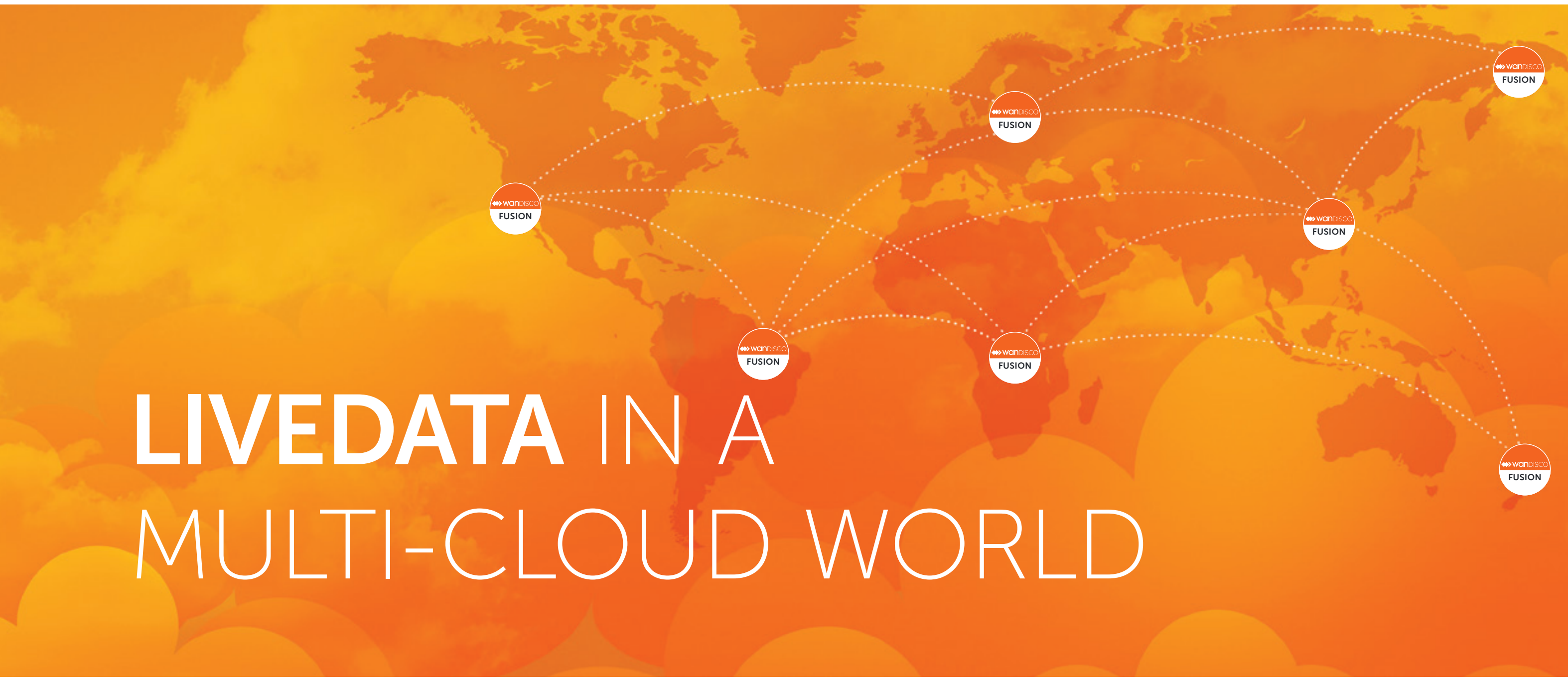
wanDISCO

The **LiveData** Company



LIVEDATA IN A MULTI-CLOUD WORLD

WANDISCO PLC ANNUAL REPORT AND ACCOUNTS 2018

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WANDISCO IS THE LIVEDATA COMPANY

that empowers enterprises to revolutionise their IT infrastructure with its ground-breaking DConE technology that powers the WANdisco Fusion platform, enabling companies to generate hyperscale economics with the same IT budget – across multiple development environments, data centres and cloud providers.

WANdisco Fusion® powers hundreds of the Global 2000, including Cisco Systems, Allianz, AMD, Juniper, Morgan Stanley and more. With significant OEM relationships with IBM and Alibaba, and go-to-market partnerships with Amazon Web Services, Microsoft Azure, Google Cloud, Oracle, and other industry titans, WANdisco is igniting a LiveData movement worldwide.

2018 HIGHLIGHTS

1
Key new hire in engineering

January

Appointed Ramki Thurimella PhD as VP of Research. Ramki joins the Company with extensive experience in algorithm design and information security. Prior to joining WANdisco he was Director of Cybersecurity and the Chair of Computer Science at the University of Denver.

March

Entered into a non-exclusive original equipment manufacturer ("OEM") sales agreement with Alibaba Cloud, representing a substantial increase in our addressable market and a significant extension of our channel strategy.

Achieved co-sell status through the Microsoft One Commercial Partner Program. As a result, we can now take WANdisco Fusion® to market as a packaged offering with Microsoft Azure.

April

WANdisco Fusion 2.11 certified to run on Cloudera 5, enabling Cloudera customers to seamlessly move data between on-premises and hybrid-cloud environments with every data change captured wherever it occurs.

Gained £248,000 of R&D support towards the continued development of the WANdisco Fusion platform from Invest Northern Ireland.

July

Filed blockchain patent to protect the use of our Distributed Coordination Engine™ ("DConE") to resolve issues associated with public blockchain technology.

August

WANdisco Fusion made available on the UK Government's latest G-Cloud framework. The framework provides public-sector organisations a way to buy cloud-based services as commodities to accelerate cloud adoption in a timely and cost-effective manner.

1
New OEM with Alibaba Cloud

Operational and strategic highlights

- Shift towards recurring revenue model based on annual recurring revenue from cloud contracts
  - $3m US health insurance subscription contract through Microsoft co-sell status
  - $1m partially recurring Source Code Management contract with ICT provider in China
  - $200k recurring automotive contract expected to expand substantially
- Deepening our key strategic partnerships
  - Microsoft Azure co-sell status delivering strategic deals with high profile customers through the world's second largest cloud
    - New customers include a major bank, semiconductor company and major retailer
  - IBM OEM royalty percentage increased to 50% with guaranteed annual minimum royalty commitment and joint SQL product launch
    - New customers in insurance, banking, telecommunications and US Government
  - Gained Advanced Technology Partner status with Amazon Web Services ("AWS") and collaborated with AWS to win first multi-cloud contract
  - OEM sales partnership with Alibaba Cloud, first product now integrated with its Cloud Solution
- Growing product expands addressable market
  - Launched LiveData product for Multicloud and won first contract with a global network operator
  - IBM BigSQL co-engineered product launched expanding addressable LiveData market
  - Filed blockchain patent to potentially open significant new market for WANdisco's core technology
- Appointment of Silicon Valley expert Bob Corey as Senior Non-executive Director and Vice Chairman to the Board and Joel Horowitz as SVP of Marketing

Selected by a global automotive and truck manufacturer to deploy WANdisco Fusion. The initial contract is worth $200k on an annualised recurring revenue basis.

Significantly expanded relationship with IBM, with OEM royalty increasing to 50% from 30%.

Announced increased momentum in cloud with three strategic deals with high profile Microsoft customers in banking, semiconductors and retail.

Secured a contract with the leading information and communications technology provider in China for our Source Code Management product. The contract is valued at $1m and a proportion of the revenue will be recurring.

Appointed Bob Corey as Non-executive Director and Vice Chairman, and Joel Horwitz as the SVP of Marketing.

$3m
Largest-ever cloud deal

September | October | November | December

3
Strategic deals with Microsoft customers

Launched LiveData for Multicloud, guaranteeing data consistency across multiple cloud providers, reducing vendor "lock-in" and improving efficiency regardless of location, environment or cloud provider.

OEM royalty from IBM increased to
50%

Secured our largest-ever cloud contract with a major US health insurer. The three-year subscription contract is valued at $3m with potential for expansion. This contract leverages WANdisco's strategic co-sell relationship with Microsoft as the client looks to move data to the Azure cloud.

Secured a contract with a major American managed healthcare company valued at $700k in royalties. The agreement will see IBM deploy the Company's patented Big Data and cloud product, WANdisco Fusion®, for disaster recovery.

Financial highlights

	Revenue ($m)	Cash overheads ($m)[2]	Adjusted loss ($m)[3]	Statutory loss for the year ($m)	Cash ($m)
	$17.0m	$29.8m	$(9.4)m	$(18.6)m	$10.8m
18	17.0	29.8	(9.4)	(18.6)	10.8
17	19.6	24.5	(0.6)	(13.5)	27.4
16	11.4	23.4	(7.5)	(9.3)	7.6
15	11.0	34.6	(16.0)	(29.9)	2.6
14	11.2	36.0	(17.9)	(38.3)	2.5

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 6 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 11 for a reconciliation.

3 Operating loss adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 11 for a reconciliation.

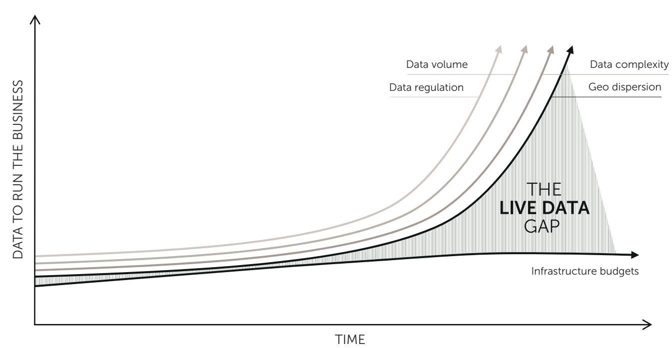
4 The 2018 figures include the adoption of IFRS 15 "Revenue from Contracts with Customers" and the prior years have not been restated and are prepared on an IAS 18 basis. See Note 5 for a reconciliation.

EVERYONE IS WORRIED ABOUT THEIR DATA

In a new era where every company is in the data business, success depends on putting exabytes of data to work for the business. This success is held back by the compromises and constraints of existing data structures. The volume and complexity of data involved in running a business is growing exponentially, with greater geographical dispersion and regulation than ever. These exploding requirements, combined with stagnant budgets, are overwhelming IT departments and creating a "LiveData" gap of data inconsistency, unused capacity, and economic limitations that hold back the business.

The LiveData Movement

Keeping data consistent in a distributed environment is a massive challenge. WANdisco Fusion, an enterprise-class software platform, solves the exponentially growing challenge of keeping unstructured data available across diverse IT environments regardless of geographic location, architecture, or cloud storage provider. Used by enterprises worldwide, our technology is based on a high-performance coordination engine called DConE, which uses consensus to keep Hadoop and object store data accessible, accurate, and consistent in different locations across any environment – on-premises, hybrid-cloud, multi-region cloud, or multi-cloud. The WANdisco Fusion platform is a foundation for a modern data strategy – a LiveData strategy – because it prevents data disasters, de-risks data migration to the cloud, and simplifies hybrid and multi-cloud data management.



With a LiveData strategy, enterprises can put all their data to work for their business:

Always available data

Users and applications can access and change data from any location.

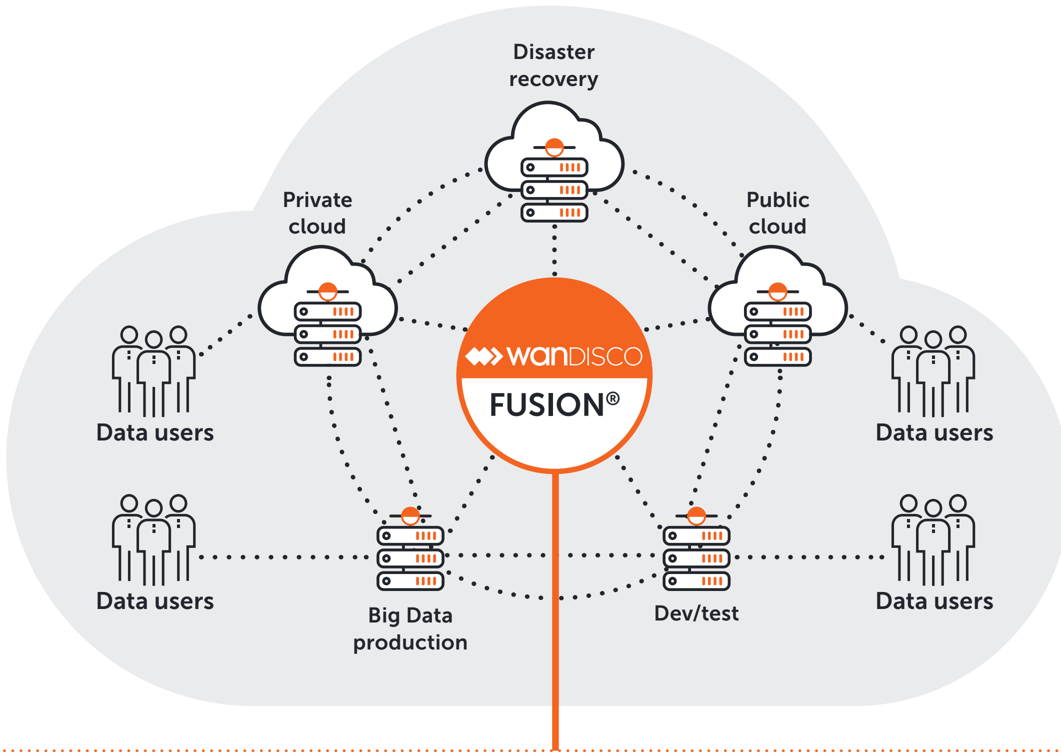
Transform IT cost structures

Customers can realise hyperscale economics by putting idle capacity to work and actively leveraging their entire data infrastructure to run their business.

Leapfrog innovation constraints

Full data portability – on-premises, hybrid or multi-cloud – means customers are not locked in to where their data lives.

SEE PAGES 8 TO 11
OUR MARKETS



Consistent data everywhere: LiveData use cases

Disaster prevention for any environment

Disaster recovery and high availability via near-zero RTO and RPO ensure business continuity and data SLA compliance across on-premises, hybrid and multi-region, multi-cloud environments.

Data lake consolidation

Synchronise multiple data lakes, unify data silos, and maximise your data lake investment and line of business data utilisation.

Cloud migration without downtime

Zero-disruption data migrations allow users to continue working on data – even for large-scale migrations.

Use the right cloud for the right job

Optimise your multi-cloud strategy and business performance by avoiding vendor lock-in and taking advantage of each cloud's unique or best-performing capabilities.

Hybrid-cloud enablement

Keeps on-premises and cloud environments continuously in sync by capturing every change wherever it occurs.

Multi-cloud enablement

Guarantee global, continuous data accuracy to applications in different clouds across geo-distributed, multi-region, multi-cloud architectures.

Protection from cloud vendor over-reliance

Eliminate application downtime from the failure of an object storage service by having strongly consistent replicas of objects in another cloud or location – avoiding vendor lock-in.

Our customers are in the following segments

Automotive, entertainment, financial services, government, healthcare, manufacturing, retail, telecoms, utilities and developer collaboration.

Our strategic partners

Alibaba Cloud · amazon web services · Azure · Google Cloud Platform · IBM · ORACLE

A YEAR OF PROGRESS

2018 HIGHLIGHTS

- Significantly expanded relationship with IBM
- Momentum in cloud with Microsoft
- Began migration toward a revenue model based on annual recurring revenue from cloud deals
- Announced OEM sales partnership with Alibaba Cloud
- Launched LiveData for Multicloud, guaranteeing data consistency across multiple cloud providers
- Key Board and Executive Team appointments

Business review

This has been an important year for WANdisco, as we have begun to unlock the significant potential in cloud computing. We have significantly extended our relationship with Microsoft, gaining co-sell status that allows our WANdisco Fusion platform to be sold as a standard offering with Microsoft's Cloud Solution, Azure. Throughout the year we have continued to build on this foundation and have closed a number of strategic deals with high profile Microsoft customers. These initial deployments with Microsoft will allow their customers to migrate their data to Microsoft Azure, which was previously impossible to do without a prolonged outage leading to increased cost and serious operational issues.

Our development efforts, increasingly cloud focused, has enabled the release of the first ever product to provide digital businesses the ability to constantly replicate data seamlessly between cloud regions, or different cloud vendors. Early success in the cloud have also led to an evolutionary transition towards predictable, annual recurring cloud revenue and away from large and difficult to predict on-premises transactions. Our initial cloud deployments, along with many more in our pipeline, are structured as annual recurring licence revenue, which should lend greater predictability to the business as the number and value of contracts grow over time.

Additionally, we significantly strengthened our relationship with IBM, increasing the royalty payable to the Group including a contractual minimum commitment and expanding its footprint in the IBM channel with the release of Fusion for IBM BigSQL. Finally, as an additional proof point for the strategic importance of WANdisco Fusion to cloud providers, we also signed an OEM agreement with Alibaba, and have completed the integration of WANdisco Fusion with Alibaba's Cloud Solution. After the end of the year we furthered our cloud relationships by achieving Advanced Technology Partner status with AWS. This is designated as the highest tier of technology partners.

