the year | **4,901,699** | 4,318,899 |
| Exercisable at the end of the year | **2,073,904** | 2,733,488 |
| Vested at the end of the year | **2,073,904** | 2,733,488 |

Weighted average exercise price for:

| | 2017 $ | 2016 $ |
|---|---|---|
| Shares granted | **5.50** | 2.15 |
| Shares forfeited | **9.47** | 3.40 |
| Options exercised | **0.76** | 0.18 |
| Exercise price in the range: | | |
| From | **0.13** | 0.15 |
| To | **6.14** | 21.20 |

## 22. Share-based payment continued

### Number and weighted average exercise price of shares continued

| | 2017 Years | 2016 Years |
|---|---|---|
| Weighted average contractual life remaining | 7.8 | 7.8 |

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:

| | 2017 | 2016 |
|---|---|---|
| Dividend yield | 0.00% | 0.00% |
| Risk-free interest rate | 1.02% | 1.05% |
| Stock price volatility | 30% | 30% |
| Expected life (years) | 7.0 | 7.0 |
| Weighted average fair value of options granted during the year | $4.24 | $3.09 |

- The dividend yield is based on the Company's forecast dividend rate and the current market price of the underlying common stock at the date of grant.
- Expected life in years is determined from the average of the time between the date of grant and the date on which the options lapse.
- Expected volatility is based on the historical volatility of shares of listed companies with a similar profile to the Company.
- The risk-free interest rate is based on the treasury bond rates for the expected life of the option.

## 23. Commitments and contingent liabilities

### Operating lease commitments

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

| Land and buildings | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Within one year | 421 | 374 |
| Between two and five years | 1,163 | 230 |
| | 1,584 | 604 |

### Capital commitments and contingent liabilities

At 31 December 2017 the Group had no capital commitments (31 December 2016: $nil).

The Group had no contingent liabilities at 31 December 2017 (31 December 2016: 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.

## 25. Post-balance sheet events

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

# FIVE YEAR RECORD

| 31 December | 2013 $'000 | 2014 $'000 | 2015 $'000 | 2016 $'000 | **2017 $'000** |
|---|---|---|---|---|---|
| New sales bookings | 14,768 | 17,360 | 9,012 | 15,493 | **22,517** |
| New sales bookings growth | 87% | 18% | (48%) | 72% | **45%** |
| Revenue | 8,012 | 11,218 | 10,994 | 11,379 | **19,637** |
| Revenue growth | 33% | 40% | (2%) | 4% | **73%** |
| Deferred revenue | 8,456 | 11,264 | 9,757 | 12,492 | **14,160** |
| Deferred revenue growth | 33% | 33% | (13%) | 28% | **13%** |
| Cash | 25,673 | 2,481 | 2,555 | 7,558 | **27,396** |
| Loss from operations | (19,268) | (39,917) | (30,529) | (17,923) | **(9,695)** |
| Amortisation of intangible assets | 4,918 | 8,283 | 9,600 | 8,466 | **6,699** |
| Depreciation of property, plant and equipment | 138 | 267 | 270 | 174 | **215** |
| Acquisition-related items | — | 145 | — | — | **—** |
| Exceptional items | 2,276 | 1,441 | 614 | 32 | **—** |
| EBITDA before exceptional items | (11,936) | (29,781) | (20,045) | (9,251) | **(2,781)** |
| Add back equity-settled share-based payment | 4,104 | 11,907 | 4,057 | 1,787 | **2,201** |
| Adjusted EBITDA before exceptional items | (7,832) | (17,874) | (15,988) | (7,464) | **(580)** |
| Development expenditure capitalised | (7,443) | (9,040) | (8,369) | (5,860) | **(6,303)** |
| Adjusted EBITDA before exceptional items including development expenditure | (15,275) | (26,914) | (24,357) | (13,324) | **(6,883)** |

Notice is given that the sixth Annual General Meeting of WANdisco plc ("the Company") will be held at the Novotel Sheffield Centre, 50 Arundel Gate, Sheffield S1 2PR on 23 May 2018 at 10 am 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 2017, the Strategic report and the reports of the Directors and auditor thereon be received and considered.
2. That Karl Monaghan be re-appointed as a Director of the Company.
3. That Dr Yeturu Aahlad 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 ("the 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 £1,376,781, 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.
7. It is proposed that the shareholders ratify, approve and confirm the Company's Amended and Restated 2013 Equity Incentive Plan (the "Plan"), amended pursuant to authority granted by the Board in its 6 December 2016 Resolution. The Plan initially was adopted in 2013 and previously was amended and restated in 2016, both actions being approved by the Board. The Plan was further amended and restated in 2017 principally to include restricted stock units ("RSUs").
8. That, pursuant to Article 58A(1)(b) of the Law and Article 13 of the Articles, an ordinary share purchased pursuant to resolution 10 below may be held by the Company as treasury shares in accordance with Articles 58A and 58B of the Law.

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

9. 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:

   9.1 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

   9.2 the allotment (other than pursuant to resolution 8.1 above) wholly for cash of ordinary shares up to an aggregate nominal amount of £413,034,

   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.

10. 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:

    10.1 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;

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

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

    10.3.1 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

    10.3.2 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.

By order of the Board

**Larry Webster**
Company Secretary
23 March 2018
Registered in Jersey under the Companies (Jersey) Law 1991 with company number 110497.

Registered office
47 Esplanade
St. Helier
Jersey
JE1 0BD

## 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 at close of business on 21 May 2018 (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 Link Asset Services (whose CREST ID is RA10) 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.

## Notes continued

### Proxies continued

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.

   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 transfer agent, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF no later than 10 am on 21 May 2018 (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 Link Asset Services.

   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 Link Asset Services. 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 Link Asset Services 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 re-appointment at the meeting are set out on pages 28 and 29 of the enclosed Annual Report and Accounts.

# SECRETARY, ADVISERS AND SHARE CAPITAL INFORMATION

## Secretary

### Larry Webster

## Offices

### UK office

Electric Works
Sheffield Digital Campus
Sheffield S1 2BJ

### US office

5000 Executive Parkway
Suite 270
San Ramon
CA 94583

### Registered office

47 Esplanade
St. Helier
Jersey JE1 0BD

## Company registered number

110497

## Nominated adviser and joint broker

### Stifel Nicolaus Europe Ltd

150 Cheapside
London EC2V 6ET

## Joint broker

### Peel Hunt LLP

Moor House
120 London Wall
London EC2Y 5ET

### WH Ireland Limited

24 Martin Lane
London EC4R 0DR

## Auditor

### KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

## Legal advisers

### Brown Rudnick

8 Clifford Street
London W1S 2LQ

### Carey Olsen

47 Esplanade
St. Helier
Jersey JE1 0BD

## Bankers

### Silicon Valley Bank

3003 Tasman Drive
Santa Clara
CA 95054

### HSBC Bank plc

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

## Registrars

### Link Asset Services

The Registry
34 Beckenham Road
Beckenham BR3 4TU

## Share capital

The ordinary share capital of WANdisco plc is listed on AIM, a market operated by London Stock Exchange Group plc. The shares are listed under the trading ticker WAND. The ISIN number is JE00B6Y3DV84.

MIX
Paper from responsible sources
FSC® C001785

WANdisco plc is committed to the environmental issues reflected in this Annual Report. The report is printed on Arcoprint, which is FSC® certified and ECF (Elemental Chlorine Free), and printed in the UK by Park Communications using their environmental printing technology. Both manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

Produced by
designportfolio

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47 Esplanade
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