This has been an important year for WANdisco, as we have begun to unlock the significant potential in cloud computing. We have significantly extended our relationship with Microsoft, gaining co-sell status that allows our WANdisco Fusion platform to be sold as a standard offering with Microsoft's Cloud Solution, Azure.

Big Data and cloud – WANdisco Fusion

Our Big Data product, WANdisco Fusion, has continued to secure prominent new customers, particularly within automotive, healthcare, electronics technology and telecommunications. These customers are using Fusion for a number of use cases including on-premises to cloud replication and disaster recovery. On-premises Hadoop implementations still remain an important part of our current business, with a significant, but smaller total addressable market than cloud computing – which is also growing faster. We have strengthened our relationship with our OEM partner IBM, which will allow us to efficiently and profitably service the on-premises segment of our business.

We are very excited about our early strides in the cloud computing segment of our business, with significant strategic partnerships being established in the year. In March 2018, we signed an OEM with the largest cloud provider in China and Asia, Alibaba, which will see our Fusion product launched as the Alibaba standard for replication to the Alibaba Cloud.

Also, in March 2018, we became a major co-sell partner with Microsoft, whose Azure cloud service is the second largest cloud provider only behind Amazon Web Services. Microsoft has been very successful in transitioning their business model from on-premises applications to the cloud and have made many of the business standard applications used worldwide available in the cloud. Like all cloud service providers, they have not been able to solve the problem of getting customers' data at scale to the cloud without the customer experiencing a significant disruption to service. They have recognised that only WANdisco Fusion can solve this problem for them, and we already have seen significant early traction with their customers, with a number of strategic deals in the year across a diverse range of sectors including banking, semiconductors and retail.

Cloud deals have a different revenue and cash profile than our on-premises perpetual licence deals, with initially smaller deals that are structured as annual recurring billings, rather than a large upfront payment, with only future maintenance revenues. Cloud deals offer the customer the ability to start with a modest implementation, and then both expand the size and extend the duration of the contract over time. This should build an annuity of revenue from each customer that is predictable and expanding on an annual basis, leading to a more predictable business model for WANdisco.

Source Code Management ("SCM")

In 2018, we maintained our sales focus for our SCM products and we continue to see an opportunity in the segment of the SCM market that we focus on. Software development continues to become more geographically and organisationally distributed, bringing greater challenges in control and efficiency, both amongst software publishers and in industry more generally, which drives the continuing need for SCM products.

Our sales and development expenditures are modest for our SCM products, and revenue consisted primarily of renewals from existing customers.

Protecting our advantage

WANdisco's intellectual property, which is based on complex mathematics developed over several years, is well protected; we have more than 42 patents filed to date with 21 now granted. Furthermore, WANdisco Fusion is used every day, at significant scale, by major brands across multiple sectors worldwide – 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. David Richards, our Chairman and Co-Founder, established the David & Jane Richards Family Foundation to fund data science programmes in UK schools.

The Board

In November 2018, Bob Corey was welcomed to the Board. Bob brings more than 30 years of executive and financial management experience in public and private software and hardware companies in Silicon Valley. Bob has deep corporate governance experience and has served on numerous Boards in Silicon Valley as Chairman of the Board, Chairman of the Audit Committee and as a member of Remuneration, Nomination and Governance committees.

SEE PAGES 26 AND 27
OUR BOARD

Medium-term strategic opportunity

As the market for live data and multi-cloud continues to accelerate, the Group has identified the following medium-term strategic opportunity for the business at the heart of the cloud ecosystem. Across all OEMs there is a potential for annual minimum commitments to aggregate to more than $25m in the medium-term. At scale cloud migration is likely to be a multi-year revenue opportunity charged at a premium. The opportunity for cloud migration is in excess of hundreds of petabytes of data to be migrated over the coming years, presenting a cumulative revenue opportunity of over $50m in the medium-term. Over and beyond our OEM relationships, there is an opportunity for multi-cloud to grow to over $25m of annual recurring revenue. Other use cases outside of OEMs, including Disaster Recovery, Datalake and on-premises, represents an ongoing medium-term opportunity of over $10m of annual revenue.

Outlook

We are seeing increasingly strong market traction for our products as the global demand for Big Data and cloud migration unfolds. Our Fusion product sits at the heart of this evolution and when combined with our channel partners such as IBM, Microsoft, Alibaba and Amazon Web Services, we continue to see strong demand for our products. We have a strong pipeline of deals from both our channel partners and direct sales.

In addition, we continue to develop our partner network, to expand our total addressable market and ensure our go-to-market activities for Fusion are fully optimised. The Company has a robust and strengthening sales pipeline which underpins the Board's continued confidence in achieving forecast expectations.

DAVID RICHARDS
CHAIRMAN AND CEO
23 APRIL 2019

Enterprise capabilities are not keeping pace with data volume growth and complexity

For corporations, guaranteeing the safety and accessibility of business data is vital. In a data-powered business – which means any successful modern enterprise – the only way to keep operations moving smoothly and stay competitive is to ensure that data is available 24/7. However, many companies now rely on complex hybrid and cloud distributed data environments, often from a combination of vendors and platforms, in multiple regions. How do enterprises enable mission-critical continuous data availability and consistency in this mixed, multi-cloud IT environment?

What is a LiveData strategy?

A LiveData strategy means making your data globally available and consistent, everywhere. With a LiveData strategy, every user and every application has always-available data, regardless of geographic location, data platform architecture, or cloud storage provider.

75%

By 2022, about 75% of enterprise customers using cloud infrastructure as a service (IaaS) will go multi-cloud, up from 49% in 2017

Market Insight: Multicloud Becomes Essential for Cloud IaaS Offerings, Gartner

> The ability to harness consistent 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.

58%

58% of businesses are using a combination of AWS, Azure, or Google clouds

Source: https://www.techrepublic.com/article/rise-of-multicloud-58-of-businesses-using-combination-of-aws-azure-or-google-cloud/

WHAT IS **DCONE** AND HOW IS IT DIFFERENT?

WANdisco Fusion is powered by DConE, a high-performance coordination engine able to work across wide-area networks. The technology uses distributed consensus to guarantee data consistency.

Traditional approaches to data replication are batch-based, do not guarantee data consistency, and cannot operate over wide-area networks or the public internet. Unlike other technologies that move data from one location to another, WANdisco Fusion uses DConE to coordinate distributed changes to data, enabling shared access to common data sets. The technology works by applying a mathematically proven approach to consensus, which works regardless of the distance between data sources or types of data stores.

SEE PAGES 12 AND 13
OUR BUSINESS MODEL

SEE PAGES 14 TO 16
OUR STRATEGY

THE FUTURE OF LIVEDATA

Our market

Digital transformation based on data and analytics continues to be the main driver of growth across industry sectors, enabled by technological innovation at scale.

More than any other competitive lever, having data where and when you need it has become the essence of modern business operations. The ability to understand and exploit data is at the heart of operational efficiencies, helps develop tailored offerings to win and retain loyal customers, and accelerates both product and service innovation.

Initially, many enterprises – particularly those in regulated sectors such as banking and healthcare – searched for ways to protect their data even though it was stored at multiple locations. Being able to ensure regulatory compliance and business continuity no matter what the circumstances led global names in these industries, retail, insurance, and other industries to WANdisco.

Those same customers now realise that WANdisco's core intellectual property also solves the challenge of ensuring you have business data where and when you need it – enabling what we call a "LiveData strategy."

The market growth spurred by digital transformation is also powered by the dramatic shift to public cloud operations. Even for the largest enterprises, CIOs, CTOs, and CDOs now have confidence in the cloud services offered by Alibaba, Amazon, Google, IBM and Microsoft, et al. But if not managed properly at the data storage level, a multi-cloud architecture poses great risk, and for WANdisco, offers a great opportunity.

Scoping the multi-cloud market opportunity

We define "multi-cloud" to include any Infrastructure-as-a-Service, Platform-as-a-Service, or Container-as-a-Service in two or more clouds, and architectures may include an on-premises data centre. As CIOs, CTOs and CDOs seek to modernise and integrate legacy applications with cloud technologies, they face one challenge above all: their data management strategy.

This challenge and increasing data volumes are the intersection point of our market opportunity. The WANdisco Fusion platform solves data management issues and removes cloud operations constraints by delivering a single, continually updated version of critical business data in every distributed location. Put simply, businesses can make data changes in any of their cloud environments without introducing consistency issues at the other cloud environment. Global data consistency enables our customers to orchestrate the entire multi-cloud infrastructure as a single, integrated environment.

We expect the multi-cloud market potential for WANdisco Fusion to grow as the demand for moving code and data between cloud instantiations increases.

Expanding our opportunities

WANdisco Fusion is relevant to any organisation relying on vast quantities of data for both core operations and innovation in a distributed and mixed IT environment. According to Gartner, "Globally consistent data – accessible by users and applications at all times – is essential to realise the full potential of a multi-cloud architecture."[1]

With Gartner and many other industry analysts' comments in mind, we are actively investing in our go-to-market relationships with our OEM partners, IBM and Alibaba, and with our go-to-market partnerships with Amazon Web Services, Microsoft Azure, Google Cloud, Oracle, and other industry titans. In particular, we continue to make strides with go-to-market joint marketing and joint solutions, and our biggest wins this year demonstrate this having come through the channel. As an example, our AMD customer testimonial begins by outlining how Microsoft Azure and WANdisco teams worked together to design a solution for their challenges.

We also continue to invest in leveraging the extensibility of the WANdisco Fusion platform with an expanded range of plug-ins to address new market opportunities, including the delivery of functionality for cloud object storage systems, large-scale data backup, and IBM Db2 Big SQL. Our product roadmap includes functionality that targets cloud-specific use cases for migration, hybrid, multi-region and multi-cloud operations.

1 Technology Insight for Multicloud Computing, Gartner.

FINANCIAL SERVICES USE CASE

CHALLENGE

To satisfy regulations around data recovery, financial services institutions often rely on cloud services for remote, off-site storage. Holding one or several copies of very large, constantly changing data sets on different cloud platforms means that data consistency challenges prevent institutions from satisfying regulatory requirements.

SOLUTION

By implementing WANdisco Fusion technologies, financial institutions can guarantee data consistency across multiple cloud storage instances – both within one cloud ecosystem or even between different cloud service providers.

OUTCOMES

With guaranteed consistent data enabled by WANdisco Fusion, financial institutions can choose the most cost-effective cloud provider to meet regulatory requirements, avoid non-compliance fines, and protect mission-critical data.

AUTOMOTIVE USE CASE

CHALLENGE

Automotive companies generate truly vast quantities of operational data, but in-house compute capacity limits their analytics capabilities. Cloud analytics offer the opportunity to ramp up and scale back analytics power as needs wax and wane; but transferring multi-terabyte data stores to the cloud without disrupting day-to-day operations can look impossible.

SOLUTION

By implementing WANdisco Fusion, companies can migrate data to the cloud without interrupting operations. Once data is on the cloud, WANdisco Fusion ensures data consistency between on-premises and cloud environments, again without disrupting ongoing operations.

OUTCOMES

With always-current data on the cloud powered by WANdisco Fusion, automotive companies can exploit their data assets cost-effectively, with elastically scalable analytics capacity that matches demand efficiently, both saving costs and delivering deeper analytics to the business.

READ MORE USE CASES
PAGE 11

WHAT DRIVES DEMAND?

As businesses and governments move their operational services to the cloud, relying on traditional batch or overnight replication to provide data protection is no longer sufficient. Our technologies solve the challenges of replicating data over cloud and distributed networks – solving a critical issue for almost every modern enterprise.

Multi-cloud architectures require fundamentally different replication technology

More than 70% of CIOs have a cloud-first strategy, and multi-cloud environments will quickly become the norm. Ensuring unstructured data accessibility, accuracy, and consistency in these distributed data landscapes is exceptionally difficult. LiveData for Multicloud, part of the WANdisco Fusion product family, is powerful technology that solves these data challenges, and enables efficient multi-cloud data operations.

Protection from cloud vendor over-reliance

By deploying WANdisco Fusion LiveData for Multicloud, enterprises can protect themselves from the failure of a cloud data storage service by having strongly consistent data in an alternate cloud data storage service.

Using the right cloud for the right job

By enabling strongly consistent data on multiple cloud storage services, enterprises can take advantage of each cloud vendor's unique or best-performing capabilities without being locked in to a single vendor's price catalogue.

Consistent global data

By deploying WANdisco Fusion LiveData for Multicloud, enterprises gain global data resiliency, with the ability to fall back to a current, consistent copy even during unplanned outage – a critical capability for highly regulated industries.

80% of new enterprise application deployments will include a cloud component (IDC Tech Spotlight Report: WANdisco)

Hybrid-cloud data operations

Moving to the cloud offers the immediate prospect of cost savings, but initial data migration is complex and laden with business and technical risk, potentially disrupting critical business operations. Moreover, many enterprises need to maintain both on-premises and cloud data infrastructures. WANdisco technologies remove the risk associated with complex migration workflows, and enable business continuity even during the transition. Once there, WANdisco Fusion enables the cloud and on-premises environments to operate in parallel, allowing data, applications and users to capitalise on a "same-data-everywhere" principle for hugely enhanced operational efficiency.

3x increase in data IT organisations must manage by 2025 (IDC Tech Spotlight Report: WANdisco)

Cost

As data volumes rise, enterprises seek to improve their data management efficiency. Retaining a static copy of data (sitting on unused-until-needed backup equipment) occupies significant, precious capacity – and incurs unwanted costs. By implementing WANdisco Fusion, enterprises can replicate current data to these idle backup systems, which can then be used to run active workloads. The freed-up capacity results in cost savings and improved infrastructure ROI. More importantly, an enterprise multiplies the impact of their IT investment, actively leveraging all of their data infrastructure for enhanced data efficiency.

1 Only one coordination engine technology on the market today supports omni-directional replication

Live data replication

WANdisco Fusion is powered by DConE, a high-performance coordination engine designed to enable consistent data replication across cloud and wide-area networks. Traditional batch-based data replication does not guarantee data consistency, and cannot operate over wide-area networks such as the internet. WANdisco Fusion uses DConE to coordinate distributed changes to data, enabling shared access to common data sets. The technology works by applying a mathematically proven approach to consensus, regardless of the distance between data sources or types of data stores. The business outcome: an enterprise-wide view of data wherever a business user resides.

90% By 2022, public cloud services will be essential for 90% of business innovation (Gartner – Predicts 2019: Increasing Reliance on Cloud Computing Transforms IT and Business Practices)

Innovation

Relying on public cloud services will bring greater business risk from service outages that are outside an enterprise's control. With innovation relying on access to data, mitigating risk is an essential corporate objective. WANdisco technologies enable a LiveData strategy, where data is always available even if you suffer an outage, and the same data is available at every endpoint throughout the organisation. Free of data availability risks, innovation is no longer held back by the compromises and constraints of existing data structures. Much of the potential of tomorrow's world will depend on globally accessible, accurate, and protected data. If data is the lifeblood of the modern business, a LiveData strategy enabled by WANdisco technologies will unlock the ideas and productivity of the digital future.

RETAIL USE CASE

CHALLENGE

Retailers rely on predictive analytics for enhanced customer experience and increased sales, but collecting and collating data from branches, subsidiaries and overseas operations can take time – and invoke considerable integration costs. How can retailers gather timely, complete data to ensure their analytics deliver accurate – and valuable – results?

SOLUTION

By deploying WANdisco Fusion to provide continuous data replication from local systems, sources and platforms to central systems, retailers can ensure analytics run against current data. WANdisco Fusion replicates data continuously with no integration complexity, and without disruption or change to local operations.

OUTCOMES

With analytics running on current data replicated from multiple sources, without transfer or data migration delays, retailers gain unprecedented insight into consumer behaviours and preferences, helping to tune the customer experience and increase cross- and up-sell opportunities.

MANUFACTURING CUSTOMER STORY: AMD PROTECTS AGAINST DISASTER WITH CONTINUOUS REPLICATION TO THE CLOUD

To prepare for tornado season, AMD looked for a disaster recovery solution that it could deploy to the cloud quickly and with minimal operational impact. AMD selected WANdisco Fusion to enable continuous replication to a backup site in the cloud, ensuring geo-redundancy.

BUSINESS CHALLENGE

Any interruption to AMD's critical systems could disrupt manufacturing processes, seriously impacting profit. How could AMD protect its vital data in the case of an unplanned outage?

SOLUTION

AMD deployed WANdisco Fusion to handle continuous replication of critical business data to the Azure cloud, enabling a hybrid-cloud environment with near-zero RPO/RTO for disaster recovery.

RESULTS

AMD has enabled full protection for critical business data and a smooth transition to hybrid-cloud operations.

VIEW OUR CUSTOMER VIDEO
WWW2.WANDISCO.COM/AMD-VIDEO?UTM_SOURCE=WEBSITE&UTM_MEDIUM=BANNER&UTM_CAMPAIGN=19Q1-BD-LIVEDATA-FOR-MULTICLOUD

THE FOUNDATION OF OUR VALUE

Our foundational technology ensures that an organisation's data is always available, always accurate and always protected – wherever it is located and at any scale.

Our resources

Knowledge

Our development team has strong domain experience and knowledge in algorithm design and information network security.

IP, technology and infrastructure

The WANdisco Fusion platform is built on unique, patented technology.

Partnerships

We have developed a strong network of partnerships to facilitate sales generation through our OEM partners and co-sell arrangements.

SEE PAGES 8 TO 11
OUR MARKETS

What we do

Our DConE technology

Our game-changing, patented Distributed Coordination Engine ("DConE") technology, used in WANdisco Fusion and our other products, uses consensus to keep unstructured data accessible, accurate and consistent in different locations.

WANdisco Fusion

WANdisco Fusion enables a LiveData strategy, which ensures data stays accurate and consistent across all business application environments, regardless of geographic location, data platform architecture or cloud storage provider.

Our key strengths

EXPERIENCED WORLD-CLASS LEADERSHIP TEAM

SIGNIFICANT SALES RELATIONSHIPS

Our strategy

We are accelerating the speed to market of solutions co-developed with our partners and exploring how our technology can address challenges in new technologies such as blockchain.

Big Data solutions

We are the only company with a solution for continuous replication of changing or moving data, at vast scale, between locations – and with guaranteed data consistency.

Our key strengths

STRONG INTELLECTUAL PROPERTY

GLOBAL CUSTOMER BASE

Cloud solutions

WANdisco Fusion guarantees data availability and consistency in cloud migration and hybrid-cloud scenarios. LiveData for Multicloud, our new offering, is built for multi-cloud and multi-region data centres.

Source Code Management solutions

With our Source Code Management products, developers can work together across locations, using the same interface with their normal tooling with no requirement for additional training.

The value we create

For customers

The ability to put all their data to work for their business all the time, at any scale.

Investment in new technology

$8.1m

For employees

The growth of the business has provided many opportunities for existing and new colleagues and we continue to invest in developing and retaining our people and strengthening the team.

Number of employees

148

For partners

We have an expanding network of partners, all of which are dedicated to meeting the needs of our customers.

Number of partners

6

SEE PAGES 14 TO 16
OUR STRATEGY

Reinvestment

We invest in our business; during 2018 areas of investment included channel strategy and product development.

IT IS OUR AIM TO DELIVER VALUE TO OUR SHAREHOLDERS

Sales channel development

Importance

The channel partnerships we have established are significant as:

- they provide WANdisco with access to vast sales teams, adding significant global and horizontal market reach;
- they allow us to drive more bookings at lower cost; and
- their endorsement of WANdisco Fusion strengthens our brand and our portfolio of partners.

We continue to seek opportunities to expand our sales channels.

2018 achievements

- entered into an OEM sales agreement with Alibaba Cloud;
- achieved co-sell status through the Microsoft One Commercial Partner Program;
- significantly expanded relationship with IBM, with OEM royalty increasing to 50% from 30%; and
- established a customer success team focusing on supporting our customers and partners.

Product innovation

Importance

WANdisco's technology solves critical data management challenges across cloud computing and Big Data for enterprise customers and their service providers.

We identify development projects that will enhance our technology and increase its ease of use and functionality for customers and end users, and we listen to existing and potential customers and our channel partners for future requirements.

2018 achievements

- filed blockchain patent to protect the use of our DConE;
- launched LiveData for Multicloud guaranteeing data consistency across multiple cloud providers; and
- IBM BigSQL co-engineered product launched expanding addressable LiveData market.

People development

Importance

We want to provide an environment where we attract, retain, develop and enable all our people to demonstrate, grow and apply their capabilities, offering opportunities for everyone to reach their potential.

2018 achievements

- enhanced our management team with several key senior hires in product development and marketing;
- provided new opportunities internally resulting in a number of internal job moves and promotions;
- enhanced our benefits package to employees; and
- introduced our Bonusly recognition portal that allows our people to thank and recognise colleagues for their contribution.

Priorities for 2019

- in February 2019 we announced that we have received Advanced Technology Partner status with Amazon Web Services;
- expand channel account manager model; and
- expand partner channel further.

Priorities for 2019

- in January 2019 we announced the launch of a new joint engineered solution with IBM to support relational database technology for the first time, significantly expanding the Group's addressable market.

Priorities for 2019

- continue to develop our team with internal job moves and promotions; and
- enhance our team with quality new external hires.

SEE PAGE 17
KPIs

SEE PAGES 18 TO 21
RISKS

Summary of achievements

Sales channel development

Of all the significant developments WANdisco has delivered in 2018, the further 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. During 2017, we won or deepened strategic relationships with market-leading IT and cloud providers, including IBM, Dell EMC and go-to-market partnerships with Amazon Web Services, Microsoft Azure, Google Cloud and Oracle.

During 2018 these partnerships were further enhanced. WANdisco entered a new OEM agreement with Alibaba Cloud and also achieved co-sell status through the Microsoft One Commercial Partner Program. As a result, we can now take WANdisco Fusion to market as a packaged offering with Microsoft Azure. There was increased momentum in cloud with three strategic deals with high-profile Microsoft customers and our largest-ever cloud contract with a major US health insurer which leveraged our strategic co-sell relationship with Microsoft as the client looks to move data to the Azure cloud. In addition, we significantly expanded the relationship with IBM, resulting in OEM royalty increasing to 50% from 30%.

In February 2019 WANdisco received Advanced Technology Partner status with Amazon Web Services in the AWS Partner Network. The Advanced Technology Partner designation is the highest tier for Technology Partners that provide software and internet solutions in the AWS Partner Network. WANdisco achieved its status through a rigorous qualification process, based on referenceable customers on the AWS Platform and strict technical guidelines.

Driving channel sales success: supporting our partners

During 2018 we invested in developing our channel strategy, introduced dedicated channel account managers for key partner accounts and created a dedicated software engineering team. Their remit is to work with technology partners on the closer integration of our technologies and to accelerate speed to market with our joint solutions. We will continue to develop this model further including extending to our new partners.

Supporting 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 continues to target 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. We will continue to seek opportunities to form closer partnership relationships.

SOLVING DATA MANAGEMENT CHALLENGES

Summary of achievements continued

Product innovation

WANdisco's technology solves critical data management challenges across cloud computing and Big Data for enterprise customers and their service providers. The ability to continuously replicate at vast scale to the cloud and on-premises data centres with guaranteed consistency, 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, is our next-generation replication platform, an architecture that supports a wider range of data environments than our original Hadoop deployments.

WANdisco Fusion for Multicloud

In October 2018, we announced the launch of WANdisco LiveData for Multicloud. This enterprise replication software enables a LiveData platform for a multi-cloud environment, ensuring data accuracy and consistency for business applications in any combination of major cloud environments.

WANdisco LiveData for Multicloud was borne from the cross-industry imperative to have data accessibility and availability in heterogeneous cloud data environments. The offering leverages WANdisco's strategic partnerships with the major cloud services providers, including Microsoft Azure, Alibaba Cloud, Amazon Web Services, Oracle, and IBM, who share a commitment to global enterprises to enable viable and successful multi-cloud operations.

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".

In January 2019 we announced a new joint engineered solution with IBM to support relational database technology for the first time, significantly expanding our addressable market. The IBM Db2 Big SQL solution was jointly engineered between IBM and WANdisco to extend the capability of IBM Big Replicate (IBM's product name for WANdisco Fusion) to support scenarios where customers are looking to take advantage of hybrid cloud.

Source Code Management

The need for 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 DConE as WANdisco Fusion, provide 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 DConE and the products we have built from this – is well protected. To date, we have filed more than 42 patents, and 21 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.

During 2018 we filed a blockchain patent to protect the use of our DConE to resolve issues associated with public blockchain technology.

Product plans for 2019 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 2019 will be to accelerate the speed to market of solutions co-developed with or optimised for our strategic partners.

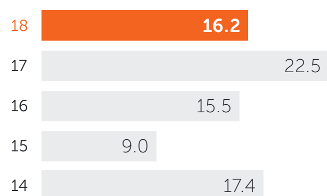
BUILDING FOUNDATIONS FOR FUTURE GROWTH

Our KPIs reflect our financial performance in 2018.

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)

$16.2m



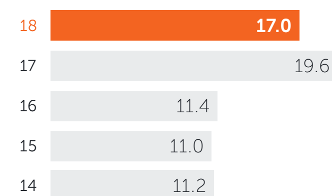
Performance in 2018

The shift to cloud has resulted in an initial reduction in bookings as cloud deals differ to our traditional business, with initially smaller deals that are structured as annual recurring billings, rather than a large upfront booking. Cloud deals offer the customer the ability to start with a modest implementation, and then both expand the size and extend the duration of the contract over time.

Link to strategy

Revenue ($m)

$17.0m



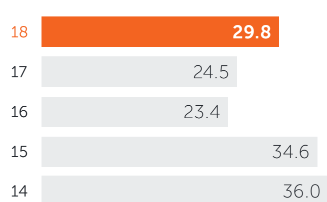
Performance in 2018

Revenue was lower due in part to the lower bookings experienced in 2018 compared to the prior year, reflecting a partial shift to cloud-based revenues with recurring annual revenues and some deals that were delayed to future years. The 2018 figures include the adoption of IFRS 15 "Revenue from Contracts with Customers" and the prior years have not been restated and are prepared on an IAS 18 basis. See Note 5 for a reconciliation.

Link to strategy

Cash overheads ($m)

$29.8m



Performance in 2018

Cash overheads increased in the year as we made investments in go-to-market resources and engineering.

Link to strategy

Key

Sales channel development

Product innovation

People development

SEE PAGES 14 TO 16
OUR STRATEGY

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 opposite 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.

Risk management framework

Board of Directors

Leadership of risk management, sets strategic objectives and risk appetite and monitors performance

Accountable for the effectiveness of the Group's internal control and risk management processes

Audit Committee

Delegated responsibility from the Board to oversee risk management and internal controls

Oversees the effectiveness of the Group's internal control and risk management processes

Monitors the independence and expertise of the external auditor

Executive Directors

Communicate and disseminate risk policies

Support and help management to assess risk

Encourage open communication on risk matters

Assess materiality of risks in the context of the whole Group and monitor mitigation and controls

SEE PAGE 30
OUR GOVERNANCE FRAMEWORK

PEOPLE

Risk description	Risk mitigation	Risk change
Link to strategy		Decrease
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. During the year the headcount increased from 132 to 148. This movement was a targeted increase in the R&D, sales and customer support teams to provide investment in our product and sales 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. Stock-based compensation has continued to be an important component of retaining, motivating and attracting key talent.	During 2018 we significantly enhanced our team through key hires. In addition, we have enhanced the benefits package to our employees and enhanced share option participation.

FINANCING

Risk description	Risk mitigation	Risk change
Link to strategy		No change
Our product, Fusion, addresses a still-emerging market in which we have limited forward visibility, and we continued to be a loss-making business in 2018.	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 R&D, sales and customer support teams. 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 the approval of these financial statements. As well as modelling the realisation of the sales pipeline, these forecasts also cover several scenarios. Following the year end a share subscription raised $17.5m of gross proceeds. 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).	At 31 December 2018 the Group's cash resources had reduced to $10.8m (2017: $27.4m). However, following the end of the year the Group announced that it had raised further funds of $17.5m.

Key

Sales channel development

Product innovation

People development

COMPETITION

Risk description	Risk mitigation	Risk change
Link to strategy		No 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. 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 that our software resolves.	We protect our intellectual property by securing patents whenever possible. To date, we have filed more than 42 patents, 21 of which have been granted. We continue to dedicate significant resource to the constant enhancement of our core intellectual property. Senior management devotes considerable time and resource to monitoring product releases by potential competitors in the data replication software market, both in the source code management and Big Data replication markets. During the year, we have continued to invest in our technologies and there were further new releases of our products.	During 2018 there was no change in our competitive environment.

CHANNEL PARTNER ENGAGEMENT

Risk description	Risk mitigation	Risk change
Link to strategy		No change
Our replication products serve both the source code management and Big Data markets. In the Big Data market we are in partnership with an array of vendors that offer on-premises and cloud solutions. 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 offerings.	We have established a customer success team who are focused on supporting our customers and partners, developing new partner relationships and creating new commercial propositions that derive long-term value from these relationships.	During 2018 we added new sales channels, including a new OEM with Alibaba Cloud.

RESOURCE ALLOCATION AND OPERATIONAL EXECUTION

Risk description	Risk mitigation	Risk change
Link to strategy		No 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 always 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. We continued to improve internal financial reporting and cost control processes. These financial reports are regularly monitored by senior management and the Board.	

PRODUCTS

Risk description	Risk mitigation	Risk change
Link to strategy		No 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. Regulation of data transfer is rapidly evolving and additional regulations concerning 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. Our product roadmap is based on requirements expressed by customers with whom we are pursuing sales opportunities. Our product managers are mandated to propose roadmap alterations if regulations render our intended features either more or less relevant.	During 2018 we continued to successfully release new versions of our products.

SALES CYCLES, CAPABILITY AND CUSTOMERS' BUDGET CONSTRAINTS

Risk description	Risk mitigation	Risk change
Link to strategy		No 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. Variability of sales cycles across different sizes and types of customer may bring volatility to our quarterly results. 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. 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.	

Key

Sales channel development

Product innovation

People development

SIGNIFICANT PROGRESS WITH PARTNERS

2018 HIGHLIGHTS

- Significant progress with major cloud partners underpin the Board's confidence in our strategy and product focus
- Targeted increases in expenditure to support our channel and product development
- Raised $17.5m following the year end

Like all companies, as required by the International Accounting Standards Board "IASB" the Group has initially adopted IFRS 15 "Revenue from Contracts with Customers"[2] effective 1 January 2018. The effect of initially applying IFRS 15 is mainly attributed to the following:

- subscription term licence agreements are now split into a licence and maintenance and support element with the earlier recognition of the licence element reducing deferred revenue;
- recognition of an asset (receivable) for the element of licence revenue recognised above relating to a future year payment instalment; and
- accrued commission costs are deferred across the period over which the related revenue is recognised.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", the previous reporting standard. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Deferred revenue from sales booked during 2018 and in previous years, and not yet recognised as revenue, is $4.3m at 31 December 2018 (at 31 December 2017 this stood at $14.2m, which was reduced to $5.5m on a like-for-like basis post IFRS 15). Our deferred revenue represents future revenue from new and renewed contracts, many of them spanning multiple years.

Adjusted EBITDA loss[4] was $9.4m (2017: $0.6m). The increased loss was due to the strategic investments we are making in our channel partner relationships and engineering capabilities to drive long-term growth. These investments coincide with lower bookings and a reduction in revenue as we continue to transition toward a subscription model.

Statutory loss for the year increased to $18.6m (2017: $13.5m).

Big Data and cloud – WANdisco Fusion

Big Data revenue was $10.8m (2017: $11.1m), reflecting a partial shift to cloud-based revenues with recurring annual revenues and some deals that were delayed to future years.

While contract wins continue to exhibit variability in the timing of their completion, we expect the transition to more annual recurring revenues to provide greater predictability in the future.

Source Code Management

Source Code Management "SCM" revenue for the year was $6.2m (2017: $8.5m). The adoption of IFRS 15 and its impact on deferred revenue at the beginning of the year negatively impacted SCM revenues.

The majority of revenues have come from contract renewals, and the SCM product line continued to generate positive margin contribution due to its product maturity, strong licence renewals from existing customers and the inherent operating leverage in the business.

Operating costs

Cash overheads[3] increased in the year as we made investments in go-to-market resources and engineering, rising to $29.8m from $24.5m in 2017.

Operating expenses increased to $37.6m (2017: $27.4m) due to the reasons above, an increase in the share-based payment charge of $3.7m and lower development capitalisation of $1.4m.

Product development expenditure capitalised in the year was $4.9m (2017: $6.3m). All of this expenditure was associated with new product features. The lower amount for 2018 as compared to the prior year reflects lower capitalisation of development costs and not a reduction in gross research and development spend.

Our headcount was 148 as at 31 December 2018 (December 2017: 132). Headcount increases in the year were principally in Sales and Marketing and Engineering as we added capacity to service our new and expanded channel partner relationships and develop new cloud-focused products.

Profit and loss

Adjusted EBITDA[4] loss for the year was $9.4m (2017: $0.6m).

The loss after tax for the year increased to $18.6m (2017: $13.5m), as a result of the lower revenue and increased overheads and share-based payment charge. The exceptional finance gain of $2.8m (2017: $4.0m loss) arose from the retranslation of intercompany balances at 31 December 2018, reflecting the reduction in sterling against the US dollar. The impact of FX rate changes on the financial statements should be restricted to the retranslation of US dollar denominated intercompany loans, as opposed to the operating activities of the business. An equal and opposite translation gain on the net assets of overseas net assets in reserves result in no impact on the Group net assets.

Balance sheet and cash flow

Trade and other receivables at 31 December 2018 were $7.4m (31 December 2017: $6.0m, which was increased to $7.3m on a like-for-like basis post IFRS 15). This includes $1.8m of trade receivables (31 December 2017: $2.1m) and $5.6m related to non-trade receivables (31 December 2017: $3.9m, which was increased to $5.2m on a like-for-like basis post IFRS 15).

Net consumption of cash was $16.7m before financing (2017: $5.3m), resulting in a closing cash balance of $10.8m at 31 December 2018. The consumption of cash was due primarily to lower revenues and an increase in Cash overheads. At 31 December 2018 we had drawings under our revolving credit facility with Silicon Valley Bank of $3.9m.

Brexit

The Company has analysed the potential impact on the Company in the following parameters:

- foreign exchange fluctuations;
- personnel matters; and
- export/import.

Foreign exchange

WANdisco plc is a geographically dispersed software development organisation. The functional currency is US dollars and all of our revenue is denominated in US dollars. Nearly all of our customers are in the USA. Brexit is not expected to have a material effect on revenue.

From a cost perspective, approximately 1/3 of our operating costs are denominated in sterling. Depending on the type of Brexit, sterling may either appreciate or depreciate against the US dollar, and this may impact profitability accordingly.

Personnel matters

As a technology company at the cutting edge of research, our business depends on being able to attract talent from everywhere. Presently we employ a small number of EU nationals in our UK operations. Potential changes to immigration controls and visa requirements may add complexity and cost to attract such individuals in the future. It is difficult to quantify the costs at this stage until the extent of the immigration issues becomes known, but potentially legal costs and other compliance related expenses may rise.

Export/import

WANdisco does not export any physical goods nor are any physical goods a component of cost of goods sold. We typically electronically deliver our software to our customers, thus the re-imposition of border controls on imports or exports to the EU should not have a material effect on our business. Nearly all of our customers are invoiced out of the USA in US dollars, and therefore no issues with VAT compliance are envisaged as well.

Subsequent events

After the year end on 14 February 2019 we announced the subscription of 2,489,499 new ordinary shares of 10 pence each in the Company by existing shareholders at a price of 546 pence (a premium of 9.2% on the closing share price on 13 February 2019) raising gross proceeds of $17.5m. The proceeds will be used to support our relationships with strategic partners and provide growth working capital.

Adoption of QCA Code

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The QCA Code contains 10 separate principles of good corporate governance. WANdisco complied with all 10 principles during the year, with the exception of Principle 5 which recommends that the Chairman and CEO positions are separate roles, and at least two Directors are independent.

For part of the year there was only one independent Non-executive Director (Karl Monaghan). This was resolved on 19 November 2018 following the appointment of Bob Corey as Vice Chair and Senior Non-executive Director.

Our Nomination Committee regularly considers candidates for additional independent NEDs to add to the Board, information about which, including the Board Committees, can be found on our website. Further information on compliance with the QCA Code is included in the governance section of this Annual Report and Accounts on pages 26 to 42.

ERIK MILLER
CHIEF FINANCIAL OFFICER
23 APRIL 2019

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 Effective 1 January 2018, the Company adopted IFRS 15 "Revenue from Contracts with Customers", which impacted the Company's recognition of revenue from certain of its term licence agreements. The Company adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. In the interest of comparability during the transition year to IFRS 15, the Company has provided revenue, adjusted EBITDA and operating loss information in accordance with both IFRS 15 and also under the previous revenue recognition standard in effect prior to the adoption of IFRS 15 (IAS 18 "Revenue"). See Note 5 for a reconciliation.

3 Operating expenses adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 11 for a reconciliation.

4 Operating loss adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 11 for a reconciliation.

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, many of whom have 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 DConE 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, Austin, as well as a BSc in Electrical Engineering from the Indian Institute of Technology (IIT), Madras.

In 2018 we significantly strengthened our engineering team due to the addition of Dr Ramki Thurimella who joined in January 2018 as our VP of Research.

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 17 developers are based here, including our Chief Data Scientist, Dr Yeturu Aahlad, and our Chief Technology Officer, Jagane Sundar, who is a skilled developer. Our engineering team was enhanced by Dr Ramki Thurimella, VP of Research who joined us in January 2018.

UK

Our employees in the UK come from all over the world and include graduates and PhD students from Queen's University, Belfast, Northern Ireland, which is globally acclaimed for its IT credentials.

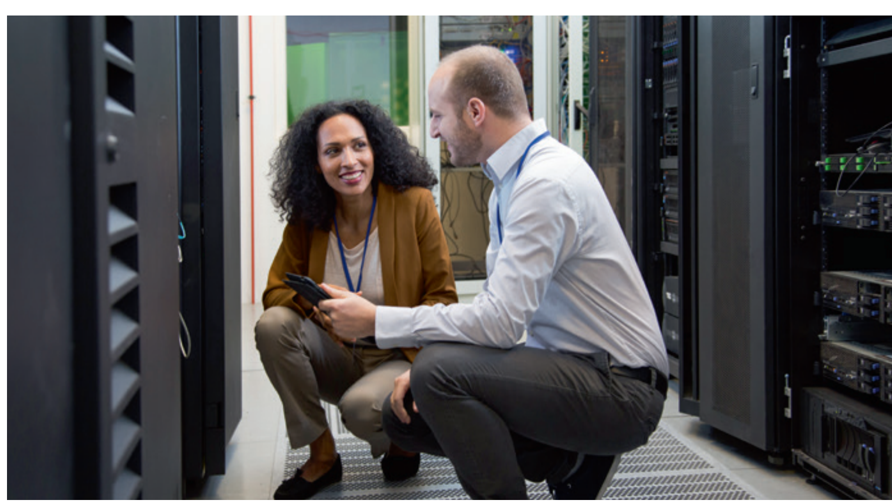
Sheffield is our European base and home to both our core technology development and customer support teams.

In Belfast we also have part of our software development team, including the core of the WANdisco Fusion development team. During the year, we successfully secured £248,000 of R&D support towards the continued development of the WANdisco Fusion LiveData platform from Invest Northern Ireland.

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 have taken 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 continued to take proactive steps during the year to attend local events which aim to encourage more women into careers in engineering.

At a grass-roots level, we are also committed to attracting talented new generations to data science and are working with Sheffield Hallam University to support and nurture talent.



DELIVERING ON CORPORATE SOCIAL RESPONSIBILITY

WANdisco's overriding purpose is to power the LiveData 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) and the Belfast operation, to Silicon Valley, where WANdisco's North American operations are headquartered.

In 2018, the Company and its employees supported the following charitable and community causes:

UK

The Sheffield UTC Academy Trust (University Technical College)

Members of our Sheffield team attended a mentoring event to encourage college students to consider careers in tech and widen their horizons on the types of jobs within the industry.

Sheffield Hallam University interaction

During 2018 we have undertaken projects with Sheffield Hallam to provide students with hands-on experience to apply their learning.

We have organised a tour and presentation for 16 International Business Management students from Sheffield Hallam to give them exposure to the industry and our workplace.

We have continued our practice to take Sheffield University placement students.

School placements

We have provided work experience placements for secondary school children (Tapton Secondary School and Westfield Secondary School) in Sheffield.

David & Jane Richards Family Foundation, https://djrff.org

Through the charitable David & 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.

During 2018, pupils and parents at a Sheffield school have been given a glimpse into a new addition to the curriculum after a £1.1m boost from the David & Jane Richards Family Foundation to empower and improve the lives of children. At David's old school, Tapton Secondary School in Crosspool, a new hands-on course has launched which will teach pupils how to use apps to manipulate and analyse huge amounts of data.

It aims to inspire the next generation of technology entrepreneurs and focuses on data science to give young people the ability to understand and solve real-world problems.

In addition, the foundation launched a new initiative in the year to spread the awareness of the plight of bees and help children learn about nature and ecology. The registered charity is helping to fund an apiary at Wisewood Community Primary School in Sheffield.

US

Animal Rescue Foundation ("ARF")

ARF works with shelters to coordinate care for animals in the recent fire-affected areas. Founded in 1991, ARF has rescued more than 40,000 cats and dogs and is committed to being a no-kill shelter. Our San Ramon office collected $857 and, with the Company's match, we donated $1,715 to ARF.

N

David Richards

Chairman, President, CEO and Co-founder

Age

48

Length of tenure

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.

A passionate advocate of entrepreneurship, David 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 & 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 commenced 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.

External appointments

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 N R

Bob Corey

Vice Chairman and Senior Non-executive Director

Age

67

Length of tenure

Appointed 19 November 2018

Skills and experience

Bob brings more than 30 years of executive and financial management experience in public and private companies in Silicon Valley with software and hardware companies.

Bob is highly experienced in managing the financial aspects of public companies; he has a strong history with Wall Street, and extensive mergers and acquisitions experience. He also has deep corporate governance acumen and has served on numerous boards in Silicon Valley as Chairman of the Board, Chairman of the Audit Committee, and a member on Compensation and Nomination and Governance Committees.

Formerly Bob was Chief Financial Officer of Callidus Software, a $2.4bn acquisition by SAP in April 2018. Until September 2017, he sat on the Board and chaired the Audit Committee for Apigee, a $625m acquisition by Google. He has also served as the Chief Financial Officer of FrontRange Solutions USA Inc., an enterprise software company. Prior to FrontRange, Bob was a member of the Board of Directors at Extreme Networks, Inc., an ethernet solutions company, ultimately serving as Interim Chief Executive Officer and Executive Vice President and Chief Financial Officer. Bob has also served as a member of the Board of Directors for AmberPoint, Interwoven, Live Ops and Veraz Networks.

Bob began his career at Arthur Andersen, is a California CPA (not current), and has a Bachelor of Business Administration, Accounting from California State University at Fullerton. Bob is a Veteran of the United States Air Force, where he served as an Air Traffic Controller.

External appointments

None.

N

Erik Miller

Chief Financial Officer

Age

58

Length of tenure

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.

External appointments

None.

Dr Yeturu Aahlad
Chief Data Scientist, Inventor and Co-founder

Age
61

Length of tenure
Appointed 23 February 2017

Skills and experience
Dr Aahlad is a recognised worldwide authority on distributed computing. He is named in 35 WANdisco patents, including US and international patents, continuations and divisionals. 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 BSc in Electrical Engineering from IIT Madras.

External appointments
None.

A N R

Grant Dollens
Non-executive Director

Age
40

Length of tenure
Appointed 9 October 2016

Skills and experience
Prior to founding Global Frontier Investments, LLC, Grant was an investment analyst and member of the Investment Committee for Ayer Capital, a long/short equity healthcare fund, where he was focused on medical devices, diagnostics, healthcare services, biotechnology and pharmaceutical investments. Prior to Ayer, Grant was an associate in the healthcare group at BA Venture Partners (now Scale Ventures), where he sourced, evaluated and invested in private medical device, biotechnology, specialty pharmaceutical and healthcare 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 BSc in Biomedical Engineering from Duke University.

External appointments
Grant founded Global Frontier Investments, LLC, a long-term oriented global equities fund, in 2010 and serves as its Portfolio Manager. Grant is also a member of the board of ColdQuanta, Inc.

A N R

Karl Monaghan
Non-executive Director

Age
56

Length of tenure
Appointed 5 December 2016

Skills and experience
Karl brings a wealth of capital markets and board experience. 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.

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

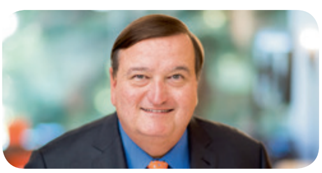
Karl is also currently a Non-executive Director of AIM company CareTech Holdings plc. In addition, Karl was a Non-executive Director of Sabien Technology Group plc until 21 December 2018.

Committee membership key
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Committee Chairman

AN EXPERIENCED TEAM

David Richards
Chairman, President,
CEO and Co-founder

See page 26



Erik Miller
Chief Financial Officer

See page 26

Dr Yeturu Aahlad
Chief Data Scientist, Inventor
and Co-founder

See page 27

Jagane Sundar
Chief Technology Officer

Length of tenure
Six years

Skills and experience
Jagane has extensive Big Data, cloud, virtualisation and networking experience and joined WANdisco through its acquisition of AltoStor, a Hadoop-as-a-Service platform company. Before AltoStor, Jagane was founder and Chief Executive Officer of AltoScale, a Hadoop and HBase-as-a-Platform company acquired by VertiCloud. His experience with Hadoop began as Director of Hadoop Performance and Operability at Yahoo!. Jagane's accomplishments include the creation of Livebackup, an open-source project for KVM VM backup. Jagane received his BE in Electronics and Communications Engineering from Anna University.

Paul Scott-Murphy
VP Product Management

Length of tenure
Four years

Skills and experience
Paul has overall responsibility for WANdisco's product strategy, including the delivery of product to market and its success. This includes directing the product management team, product strategy, requirements definitions, feature management and prioritisation, roadmaps, coordination of product releases with customer and partner requirements and testing. Previously Regional Chief Technology Officer for TIBCO Software in Asia Pacific and Japan. Paul has a Bachelor of Science with first class honours and a Bachelor of Engineering with first class honours from the University of Western Australia.

Joel Horwitz
SVP Marketing

Length of tenure
Three months

Skills and experience
Joel previously was Global Vice President of Strategic Partnerships and Offerings for IBM's Digital Business Group. At IBM, he led the formation of the IBM Data Science and Machine Learning product portfolio through strategic marketing and partner ecosystem development. He delivered growth at various data and analytics start-ups, including AVG Technologies, Datameer, Alpine Data Labs and H2O.ai. Joel holds an MBA in International Business from the University of Pittsburgh and an MS and BSc in Nanotechnology from the College of Engineering at the University of Washington, Seattle, WA.

Anne Lynch
SVP Human Resources

Length of tenure
Two years

Skills and experience
Anne was the VP HR of Envivio. She was also the VP HR for Harmonic, Inc. as well as the Director General of Harmonic Europe. She has also held senior level positions at Quantum (Seagate), Schlumberger Limited and Computer Sciences Corporation ("CSC"). Anne earned her BA at Clarke University and completed graduate studies in Linguistics at Emory University and postgraduate studies at L'université Paris-Sorbonne. She has a Master of Arts degree in Business Leadership and Ethics from St. Mary's College of California.

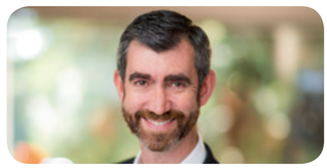
Dr Ramki Thurimella
VP Research

Length of tenure

One year

Skills and experience

Dr Thurimella has extensive experience in algorithm design and information security. He has published over 50 peer-reviewed papers and three book chapters in these areas. He held various senior positions at the University of Denver, including the Director of Cybersecurity and the Chair of Computer Science and was Director of Engineering at P2 Energy Solutions and Software Architect and Project Manager at Symphony Media. Dr Thurimella has a PhD in Parallel Graph Algorithms from the University of Texas, Austin, and an MS in Computer Science from IIT Madras.



Keith Graham
SVP Global Sales

Length of tenure

Four years

Skills and experience

Keith previously spent nine years with TIBCO Software in Asia Pacific including serving for over five years as Regional Vice President and Managing Director of Australia and New Zealand. Keith worked at Librados as Vice President EMEA, where he was part of the founding team from start-up until the acquisition by NetManage. He was a Regional Director at Reuters Plc, where he was responsible for Reuters' $100m+ software solutions business. Keith holds an MA in Management Science and Information Systems Studies from Trinity College, Dublin.

Peter Scott
SVP Business Development

Length of tenure

Ten years

Skills and experience

Peter was a member of the sales management team at Empirix's Web Business Unit, which was acquired by Oracle. He was also part of the sales management team at Vecta Software, a CRM and business intelligence software vendor. He began his career with Sales Dynamics, helping early stage venture-backed technology companies establish sales processes that enabled them to achieve aggressive revenue targets. Prior to his career in technology sales, Peter spent six years in the British Army with the Royal Engineers.

Larry Webster
General Counsel and Company Secretary

Length of tenure

Five years

Skills and experience

Larry previously worked at Wilson Sonsini Goodrich & Rosati, a large California-based law firm, where he provided advice and services both to large corporations and emerging growth technology companies. He also had roles in Gunderson Dettmer, another Silicon Valley firm, and Hughes & Luce, a Dallas law firm. He started his legal career at telecommunications giant Northern Telecom in Texas. Larry holds a JD from Brigham Young University, a BSc in Business Management and a BA in Asian Studies, also from Brigham Young University.

Daud Khan
VP Corporate Development

Length of tenure

One year

Skills and experience

Daud has spent the majority of his career following and commentating on infrastructure and application software companies and IT service companies. He was a Director in equity research at Canaccord Genuity covering UK technology companies. Previously at Berenberg, where he established its global technology research franchise. Daud has also had senior roles at JP Morgan Cazenove and Merrill Lynch. Daud qualified as an accountant (ACA) from PwC in 1999 and has an MA in Computer Science/Management Studies from the University of Cambridge.

HIGH STANDARDS OF CORPORATE GOVERNANCE

Bob Corey
Vice Chairman and Senior Non-executive Director

As an AIM-listed company, and in line with the London Stock Exchange's recent changes to the AIM rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code, the Board has adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code.

The Corporate governance statement, together with the information provided below and in the Audit Committee report, explains how WANdisco's governance framework works. As a Board, we recognise that we are accountable to shareholders for good corporate governance, and we seek to promote consistently high standards of governance throughout the Group. The Group promotes this culture within its strategy and management of risks and is continually analysing this, from information provided by the executive management team, to ensure compliance.

During the year, we have complied with the QCA Code with the following exception:

- For part of the year there was only one Independent Non-executive Director (Karl Monaghan), whereas the QCA Code states that the Company should have at least two. This was resolved on 19 November 2018 following the appointment of Bob Corey as Vice Chairman and Senior Non-executive Director.
- David Richards fulfils the role of Chairman and CEO of the Company. David took on both roles following the resignation of the prior Chairman. Bob Corey was appointed in November 2018 as Senior Non-executive Director and Vice Chairman to better balance the roles of CEO and Chairman.

During the year under review, we have continued to evaluate the composition of our Board and have appointed a Vice Chairman and new Senior Non-executive Director, Bob Corey.

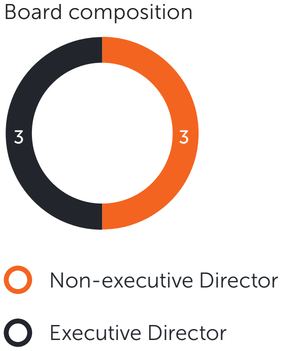
In considering refreshment of the Board and succession planning, the Board will have regard to ongoing developments and trends including in relation to matters such as diversity in its broadest sense. Whilst the Company pursues diversity, including gender diversity, throughout the business, the Board 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 2018, these have included the topics of product strategy and global business development progress.

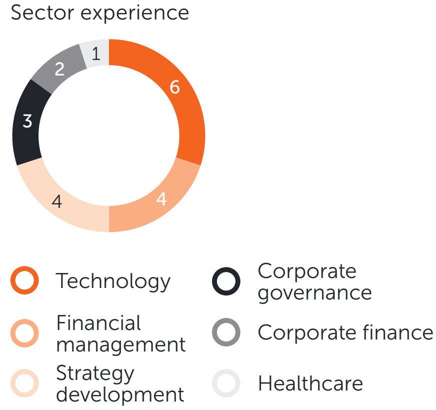
Finally, the Annual General Meeting ("AGM") will be held on 22 May 2019; my fellow Directors and I look forward to seeing you. It is an excellent opportunity to meet the Board and to raise questions on the matters in hand at the meeting.

BOB COREY
VICE CHAIRMAN AND SENIOR NON-EXECUTIVE DIRECTOR
23 APRIL 2019

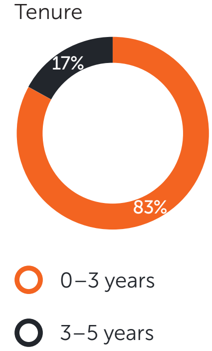
Board composition



Sector experience



Tenure



CREATING LONG-TERM INCREMENTAL SHAREHOLDER VALUE

Board effectiveness

Board composition and responsibilities

The Board comprises three Executive Directors (including the Chairman) and three Non-executive Directors, two of which are independent (Bob Corey and Karl Monaghan).

The Board is responsible for the long-term success of the Group. It sets the Group's values, standards and 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 and Committee meetings

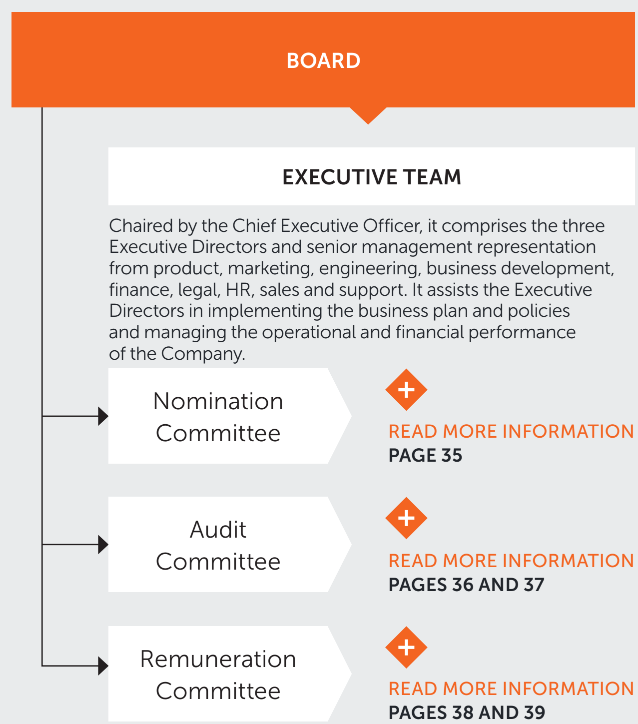
The table below shows the number of Board meetings and Audit, Remuneration and Nomination Committee meetings held during the year, and the attendance of each Director.

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 35 to 39.

Governance framework



	Board meetings		Committee meetings: Audit		Committee meetings: Remuneration		Committee meetings: Nomination	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors								
David Richards	5	5	–	–	–	–	3	3
Erik Miller	5	5	–	–	–	–	3	3
Dr Yeturu Aahlad	5	4	–	–	–	–	–	–
Non-executive Directors								
Grant Dollens	5	4	2	1	4	3	3	2
Karl Monaghan	5	5	2	2	4	4	3	3
Bob Corey (appointed 19 November 2018)	–	–	–	–	–	–	–	–

ENSURING BOARD EFFECTIVENESS

Board effectiveness continued

Board independence, appointment and re-election

Since the appointment of Bob Corey on 19 November 2018, there are now two Non-executive Directors, who are considered by the Board to be independent of the management and are free to exercise independence of judgement. They have never been employees of the Group and they do not participate in the Group's bonus arrangements. They receive no other remuneration from the Group other than their Directors' fees.

Bob Corey was appointed on 19 November 2018 as Vice Chairman and Senior Independent Non-executive Director. 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.

Terms of appointment and time commitment

All Non-executive Directors are appointed for an initial term of three years subject to satisfactory performance. After this time they may serve additional three-year terms following review by the Board. All Non-executive Directors are expected to devote such time as is necessary for the proper performance of their duties.

Directors are expected to attend all Board meetings and Committee meetings of which they are members and any additional meetings as required. Further details of their terms and conditions are summarised in the Remuneration report on pages 38 and 39 and the terms and conditions of appointment of the Non-executive Directors are available at the Company's registered office.

Development, information and support

All Board Directors have access to the Company Secretary, who advises them on governance matters. The Chairman and the Company Secretary work together to ensure that Board papers are clear, accurate, delivered in a timely manner to Directors and of sufficient quality to enable the Board to discharge its duties. Specific business-related presentations are given by members of the Executive Team when appropriate and external speakers also attend Board meetings to present on relevant topics. As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary. As part of the Board Evaluation process, training and development needs are considered and training courses are arranged, where appropriate.

In line with the Code, we ensure that any new Directors joining the Board receive appropriate support and are given a tailored induction programme organised through the Company Secretary, including the provision of background material on the Company and briefings with management as appropriate. Each Director's individual experience and background are considered in developing a programme tailored to his or her own requirements. Any new Director will also be expected to meet with major shareholders if required.

Board activities throughout the year

February

- Approval of annual budget
- Review and approval of preliminary announcement of 2017 results
- Review and approval of Annual Report and Accounts 2017
- 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

May

- One short notice meeting – discuss developments in blockchain technology
- Informal update meeting

Succession planning

During the year, the Nomination Committee once again focused on Board succession and composition. A formal and extensive recruitment process was undertaken, to identify potential candidates for the role of Non-executive Director. As part of this process, the Board applied its diversity policy and considered several candidates, from a wide variety of relevant backgrounds.

The search culminated in the appointment to the Board of Bob Corey as Vice Chairman and Non-executive Director from 19 November 2018. Bob became a member of the Audit, Remuneration and Nomination Committees on appointment. The biographical details of Bob can be found on page 26 of this report and resolution for his election as a Director will be proposed to shareholders at the Annual General Meeting on 22 May 2019.

Board evaluation

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.

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 18 to 21.

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.

August

- Informal update meeting

November

- 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

COMMUNICATING TO OUR SHAREHOLDERS

Relations with shareholders

WANdisco is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. During the year, numerous activities were undertaken to engage with shareholders.

Results announcements

We communicate with shareholders through our full-year and half-year announcements and trading updates. We invite institutional shareholders and analysts to view our full-year and half-year announcements. The presentation slides and a webcast of the presentations are made available at www.wandisco.com/investors/reports-and-presentations on the day of announcement.

Shareholder meetings

The AGM is the principal forum for dialogue with private shareholders, and we encourage shareholders to attend and participate. The AGM was held on Wednesday 23 May 2018 at the Novotel in Sheffield, with the results being published on our website, www.wandisco.com/investors.

This year's AGM will be held at 10am on Wednesday 22 May 2019 at our office in Sheffield. Full details are included in the Notice of Meeting, which is sent to shareholders at least 21 days before the meeting. The Chairman and the Chairman of each Committee, as well as all other Directors, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution, by way of a poll.

Website and shareholder communications

Our website, www.wandisco.com/investors, provides a range of corporate information on our business, results and financial performance, including copies of our Annual Report and Accounts, announcements and presentations.

Meetings, roadshows and conferences

The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer and the Chief Financial Officer. A calendar of events is set out below.

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.

2018 key shareholder engagements

Month	Communication	Type
January 2018	Pre-close trading update	RNS
	David Richards and Erik Miller attended Needham Growth Conference in New York	Conference
February 2018	David Richards and Erik Miller attended KeyBanc Conference in San Francisco	Conference
March 2018	Preliminary results	Meeting, RNS
	David Richards and Erik Miller attended Roth Conference in Laguna Niguel, CA	Conference
April 2018	Annual Report published	Report
May 2018	AGM	Meeting
	Result of AGM	RNS
	David Richards and Erik Miller attended Craig Hallum Institutional Investor Conference in Minneapolis	Conference
June 2018	David Richards and Erik Miller attended Stifel Cross Sector Insight Conference in Boston	Conference
September 2018	Pre-closing trading update	RNS
	Interim results	Meeting, RNS

Meeting RNS Report Conference

David Richards
Chairman, President, CEO and Co-founder

Committee composition

The Nomination Committee is chaired by David Richards and the other members of the Committee are Bob Corey, Grant Dollens, Karl Monaghan 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 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 three 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 three times 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.

Bob Corey
Vice Chairman and Senior Non-executive Director

Committee composition

Since his appointment on 19 November 2018, Bob Corey is the Chairman of the Committee and the other members of the Committee are Karl Monaghan and Grant Dollens. The Board considers Bob Corey to have relevant and recent financial experience, given his biography set out on page 26.

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 March 2019) 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.

Significant work undertaken by the Committee during the year

Review of the 2018 Financial statements

During the year to 31 December 2018, the Audit Committee reviewed and endorsed, prior to submission to the Board, full-year financial statements and the preliminary, interim results and trading update announcements. The Committee considered risk management updates, agreed external audit plans, approved accounting policies and ensured appropriate whistleblowing arrangements and associated policies were in place.

In reviewing the Financial statements with management and the Auditors, the Committee has discussed and debated the critical accounting judgements and key sources of estimation uncertainty as set out in Note 4 to the Financial statements. As a result of our review, the Committee has identified the following issues that require a high level of judgement or have significant impact on interpretation of this Annual Report.

Brexit

Management reviewed the potential impacts that Brexit could have on the business, details of which are included in the Financial Review on page 23.

The Committee is satisfied with the findings identified and that appropriate disclosures have been made in the Annual Report and Accounts.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in Note 25.

The detailed budget and forecasts formed the basis of the going concern review and management also prepared a sensitised version, which considered a delay in bookings growth and included actions, under control of the Group, that they could take to further significantly reduce the cost base in the coming year in the event that longer-term bookings were set to remain consistent with the level reported in 2018. Further details are included in Note 2(b).

The Committee is satisfied with the findings of the going concern review and that appropriate disclosures have been made in the Annual Report and Accounts.

Revenue recognition

Under IFRS 15 the Group is required to de-bundle subscription arrangements into the separate licence and maintenance and support performance obligations. The method of allocation requires judgement and is based on prior experience of separate arrangements (e.g. when maintenance and support is sold separately on a perpetual licence) along with market practice.

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been made in the Annual Report and Accounts.

Capitalisation and carrying value of development costs

The Group capitalises development costs which meets the criteria required under IAS 38. The carrying amount of the intangible assets is allocated to CGUs. The recoverable amount was calculated using a value in use basis based on financial forecasts.

The Committee is satisfied that the judgements made by management in the value in use calculation are reasonable and that appropriate disclosures have been made in the Annual Report and Accounts.

In reaching this conclusion the Committee has considered the 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 LLP has been the external auditor since 2012, when the Company's shares were admitted to trading on AIM. The first external auditor partner rotation since 2012 was performed in 2017.

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
Non-executive Director

This report sets out information about the remuneration of the Directors of the Company for the year ended 31 December 2018. 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 members of the Committee are Bob Corey and 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 objective of the remuneration policy is 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. 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 healthcare.

The Committee intends to make further awards under the Long-Term Incentive Plan ("LTIP") during 2019. Details of any awards will be disclosed in next year's Remuneration Committee report.

2018 annual bonus

The 2018 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 39.

Similar bonus principles will be adopted for 2019. 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 41.

Directors' share options (audited)

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

	Exercise price	Number of options at 1 January 2018	Number of options granted[4]	Number of options exercised	Number of options lapsed	Number of options at 31 December 2018
Executive Directors						
David Richards[1]	£0.10	64,961	—	(64,961)	—	—
	£1.90	92,771	—	—	—	92,771
	£0.10	62,785	—	(62,785)	—	—
	£0.10	—	241,037	—	—	241,037
	£0.10	—	18,123	—	—	18,123
Dr Yeturu Aahlad[2]	£0.10	10,000	—	(10,000)	—	—
	£0.10	—	241,037	—	—	241,037
	£0.10	—	18,123	—	—	18,123
Erik Miller[3]	£1.90	410,789	—	—	—	410,789
	£0.10	7,124	—	(7,124)	—	—
	£8.39	423,707	—	—	—	423,707
	£0.10	—	18,123	—	—	18,123
Non-executive Directors						
Grant Dollens	—	—	—	—	—	—
Karl Monaghan	£0.10	—	22,249	—	—	22,249
Bob Corey	£0.10	—	22,249	—	—	22,249

1 Exercised: 32,480 on 13 March 2018 and 95,266 on 11 October 2018 (of which 85,266 were sold and 10,000 were held) at market prices of £8.13 and £5.2408 respectively.
2 Exercised: 5,000 on 13 March 2018 and 5,000 on 11 October 2018 (of which 2,587 were sold and 2,413 were held) at market prices of £8.13 and £5.2408 respectively.
3 Exercised and held: 7,124 on 2 October 2018 when the market price was £6.40.
4 All options were granted on 2 October 2018 apart from those to Karl Monaghan and Bob Corey which were granted on 7 December 2018.

Directors' remuneration (audited)

	Payment currency	Salary/fees '000	Bonus[2] '000	Benefits[1] '000	31 December 2018 Total '000	31 December 2017 Total '000
Executive Directors						
David Richards	$	490	368	33	891	947
Erik Miller	$	250	126	23	399	388
Dr Yeturu Aahlad[3]	$	150	—	18	168	181
Former Executive Directors						
James Campigli[4]	$	—	—	—	—	320
Non-executive Directors						
Grant Dollens	£	40	—	—	40	40
Karl Monaghan	£	40	—	—	40	40
Bob Corey[5]	£	6	—	—	6	—

1 Benefits include the provision of private health insurance for Executive Directors and their immediate families.
2 50% of bonus due for David Richards and Erik Miller is to be settled via RSU's which have a one-year vesting period.
3 Joined 23 February 2017.
4 Left 23 February 2017.
5 Joined 19 November 2018.

The total Directors' remuneration for the period ended 31 December 2018, in US dollars, was $1,570,000 (2017: $1,940,000).

Approval

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

KARL MONAGHAN
CHAIRMAN OF THE REMUNERATION COMMITTEE
23 APRIL 2019

The Directors present their report and the audited financial statements for the year ended 31 December 2018 in accordance with the Companies (Jersey) Law 1991. 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 25, which is incorporated into this report by reference together with the Corporate governance report on pages 31 to 34. 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 38 and 39 and in Note 29 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 25. 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 or loss and other comprehensive income and other components on pages 49 to 84.

Dividends

The Directors do not recommend the payment of a dividend (2017: $nil).

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 25. Details of the Company's financial position and its cash flows are outlined in the Financial review on pages 22 and 23.

After making reasonable enquiries and following the share subscription following the year end which raised $17.5m of gross proceeds, 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 86 to 88 is the notice of the Company's seventh AGM to be held at 10am on 22 May 2019 at the Company's offices, Electric Works, 3 Concourse Way, Sheffield Digital Campus, Sheffield S1 2BJ.

Directors

The Directors who served on the Board and on Board Committees during the year are set out on pages 26 and 27. 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 38 and 39.

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 38 and 39.

The middle market price of the Company's ordinary shares on 31 December 2018 was 482.00 pence and the range during the year was 340.00 pence to 1,250.00 pence, with an average price of 767.17 pence.

Significant shareholders

The Company is informed that, at 16 April 2019 (the latest practicable date prior to publication), 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.	6,005,690	13.33%
T Rowe Price International	3,133,303	6.96%
Swedbank Robur Fonder AB	3,000,000	6.66%
Ruane, Cunniff & Goldfarb	2,615,123	5.81%
Dr Yeturu Aahlad	2,442,504	5.42%
David Richards	2,119,233	4.71%
Blueport Capital, L.P.	2,052,556	4.56%
Grant Dollens[1]	1,797,287	3.99%
Capital Research Global Investors	1,615,173	3.59%
Ross Creek Capital Management, LLC	1,438,685	3.19%
Davis Capital Partners, LLC	1,422,572	3.16%

1 Of which 526,384 shares (1.17%) are held by Grant Dollens personally and 1,270,903 shares (2.82%) 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 2018 and 16 April 2019 (the latest practicable date prior to publication) were as follows:

	At 31 December 2018		At 16 April 2019	
	Number of shares	% of issued ordinary share capital	Number of shares	% of issued ordinary share capital
Executive				
David Richards	2,119,233	4.98%	2,119,233	4.71%
Dr Yeturu Aahlad	2,442,504	5.74%	2,442,504	5.42%
Erik Miller	27,124	0.06%	27,124	0.06%
Non-executive				
Grant Dollens[1]	1,583,902	3.73%	1,797,287	3.99%
Karl Monaghan	53,542	0.13%	53,542	0.12%

1 Of which 526,384 shares (1.17%) are held by Grant Dollens personally and 1,270,903 shares (2.82%) 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 $8,072,000 during the year (2017: $6,513,000) on research and development, of which $4,910,000 (2017: $6,303,000) was capitalised within intangible assets and $3,162,000 (2017: $210,000) was charged to the income statement. In addition, an amortisation charge of $5,725,000 (2017: $6,366,000) 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 25.

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 2018 the Group made political donations of $nil (2017: $nil) and charitable donations of $1,715 (2017: $nil).

Supplier payment policy and practice

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

The number of creditor days outstanding at 31 December 2018 was 32 days (2017: 40 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.

Subsequent events

On 14 February 2019 the Group announced the subscription of 2,489,499 new ordinary shares of 10 pence each in the Company by existing shareholders at a price of 546 pence (a premium of 9.2% on the closing share price on 13 February 2019) raising gross proceeds of $17.5m. This represents 5.85% of the entire existing share capital of WANdisco and the subscription shares will be issued under the Company's existing authorities. The proceeds will be used to support our relationships with strategic cloud partners and provide growth working capital.

The Directors' report has been approved by the Board of Directors on 23 April 2019.

Signed on behalf of the Board.

ERIK MILLER
CHIEF FINANCIAL OFFICER
23 APRIL 2019

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, relevant and reliable;
- 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 disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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 Company 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 financial statements of WANdisco plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated statement of profit or loss and other comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows and the related notes, including the accounting policies in Note 31.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- have been prepared in accordance with the requirements of 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: Group financial statements as a whole	$300k (2017: $300k) 1.5% (2017: 2.1%) of Group loss before tax	
Coverage	94% (2017: 91%) of Group loss before tax	
Key audit matters		**vs 2017**
New risks	The impact of uncertainties due to the UK exiting the European Union on our audit	▲
	Going concern	▲
Recurring risks	Revenue recognition	▲
	Capitalisation and carrying value of development costs	◀▶

2. Key audit matters: including 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. We summarise below the key audit matters in arriving at our opinion above. 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.

Key audit matters	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 37 (Audit Committee report), page 23 (Financial review) and Note 2 to the financial statements (accounting policy).	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the capitalisation and carrying value of development costs below, and related disclosures and in the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and of the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the Directors' assessment of the Brexit-related sources of risk for the Group's business and financial resources compared to our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks; • **Sensitivity analysis:** When addressing the capitalisation and carrying value of development costs and other areas that depend on forecasts, we compared the Directors assessment to the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the remaining level of uncertainty; and • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on going concern and capitalisation and carrying value of development costs, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and this is particularly the case in relation to Brexit.

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

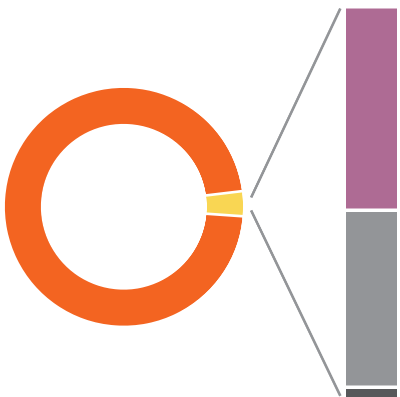
Key audit matters	The risk	Our response
Going concern Refer to page 37 (Audit Committee report), Note 2 to the financial statements (accounting policy) and Note 22 to the financial statements (financial disclosures).	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group. That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's available financial resources over this period were: • The ability of the Group to raise cash through an equity issue; • Meeting Board forecasts particularly relating to the timing and value of future, unsecured, pipeline sales; • The potential of debt funding being withdrawn by the lender due to the Group being in covenant breach as at the balance sheet date; and • The achievability of mitigating actions the Directors would take should these, or other, factors materialise. There are also less predictable but realistic Brexit second order impacts, such as the stagnation of customer confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: • **Funding assessment:** Assessed the committed level of funding available to the Group including the willingness of the lender to waive the covenant breach as at the balance sheet date and the Group's ability to meet covenants in place in the forecast period. Obtained the documentation on the post year end equity raise performed by the Group and agreed the funds from this equity issue had been received by the Group; • **Historical comparison:** Considered the Group's historical budgeting accuracy, by assessing actual performance against budget and understanding the changes in circumstances leading to the forecast revenue; • **Key dependency assessment:** Identified the key assumptions in the Group's forecasts around the achievement of forecast revenue through robust interrogation of the forecasts and understanding how these were derived; • **Sensitivity analysis:** Performed analysis of changes in key assumptions including a reasonable possible (but not unrealistic) reduction in forecast revenue to understand the sensitivity in the cash flow forecasts. Specifically we involved specialists to critically assess the assumptions, challenging the sensitivities applied and the mitigation actions available to the Directors; • **Evaluating Directors' intent:** Evaluated the intent of the Directors and the achievability of the actions they would take to improve the position should certain risks materialise including looking at the history of similar actions being taken; and • **Assessing transparency:** Assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing this to the key assumptions, key sensitivities and mitigating actions considered by the Directors.

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

Key audit matters	The risk	Our response
Revenue recognition (Group revenue \$17.0 million, accrued income \$5.0 million, deferred income \$4.3 million). (2017: Group revenue \$19.6 million, accrued income \$3.2 million, deferred income \$14.2 million). Refer to page 37 (Audit Committee report), Note 31 to the financial statements (accounting policy) and Note 5 and Note 8 to the financial statements (financial disclosures).	**Accounting application** The Group's contracts with customers can involve multiple contract deliverables. Revenue recognition within the Group may therefore require separate recognition of each deliverable and as a result, judgement is required over the assessment of separate contract deliverables. Quantification of the fair value of each identified deliverable requires the Group to make estimates as to the fair value of each contract deliverable identified. This revenue recognition includes some elements of revenue recognised upfront and others recognised over time resulting in significant deferred income and accrued income balances. There is therefore a risk that not all revenue is recognised in the appropriate period. IFRS 15 "Revenue recognition" is effective for the first time in 2018. As this is the first year of adoption, inherently there is a risk of error occurring including over the significant deferred income balances.	Our procedures included: • **Accounting analysis:** Determined 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 our sampling methodology and large value historic contracts and the guidance in the relevant accounting standard, particularly as to deliverables having a stand-alone value; • **Accounting analysis:** Assessed the Group's estimate of any subjective fair value attributed to each identified contract deliverable within each sampled contract and the timing of the revenue recognition for each deliverable against our own knowledge of similar contracts in the industry; • **Accounting analysis:** Assessed the Group's revenue recognition policy in light of the adoption of IFRS 15 in the year. Tested a sample of contracts to assess if the transition adjustments made were recorded appropriately; • **Test of details:** Tested a sample of revenue transactions to assess if revenue was recorded in the appropriate period with reference to contractual documents; and • **Assessing transparency:** Assessed the adequacy of the Group's disclosures on revenue recognition.
Capitalisation and carrying value of development costs (Additions in the year \$4.7 million, net book value \$5.0 million; 2017: additions in the year \$6.3 million, net book value \$5.9 million). Refer to page 37 (Audit Committee report), Note 31 to the financial statements (accounting policy) and Note 17 to the financial statements (financial disclosures).	**Accounting treatment** 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. There is a risk that costs are capitalised that should be expensed under the relevant accounting standard. **Forecast-based valuation** 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.	Our procedures included: • **Testing of application:** Assessed the nature of the items capitalised and evaluating the appropriateness of their classification as capitalised costs, having regard to the relevant accounting standards. This included assessing whether major projects are technically feasible and commercially viable by reference to existing orders and future forecasts; • **Test of details:** Agreed a sample of costs in the year to supporting documentation; • **Historical comparison:** Assessed the Group's forecasting accuracy by comparing actual results in the period to what was previously forecast for the year for each significant project. Critically evaluated the assumptions for future customer sign up rates, having regard to actual rates in previous years; and • **Assessing transparency:** Considered the adequacy of the Group's disclosures in respect of the capitalisation and recoverability of development intangible assets.

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

Loss before tax
$19.4m (2017: $14.0m)



Loss before tax

Group materiality

Group materiality
$300k (2017: $300k)

$300k
Whole financial statements materiality (2017: $300k)

$250k
Materiality at 3 components ($250k) (2017: range of $261k–$300k)

$15k
Misstatements reported to the Audit Committee (2017: $15k)

Materiality for the Group financial statements as a whole was set at $300k (2017: $300k), determined with reference to a benchmark of loss before tax of $19.4 million (2017: $14.0 million) (of which it represents 1.5% (2017: 2.1%)).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $15k (2017: $15k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 5 (2017: 5) reporting components, we subjected 3 (2017: 3) to full scope audits for Group purposes.

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

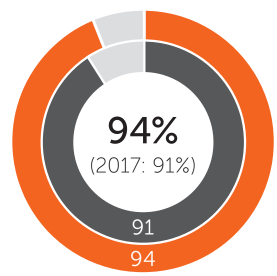
For the residual 2 components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these components.

The work on all 5 (2017: 5) components was performed by the Group team.

The component materialities were $250k (2017 ranged from $261k to $300k), having regard to the mix of size and risk profile of the Group across the components.

Group revenue

Group loss before tax



Group total assets

Full scope for Group audit purposes 2018

Full scope for Group audit purposes 2017

Residual components

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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 a year 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, except as explicitly stated below, 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:

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 42, 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.

FRANCES SIMPSON
FOR AND ON BEHALF OF KPMG LLP,
CHARTERED ACCOUNTANTS AND RECOGNISED AUDITOR
1 SOVEREIGN SQUARE, LEEDS, LS1 4DA
23 APRIL 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

		Year ended 31 December 2018			Year ended 31 December 2017		
Continuing operations	Note	Pre-exceptional $'000	Exceptional items[1] $'000	Total $'000	Pre-exceptional $'000	Exceptional items[1] $'000	Total $'000
Revenue	7,8	17,019	—	17,019	19,637	—	19,637
Cost of sales	9	(1,544)	—	(1,544)	(1,972)	—	(1,972)
Gross profit		15,475	—	15,475	17,665	—	17,665
Operating expenses	9,11	(37,592)	—	(37,592)	(27,360)	—	(27,360)
Operating loss	11	(22,117)	—	(22,117)	(9,695)	—	(9,695)
Finance income	12	443	2,793	3,236	29	—	29
Finance costs	12	(514)	—	(514)	(344)	(3,994)	(4,338)
Net finance (costs)/income	12	(71)	2,793	2,722	(315)	(3,994)	(4,309)
(Loss)/profit before tax		(22,188)	2,793	(19,395)	(10,010)	(3,994)	(14,004)
Income tax	13	802	—	802	489	—	489
(Loss)/profit for the year		(21,386)	2,793	(18,593)	(9,521)	(3,994)	(13,515)
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Foreign operations – foreign currency translation differences		(81)	(2,793)	(2,874)	(184)	3,994	3,810
Other comprehensive income for the year, net of tax		(81)	(2,793)	(2,874)	(184)	3,994	3,810
Total comprehensive income for the year		(21,467)	—	(21,467)	(9,705)	—	(9,705)
Loss per share							
Basic and diluted loss per share	14			($0.45)			($0.36)
Adjusted earnings before interest, tax depreciation and amortisation ("Adjusted EBITDA")	11			(9,397)			(580)

1 See Note 10.

The notes on pages 53 to 84 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Assets			
Property, plant and equipment	16	828	556
Intangible assets	17	5,516	7,081
Other non-current assets	18	2,580	889
Non-current assets		8,924	8,526
Trade and other receivables	19	7,399	5,969
Cash and cash equivalents	20	10,757	27,396
Current assets		18,156	33,365
Total assets		27,080	41,891
Equity			
Share capital	21	6,361	6,156
Share premium	21	115,909	115,196
Translation reserve	21	(7,348)	(4,474)
Merger reserve	21	1,247	1,247
Retained earnings	21	(102,365)	(100,658)
Total equity		13,804	17,467
Liabilities			
Loans and borrowings	22	98	3,310
Deferred income	23	1,277	7,058
Deferred tax liabilities	13	3	4
Non-current liabilities		1,378	10,372
Current tax liabilities		7	11
Loans and borrowings	22	3,990	984
Trade and other payables	24	4,860	5,953
Deferred income	23	3,041	7,102
Deferred government grant		—	2
Current liabilities		11,898	14,052
Total liabilities		13,276	24,424
Total equity and liabilities		27,080	41,891

The notes on pages 53 to 84 are an integral part of these consolidated financial statements.

The financial statements on pages 49 to 84 were approved by the Board of Directors on 23 April 2019 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 2018

	Note	Share capital $'000	Share premium $'000	Translation reserve $'000	Merger reserve $'000	Retained earnings $'000	Total equity $'000
		Attributable to owners of the Company					
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 for the year		—	—	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	15	—	—	—	—	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
Adjustment on application of IFRS 15	5	—	—	—	—	11,029	11,029
Adjusted balance at 1 January 2018		6,156	115,196	(4,474)	1,247	(89,629)	28,496
Total comprehensive income for the year							
Loss for the year		—	—	—	—	(18,593)	(18,593)
Other comprehensive income for the year		—	—	(2,874)	—	—	(2,874)
Total comprehensive income for the year		—	—	(2,874)	—	(18,593)	(21,467)
Transactions with owners of the Company							
Contributions and distributions							
Equity-settled share-based payment	15	—	—	—	—	5,857	5,857
Share options exercised		205	713	—	—	—	918
Total transactions with owners of the Company		205	713	—	—	5,857	6,775
Balance at 31 December 2018		**6,361**	**115,909**	**(7,348)**	**1,247**	**(102,365)**	**13,804**

The notes on pages 53 to 84 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Loss for the year		(18,593)	(13,515)
Adjustments for:			
– Depreciation of property, plant and equipment	16	388	215
– Amortisation of intangible assets	17	6,475	6,699
– Loss on sale of property, plant and equipment		3	—
– Net finance costs		71	315
– Income tax	13	(802)	(489)
– Foreign exchange		(2,517)	3,860
– Equity-settled share-based payment	15	5,857	2,201
		(9,118)	(714)
Changes in:			
– Trade and other receivables		281	(1,618)
– Trade and other payables		(925)	1,331
– Deferred income		(1,230)	1,668
– Deferred government grant		(2)	(11)
Net working capital change		(1,876)	1,370
Cash (used in)/generated from operating activities		(10,994)	656
Interest paid		(399)	(286)
Income tax received		51	1,364
Net cash (used in)/generated from operating activities		(11,342)	1,734
Cash flows from investing activities			
Interest received	12	213	29
Proceeds from sale of property, plant and equipment		5	1
Acquisition of property, plant and equipment	16	(677)	(254)
Acquisition of third party software		—	(500)
Development expenditure	17	(4,910)	(6,303)
Net cash used in investing activities		(5,369)	(7,027)
Cash flows from financing activities			
Proceeds from issue of share capital	22	918	21,188
Net proceeds from bank loan	22	(111)	4,000
Payment of finance lease liabilities	22	(95)	(89)
Net cash from financing activities		712	25,099
Net (decrease)/increase in cash and cash equivalents		(15,999)	19,806
Cash and cash equivalents at 1 January		27,396	7,558
Effect of movements in exchange rates on cash held		(640)	32
Cash and cash equivalents at 31 December	20	10,757	27,396

The notes on pages 53 to 84 are an integral part of these consolidated financial statements.

1. Reporting entity

WANdisco plc (the "Company") is a public limited company incorporated and domiciled in Jersey. The Company's ordinary shares are traded on AIM. The Company's registered office is 47 Esplanade, St. Helier, Jersey JE1 0BD. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the development and provision of global collaboration software (see Note 7).

2. Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. They were authorised for issue by the Company's Board of Directors on 23 April 2019.

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.

(a) Accounting policies

Details of the Group's accounting policies are included in Note 31.

This is the first set of the Group's annual financial statements in which IFRS 15 "Revenue from Contracts with Customers" has been applied. Changes to the significant accounting policies are described in Note 5.

(b) Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in Note 25.

As at 31 December 2018 the Group had net assets of $13.8m (31 December 2017: $17.5m), including cash of $10.8m (2017: $27.4m) as set out in the Consolidated statement of financial position, with a debt facility fully drawn of $3.9m (2017: debt facility drawn of $4.0m). In the year ended 31 December 2018, the Group incurred a loss before tax of $19.4m (2017: $14.0m) and net cash outflows before financing of $16.7m (2017: $5.3m).

During 2018, the performance of the Group declined, with bookings reducing by 28% to $16.2m (2017: $22.5m) and operating loss increasing to $22.1m (2017: $9.7m).

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 the approval 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, details of which are included in Note 22. The model includes the injection of $17.5m of cash which was raised following the year end on 14 February 2019, as detailed in Note 30.

Whilst the Directors are confident in the Group's ability to grow bookings, the Board's sensitivity modelling (which considered the impact of Brexit) 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 2018) for a period in excess of twelve months. The Directors' financial forecasts and operational planning and modelling also include the actions, under control of the Group, that they 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 2018. 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 to operate within its existing facilities 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 approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

3. Functional and presentational currency

See accounting policy in Note 31(b).

The consolidated financial statements are presented in US dollars, which is the functional currency of the Group, as the revenue for the Group is predominantly 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.

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's 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 estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 8 – revenue recognition.
- Note 13 – deferred tax asset.
- Note 17 – development costs.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 8 – revenue recognition: allocation of value to maintenance and support element of subscription arrangement.
- Note 17 – impairment test of intangible assets: key assumptions underlying recoverable amounts, including the recoverability of development costs.

(c) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 15 – share-based payment.

5. Changes in significant accounting policies – IFRS 15

The Group has initially applied IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. Several other new standards are also effective from 1 January 2018, but they do not have a material effect on the Group's financial statements, including IFRS 9 "Financial Instruments". See Note 32.

Due to the transition method chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

(a) Impact of conversion

The effect of initially applying this standard is as follows:

(I) subscription term licence agreements are now split into a licence and maintenance and support element with the earlier recognition of the licence element reducing deferred revenue;

(II) recognition of an asset (receivable) for the element of licence revenue recognised above relating to a future year payment instalment;

(III) accrued sales commission costs are deferred across the period over which the related revenue is recognised.

5. Changes in significant accounting policies – IFRS 15 continued

(a) Impact of conversion continued

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 January 2018.

Retained earnings	Note	Impact of adopting IFRS 15 at 1 January 2018 $'000
Deferred income: Earlier recognition of licence revenue from subscription term licence agreements	5(a)(I)	8,612
Accrued income: Recognition of an asset for licence revenue recognised from future period payment instalments	5(a)(II)	1,763
Other receivables: Accrued sales commissions deferred	5(a)(III)	654
Impact at 1 January 2018		**11,029**

The following tables summarise the impacts of adopting IFRS 15 on the Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and the Consolidated statement of financial position for each of the line items affected. There was no material impact on the Consolidated statement of cash flows for the year ended 31 December 2018.

(b) Impact on the consolidated statement of profit or loss and other comprehensive income

		Year ended 31 December 2018			Year ended 31 December 2017
Continuing operations	Note	As reported (IFRS 15) $'000	Adjustments $'000	Amounts without adoption of IFRS 15 $'000	Amounts without adoption of IFRS 15 $'000
Revenue	5(a)(I)	17,019	(4,828)	12,191	19,637
Cost of sales	5(a)(III)	(1,544)	78	(1,466)	(1,972)
Gross profit		15,475	(4,750)	10,725	17,665
Cash overheads		(29,782)	—	(29,782)	(24,548)
Adjusted EBITDA including development expenditure		(14,307)	(4,750)	(19,057)	(6,883)
Development expenditure capitalised		4,910	—	4,910	6,303
Adjusted EBITDA		(9,397)	(4,750)	(14,147)	(580)
Amortisation and depreciation		(6,863)	—	(6,863)	(6,914)
Equity-settled share-based payment		(5,857)	—	(5,857)	(2,201)
Operating loss		(22,117)	(4,750)	(26,867)	(9,695)
Net finance income/(costs)	5(a)(II)	2,722	(230)	2,492	(4,309)
Loss before tax		(19,395)	(4,980)	(24,375)	(14,004)
Income tax		802	—	802	489
Loss for the year		(18,593)	(4,980)	(23,573)	(13,515)
Other comprehensive income for the year, net of tax		(2,874)	—	(2,874)	3,810
Total comprehensive income for the year		(21,467)	(4,980)	(26,447)	(9,705)

5. Changes in significant accounting policies – IFRS 15 continued

(c) Impact on the consolidated statement of financial position

	Note	31 December 2018 As reported (IFRS 15) $'000	31 December 2018 Adjustments $'000	31 December 2018 Amounts without adoption of IFRS 15 $'000	31 December 2017 Amounts without adoption of IFRS 15 $'000
Non-current assets	5(a)(II),(III)	8,924	(1,691)	7,233	8,526
Current assets	5(a)(II),(III)	18,156	(2,991)	15,165	33,365
Total assets		27,080	(4,682)	22,398	41,891
Total equity		13,804	(16,009)	(2,205)	17,467
Non-current liabilities	5(a)(I)	1,378	6,256	7,634	10,372
Current liabilities	5(a)(I)	11,898	5,071	16,969	14,052
Total liabilities		13,276	11,327	24,603	24,424
Total equity and liabilities		27,080	(4,682)	22,398	41,891

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.

For additional information on the Group's accounting policies relating to revenue recognition, see Note 8.

6. Alternative performance measures

The Group uses a number of alternative performance measures ("APMs") which are non-IFRS measures to monitor the performance of its operations. The Group believes these APMs 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 APMs 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 APMs 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 11 for a reconciliation.
- Adjusted EBITDA: Operating loss adjusted for: depreciation, amortisation, capitalisation of development expenditure and equity-settled share-based payment. See Note 11 for a reconciliation.

7. Operating segments

See accounting policy in Note 31(e).

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

7. Operating segments continued

(a) Geographical segments

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

Revenue	2018 $'000	2017 $'000
North America	14,100	16,132
Europe	1,785	2,865
Rest of the world	1,134	640
	17,019	19,637

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

(b) Major products

The Group's core patented technology, 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	2018 $'000	2017 $'000
Source Code Management	6,254	8,484
Big Data	10,765	11,153
	17,019	19,637

(c) Major customers

Included in revenue from Big Data of $10,765,000 (2017: $11,153,000) are revenues of $5,459,000 (32% of revenue) (2017: $7,794,000 (40% of revenue)) and $2,471,000 (15% of revenue) (2017: $nil) which arose from sales to the Group's two largest customers. No other single customers contributed 10% or more to the Group's revenue (2017: nil).

8. Revenue

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 5. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

The Group generates revenue primarily from the sale of global collaboration software to its customers; see Note 7.

(a) Split of revenue by timing of revenue recognition

Revenue	2018 $'000	2017 $'000
Products transferred at a point in time	13,472	—
Products and services transferred over time	3,547	—
	17,019	—

The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated; see Note 5.

(b) Contract balances

The following table provides information about receivables, contract assets and liabilities from contracts with customers.

	31 December 2018 $'000	1 January 2018 $'000	31 December 2017 $'000
Receivables, which are included in "Other non-current assets – Accrued income"	2,340	1,626	889
Contract assets, which are included in "Other non-current assets – Other receivables"	240	333	—
Receivables, which are included in "Trade and other receivables – Accrued income"	2,654	3,376	2,350
Contract assets, which are included in "Trade and other receivables – Other receivables"	337	321	—
Contract liabilities, which are included in "Deferred income" – non-current	(1,277)	(1,732)	(7,058)
Contract liabilities, which are included in "Deferred income" – current	(3,041)	(3,816)	(7,102)

Contract assets represent deferred sales commissions; see Note 5.

8. Revenue continued

(c) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies.

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 details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various products and services are set out below:

Type of product/service	IFRS 15 treatment	Nature of change in accounting policy and impacts
Software licences – perpetual licences	Under IFRS 15, revenue on perpetual licences is 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.	Under IAS 18, revenue was recognised in full on delivery. As such, there has been no impact on revenue for this type of arrangement.
Software subscriptions (which include both a term software licence and a maintenance and support contract)	Under IFRS 15 subscription arrangements have been split into two performance obligations which are both considered as distinct: • term software licence; and • maintenance and support. The allocation of transaction price between the two performance obligations is based on an adjusted market assessment approach. Term software licences are 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. The maintenance and support component is spread over the life of the contract as the performance obligation is satisfied over time matching the period of the contract.	Sales of software subscriptions which included both term software licence and maintenance and support under IAS 18 were previously recognised on a straight-line basis over the period of the contract, once the licence had been granted and the customer had been provided with access to the software. **Impacts from change:** • 5(a)(I) This resulted in an acceleration of the licence element of the subscription arrangement which had previously been spread over the period of the subscription agreement. • 5(a)(II) Where there is a multi-period payment instalment plan, the element attributable to the licence which has been accelerated to revenue but has not yet been invoiced is recognised as an asset net of financing income. This asset is revalued at each Balance sheet date.
Maintenance and support contracts	Maintenance and support revenue is spread over time as the performance obligation is satisfied over the period of the contract.	There has been no change to this policy under IFRS 15 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 recognised on delivery of the services at a point in time.	There has been no change to this policy under IFRS 15, as the performance obligation is satisfied on delivery of these services.
Royalties	Royalties are accounted for on an accruals basis. Under IFRS 15 the recognition of royalties is prohibited until the sale or usage occurs, even if the sale or usage is probable.	There has been no impact to revenue from royalties after implementing IFRS 15.
Sales commissions	Under IFRS 15, the costs of obtaining a contract should be recognised as an asset and subsequently amortised if they are incremental and are expected to be recovered. Amortisation is charged on a basis consistent with the transfer to the customer of the goods or services to which the capitalised costs relate.	Previously sales commissions were charged to the profit and loss account when they were incurred. **Impact from change:** • 5(a)(III) This resulted in the recognition of an asset for deferred commissions and subsequent amortisation of this asset to match the revenue profile.

9. Expenses

(a) Expenses by nature

	Note	2018 $'000	2017 $'000
Cost of sales		1,544	1,972
Staff costs		22,055	16,405
Development costs capitalised	17	(4,910)	(6,303)
Research and development – amortisation charge	17	5,725	6,366
Amortisation of intangible assets	17	750	333
Depreciation of property, plant and equipment	16	388	215
Auditor's remuneration	9(b)	133	89
Other expenses		13,451	10,255
Operating expenses		37,592	27,360
Total cost of sales and operating expenses		39,136	29,332

Included in staff costs above are $245,000 (2017: $186,000) relating to payments made to defined contribution plans.

(b) Auditor's remuneration

	2018 $'000	2017 $'000
Audit of these financial statements	93	74
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	40	15
	133	89

10. Exceptional items

See accounting policy in Note 31(i).

	2018 $'000	2017 $'000
Exchange gain/(loss) on intercompany balances	2,793	(3,994)

The exceptional gain/(loss) arose on sterling-denominated intercompany balances. These balances were retranslated at the closing exchange rate at 31 December 2018, which was 1.27, a 6% reduction compared to the rate of 1.35 at 31 December 2017. 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 gain/(loss) in both years, it has been included as an exceptional item.

The exceptional gain/(loss) on intercompany balances in the Consolidated statement of profit or loss is offset by an equivalent exceptional exchange (loss)/gain 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.

11. Adjusted EBITDA and cash overheads

Management has presented the performance measures adjusted EBITDA and cash overheads because it monitors these performance measures at a consolidated level and it believes that these measures are relevant to an understanding of the Group's financial performance. Adjusted EBITDA and cash overheads are not defined performance measures in IFRS. The Group's definition of adjusted EBITDA and cash overheads may not be comparable with similarly titled performance measures and disclosures by other entities.

(a) Reconciliation of operating loss to "Adjusted EBITDA"

	Note	2018 $'000	2017 $'000
Operating loss		(22,117)	(9,695)
Adjusted for:			
Amortisation and depreciation		6,863	6,914
Equity-settled share-based payment	15	5,857	2,201
Adjusted EBITDA		(9,397)	(580)
Development expenditure capitalised	17	(4,910)	(6,303)
Adjusted EBITDA including development expenditure		(14,307)	(6,883)

(b) Reconciliation of operating expenses to "Cash overheads"

	Note	2018 $'000	2017 $'000
Operating expenses	9(a)	(37,592)	(27,360)
Adjusted for:			
Amortisation and depreciation		6,863	6,914
Equity-settled share-based payment	15	5,857	2,201
Development expenditure capitalised	17	(4,910)	(6,303)
Cash overheads		(29,782)	(24,548)

12. Net finance (costs)/income

See accounting policy in Note 31(j).

	2018 $'000	2017 $'000
Interest income on cash and cash equivalents	213	29
Interest income on non-current assets	230	—
Net foreign exchange gain	2,793	—
Finance income	3,236	29
Net foreign exchange loss	—	(3,994)
Interest payable on bank borrowings	(336)	(167)
Finance charges	(63)	(119)
Loan amortisation costs	(115)	(58)
Finance costs	(514)	(4,338)
Net finance (costs)/income	2,722	(4,309)

13. Income tax

See accounting policy in Note 31(k).

(a) Amounts recognised in profit or loss

	2018 $'000	2017 $'000
Current tax expense		
Current year	445	390
Changes in estimates related to prior year	357	99
Income tax	802	489

(b) Reconciliation of effective tax rate

	2018 %	2018 $'000	2017 %	2017 $'000
Loss before tax from continuing operations		19,395		14,004
Tax using the Company's domestic tax rate	21%	4,073	35%	4,901
Effect of tax rates in foreign jurisdictions	(1%)	(186)	(7%)	(995)
Tax effect of:				
Non-deductible expenses	(6%)	(1,139)	(10%)	(1,430)
Tax exempt income/(expenses)	3%	517	(9%)	(1,288)
R&D tax credits	3%	543	6%	786
Losses not recognised for current or deferred tax	(16%)	(3,043)	(11%)	(1,485)
Changes in estimates related to prior year	—	37	—	—
	4%	802	3%	489

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

The changes in estimates related to prior year of $357k includes an additional amount now recognised in respect of research and development tax credits relating to prior year of $320k.

(c) Factors affecting the current and future tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred taxation balance for UK tax resident members of the Group at 31 December 2018 has been calculated based on the rate of 17% (2017: 17%).

In December 2017, numerous changes to the tax laws were enacted in the US, including a decrease in the corporate tax rate from 35% to 21%. The deferred tax balance for US tax resident members of the Group at 31 December 2018 has been calculated based on the rate of 21% (2017: 21%).

(d) Deferred tax assets and liabilities

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

	2018 $'000	2017 $'000
Deferred tax liability	(3)	(4)

The Group has unrecognised deferred tax assets of $16,239,000 (2017: $16,012,000) in respect of tax losses arising in the Group.

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

14. Loss per share

(a) Basic loss per share

The calculation of basic loss per share has been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

	2018 $'000	2017 $'000
Loss for the year attributable to ordinary shareholders	**18,593**	13,515

Weighted average number of ordinary shares

	2018 Number of shares '000s	2017 Number of shares '000s
Issued ordinary shares at 1 January	**40,904**	37,068
Effect of shares issued in the year	**828**	715
Weighted average number of ordinary shares at 31 December	**41,732**	37,783

	2018 $	2017 $
Basic loss per share	**0.45**	0.36

(b) 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:

	2018 $'000	2017 $'000
Loss for the year attributable to ordinary shareholders	**18,593**	13,515
Adjusted for:		
Exceptional items	**2,793**	(3,994)
Equity-settled share-based payment	**(5,857)**	(2,201)
Adjusted loss for the year	**15,529**	7,320

	2018 $	2017 $
Adjusted loss per share	**0.37**	0.19

(c) 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 or loss and other comprehensive income, is the same as for the basic loss per share.

15. Share-based payment

See accounting policy in Note 31(g)(ii).

(a) Description of share-based payment arrangements

The Group operates share option plans for 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.

15. Share-based payment continued

(a) Description of share-based payment arrangements continued

The terms and conditions of the share option grants between 16 May 2012 (the date WANdisco plc acquired WANdisco, Inc.) and 31 December 2018 are as follows:

Date of grant	Expected term (years)	Exercisable between Commencement	Exercisable between Lapse	Exercise price	Vesting schedule (see page 64)	Outstanding at 31 December 2018
16 May 12	9	16 May 12	20 Sep 21	£0.46	1	1,650
16 May 12	9	22 Jul 12	14 Sep 21	£0.36	2	25,000
16 May 12	9	13 Jan 13	12 Jan 22	£0.36	2	175,000
16 May 12	9	13 Jan 13	30 Jan 22	£0.23	2	301,585
21 Jun 12	10	21 Jun 12	20 Jun 22	£2.00	3	15,450
7 Dec 12	10	7 Dec 12	6 Dec 22	£4.55	4	84,017
18 Aug 14	3	18 Aug 14	17 Aug 24	£0.10	5	1,955
15 Sep 14	10	15 Sep 14	14 Sep 24	£4.00	4	17,084
22 Dec 14	3	22 Dec 14	21 Dec 24	£0.10	5	7,000
2 Jun 15	10	2 Jun 15	1 Jun 25	£2.55	6	1,666
23 Jun 15	3	23 Jun 15	22 Jun 25	£0.10	6	29,834
6 Jul 15	3	6 Jul 15	5 Jul 25	£0.10	6	3,333
23 Oct 15	3	23 Oct 15	22 Oct 25	£0.10	6	32,333
2 Nov 15	3	2 Nov 15	1 Nov 25	£0.10	6	5,000
22 Jan 16	10	22 Jan 16	21 Jan 26	£0.75	6	3,334
28 Jan 16	3	28 Jan 16	27 Jan 26	£0.10	6	5,000
24 Mar 16	3	24 Mar 16	23 Mar 26	£0.10	6	8,334
9 Mar 16	10	9 Mar 16	8 Mar 26	£1.41	6	22,201
1 Apr 16	3	1 Apr 16	1 Apr 26	£0.10	6	8,333
22 Jun 16	3	22 Jun 16	21 Jun 26	£0.10	6	3,334
15 Sep 16	3	15 Sep 16	14 Sep 26	£0.10	6	16,668
16 Sep 16	10	16 Sep 16	15 Sep 26	£2.00	6	10,000
6 Dec 16	10	6 Dec 16	5 Dec 26	£1.90	6	731,604
21 Jan 17	10	21 Jan 17	20 Jan 27	£3.90	5	183,930
13 Mar 17	10	13 Mar 17	10 Mar 27	£4.58	5	420,000
31 Mar 17	10	31 Mar 17	28 Mar 27	£4.24	5	56,000
30 May 17	10	30 May 17	27 May 27	£4.45	5	45,334
24 Oct 17	10	24 Oct 17	21 Oct 27	£8.20	5	65,083
11 Sep 17	10	1 Jul 17	8 Sep 27	£6.68	5	40,000
24 Oct 17	3	24 Oct 17	21 Oct 27	£0.10	6	20,000
11 Sep 17	3	1 Jul 17	8 Sep 27	£0.10	6	266,668
1 Nov 17	10	24 Oct 17	29 Oct 27	£8.39	5	423,707
13 Mar 18	3	4 Jan 18	12 Mar 28	£0.10	6	25,000
13 Mar 18	10	15 Jan 18	12 Mar 28	£8.16	5	10,000
13 Mar 18	3	19 Feb 18	12 Mar 28	£0.10	5	150,000
4 Apr 18	10	26 Feb 18	3 Apr 28	£8.34	5	2,000
4 Apr 18	10	26 Mar 18	3 Apr 28	£8.34	5	19,000
28 Sep 18	10	9 Apr 18	27 Sep 28	£6.40	5	10,000
28 Sep 18	10	4 Jun 18	27 Sep 28	£6.40	5	15,000
28 Sep 18	10	21 May 18	27 Sep 28	£6.40	5	10,000
28 Sep 18	10	30 Jul 18	27 Sep 28	£6.40	5	4,000
2 Oct 18	2	23 May 18	1 Oct 28	£0.10	8	723,112
2 Oct 18	3	23 May 18	1 Oct 28	£0.10	9	447,023
2 Oct 18	3	4 Jun 18	1 Oct 28	£0.10	6	20,000
2 Oct 18	3	9 Jul 18	1 Oct 28	£0.10	6	14,000
2 Oct 18	3	6 Aug 18	1 Oct 28	£0.10	6	2,000
2 Oct 18	3	21 May 18	1 Oct 28	£0.10	6	20,000
9 Nov 18	10	17 Sep 18	8 Nov 28	£3.60	5	21,000
9 Nov 18	10	15 Oct 18	8 Nov 28	£3.60	5	4,000
9 Nov 18	10	8 Nov 18	8 Nov 28	£3.60	5	5,000
9 Nov 18	3	10 Sep 18	8 Nov 28	£0.10	6	6,000
9 Nov 18	3	1 Oct 18	8 Nov 28	£0.10	6	30,000
9 Nov 18	2	9 Nov 18	8 Nov 28	£0.10	8	50,000
5 Dec 18	3	9 Nov 18	8 Nov 28	£0.10	7	44,498
						4,662,070

15. Share-based payment continued

(a) Description of share-based payment arrangements continued

The following vesting schedule applies:

1. Partially vested at grant date; 1/48 of granted option shares vest monthly thereafter.
2. 25% of option vests on exercisable commencement date; 1/48 of granted option shares vest monthly thereafter.
3. Option vests on third anniversary of the date of grant.
4. Option vests 25% on first anniversary of the vesting commencement date, with the balance vesting monthly thereafter until final vesting date.
5. Option vests 33% on first anniversary of vesting commencement date, with the balance vesting monthly thereafter until final vesting date.
6. Option vests in three instalments: one-third on first anniversary of vesting commencement date, one-third on second anniversary and one-third on third anniversary.
7. Option vests 100% on first anniversary of vesting commencement date.
8. Option vests in two instalments: 50% on the first anniversary of vesting commencement date and 50% on the second anniversary.
9. Option vests in two instalments: 30% on the second anniversary of vesting commencement date and 70% on the third anniversary.

(b) Measurement of fair values

The fair value of the employee share purchase plan has been measured using a Black-Scholes option pricing model.

The inputs used in the measurement of fair values at grant date of the equity-settled share-based payment plans were as follows:

	2018	2017
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.80%	1.02%
Expected volatility	30%	30%
Expected life (years)	7.0	7.0
Weighted average fair value of options granted during the year	$7.88	$4.24

- The dividend yield is based on the Company's forecast dividend.
- The risk-free interest rate is based on the treasury bond rates for the expected life of the option.
- Expected volatility is based on the historical volatility of shares of listed companies with a similar profile to the Company.
- 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.

15. Share-based payment continued

(c) Reconciliation of outstanding share options

The number and weighted average exercise prices of share options (including previous options in WANdisco, Inc.) under the share option plans were as follows:

	Number of options 2018	Weighted average exercise price 2018 $	Number of options 2017	Weighted average exercise price 2017 $
Outstanding at 1 January	4,901,699		4,318,899	
Forfeited during the year	(269,824)	2.52	(572,483)	9.47
Exercised during the year	(1,619,062)	0.57	(865,231)	0.76
Granted during the year	1,649,257	0.65	2,020,514	5.50
Outstanding at 31 December	4,662,070		4,901,699	
Exercisable at 31 December	1,823,334		2,073,904	
Vested at the end of the year	1,823,334		2,073,904	

	2018 $	2017 $
Exercise price in the range:		
From	0.13	0.13
To	10.65	6.14

	2018 Years	2017 Years
Weighted average contractual life remaining	8.1	7.8

(d) Expense recognised in profit or loss

	2018 $'000	2017 $'000
Total equity-settled share-based payment charge	5,857	2,201

16. Property, plant and equipment

See accounting policy in Note 31(l).

(a) Reconciliation of carrying amount

	Leasehold improvements $'000	Fixtures and fittings $'000	Computers $'000	Total $'000
Cost				
Balance at 1 January 2017	125	276	909	1,310
Additions	24	1	229	254
Disposals	—	—	(3)	(3)
Effect of movements in exchange rates	20	12	29	61
Balance at 31 December 2017	169	289	1,164	1,622
Balance at 1 January 2018	169	289	1,164	1,622
Additions	39	45	593	677
Disposals	(2)	(7)	(34)	(43)
Effect of movements in exchange rates	—	—	(9)	(9)
Balance at 31 December 2018	**206**	**327**	**1,714**	**2,247**
Accumulated depreciation				
Balance at 1 January 2017	(125)	(270)	(423)	(818)
Depreciation	(7)	(7)	(201)	(215)
Disposals	—	—	2	2
Effect of movements in exchange rates	(2)	(11)	(22)	(35)
Balance at 31 December 2017	(134)	(288)	(644)	(1,066)
Balance at 1 January 2018	(134)	(288)	(644)	(1,066)
Depreciation	(24)	(4)	(360)	(388)
Disposals	2	8	25	35
Effect of movements in exchange rates	—	—	—	—
Balance at 31 December 2018	**(156)**	**(284)**	**(979)**	**(1,419)**
Carrying amounts				
At 31 December 2017	35	1	520	556
At 31 December 2018	**50**	**43**	**735**	**828**

(b) Leased plant and equipment

The Group leases hardware under several finance leases. At 31 December 2018, the net carrying amount of leased equipment was $150,000 (2017: $250,000).

17. Intangible assets

See accounting policy in Note 31(m).

(a) Reconciliation of carrying amount

	Other intangible assets $'000	Development costs $'000	Computer software $'000	Total $'000
Cost				
Balance at 1 January 2017	3,154	37,016	189	40,359
Acquisitions – third party	—	—	1,500	1,500
Acquisitions – internally developed	—	6,303	—	6,303
Balance at 31 December 2017	3,154	43,319	1,689	48,162
Balance at 1 January 2018	3,154	43,319	1,689	48,162
Acquisitions – internally developed	—	4,910	—	4,910
Balance at 31 December 2018	**3,154**	**48,229**	**1,689**	**53,072**
Accumulated amortisation				
Balance at 1 January 2017	(3,154)	(31,039)	(189)	(34,382)
Amortisation	—	(6,366)	(333)	(6,699)
Balance at 31 December 2017	(3,154)	(37,405)	(522)	(41,081)
Balance at 1 January 2018	(3,154)	(37,405)	(522)	(41,081)
Amortisation	—	(5,725)	(750)	(6,475)
Balance at 31 December 2018	**(3,154)**	**(43,130)**	**(1,272)**	**(47,556)**
Carrying amounts				
At 31 December 2017	—	5,914	1,167	7,081
At 31 December 2018	**—**	**5,099**	**417**	**5,516**

(b) Amortisation

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

(c) Impairment test

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 2018 and 2017, 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 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 2018 and 31 December 2017. These calculations use cash flow projections based on financial forecasts, which anticipate growth in the Group's installed base along with new customer growth, resulting in an average revenue growth of 70% over the five-year period with a 30% increase in cost base over the five-year period, 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% (2017: 10%) and a terminal value growth rate of 2% from 2024. 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.

(d) Development costs

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.

18. Other non-current assets

Due in more than a year	2018 $'000	2017 $'000
Other receivables	240	–
Accrued income	2,340	889
	2,580	889

19. Trade and other receivables

See accounting policy in Note 31(n). The effect of initially applying IFRS 15 is described in Note 5.

Due within a year	2018 $'000	2017 $'000
Trade receivables	1,810	2,115
Other receivables	1,059	466
Accrued income	2,654	2,350
Corporation tax	1,304	527
Prepayments	572	511
Total trade and other receivables	7,399	5,969

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 25(a)(ii).

20. Cash and cash equivalents

	2018 $'000	2017 $'000
Bank balances	10,757	27,396

21. Equity

See accounting policy in Note 31(o).

(a) Share capital

	2018 Number	2018 $'000	2017 Number	2017 $'000
Share capital				
Allotted and fully paid – par value 10 pence	42,523,003	6,361	40,903,941	6,156

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

21. Equity continued

(b) Capital and reserves movements

	Share capital $'000	Share premium $'000	Translation reserve $'000	Merger reserve $'000	Retained earnings $'000
Balance 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
Balance at 31 December 2017	6,156	115,196	(4,474)	1,247	(100,658)
Adjustment on application of IFRS 15 (Note 5)	—	—	—	—	11,029
Adjusted balance at 1 January 2018	6,156	115,196	(4,474)	1,247	(89,629)
Loss for the year	—	—	—	—	(18,593)
Foreign currency translation differences	—	—	(2,874)	—	—
Share options exercised	205	713	—	—	—
Equity-settled share-based payment	—	—	—	—	5,857
Balance at 31 December 2018	**6,361**	**115,909**	**(7,348)**	**1,247**	**(102,365)**

(c) Ordinary shares

During the year, 1,619,062 ordinary shares were issued because of employees exercising share options.

Following the year end on 14 February 2019 the Group announced the subscription of 2,489,499 new ordinary shares of 10 pence each in the Company by existing shareholders at a price of 546 pence (a premium of 9.2% on the closing share price on 13 February 2019) raising gross proceeds of approximately $17.5m.

(d) Nature and purpose of reserves

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. Loans and borrowings

See accounting policy in Note 31(n).

	2018 $'000	2017 $'000
Non-current liabilities		
Unsecured bank loan	–	3,111
Finance lease liabilities	98	199
	98	3,310
Current liabilities		
Current portion of unsecured bank loan	3,889	889
Current portion of finance lease liabilities	101	95
	3,990	984
Total loans and borrowings	4,088	4,294

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 25.

(a) Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

				31 December 2018		31 December 2017	
Borrowing	Currency	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Unsecured bank loan	US dollars	US prime rate + 1.5%	2021	4,217	3,889	4,472	4,000
Finance lease liabilities	US dollars	12%	2020	210	199	320	294
Total interest bearing				4,427	4,088	4,792	4,294

At 31 December 2018, the $3.9m of bank loan (2017: $4.0m) represents term debt drawn down with Silicon Valley Bank. The facility comprises $3.9m (2017: $5.0m) 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.

The unsecured bank loan contains a covenant stating that at the end of each quarter the Group's EBITDA, defined in Note 6, should be within a figure defined by the bank. The Group exceeded this figure in the fourth quarter of 2018. However, management obtained a waiver from the bank on 29 March 2019. Accordingly, the loan was not repaid, but is disclosed in the Consolidated statement of financial position as due within one year. The EBITDA covenants for Q1 and Q2 2019 have also been waived by the bank on 29 March 2019. New targets for Q3 and Q4 2019 will be agreed with the bank in due course in line with the agreement.

(b) Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Less than one year	110	110	9	15	101	95
Between one and five years	100	210	2	11	98	199
	210	320	11	26	199	294

22. Loans and borrowings continued

(c) Reconciliation of movements in liabilities to cash flows arising from financing activities

	Finance lease liabilities $'000	Bank loan $'000	Share capital and premium $'000
Balance at 1 January 2018	294	4,000	121,352
Proceeds from exercise of share options	—	—	918
Proceeds from loans and borrowings	—	1,000	—
Repayment of borrowings	—	(1,111)	—
Payment of finance lease liabilities	(95)	—	—
Total changes from financing cash flows	(95)	(111)	918
Balance at 31 December 2018	**199**	**3,889**	**122,270**

23. Deferred income

The effect of initially applying IFRS 15 is described in Note 5. See accounting policy in Note 8.

Deferred income which falls due:	2018 $'000	2017 $'000
Within a year	3,041	7,102
In more than a year	1,277	7,058
Total deferred income	4,318	14,160

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

24. Trade and other payables

	2018 $'000	2017 $'000
Trade payables	1,330	2,134
Accrued expenses	3,530	3,819
	4,860	5,953

25. Financial instruments – fair values and risk management

(a) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk (see (a)(ii));
- liquidity risk (see (a)(iii));
- market risk (see (a)(iv));
- currency risk (see (a)(v)); and
- interest rate risk (see (a)(vi)).

(i) Risk management framework

The Group's risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

25. Financial instruments – fair values and risk management continued

(a) Financial risk management continued

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Trade receivables

The carrying amounts of financial assets represent the maximum credit exposure and approximate to their fair value.

Ageing of trade receivables

	2018 $'000	2017 $'000
Neither past due nor impaired	1,478	394
Past due but not impaired		
Past due 1–30 days	255	1,704
Past due 31–90 days	77	17
Total not impaired trade receivables	1,810	2,115

The credit quality of customers is assessed by considering their financial position, experience and other factors.

All trade receivables are denominated in US dollars.

Cash and cash equivalents

The Group held cash and cash equivalents of $10.8m at 31 December 2018 (2017: $27.4m). The cash and cash equivalents are held with banks which are rated P-1 for short-term obligations, based on Moody's ratings.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have enough liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

		Contractual cash flows			
At 31 December 2018	Carrying amount $'000	Total $'000	Less than 12 months $'000	1–2 years $'000	2–5 years $'000
Non-derivative financial liabilities					
Unsecured bank loan	3,889	4,217	1,884	1,769	564
Finance lease liabilities	199	210	110	100	–
Trade payables	4,860	4,860	4,860	–	–
	8,948	9,287	6,854	1,869	564

The unsecured bank loan contractual cash flows are on the basis of the covenant waiver provided by the bank as disclosed in Note 22(a).

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

On 14 February 2019 the Group announced the subscription of 2,489,499 new ordinary shares of 10 pence each in the Company by existing shareholders at a price of 546 pence raising gross proceeds of $17.5 million.

25. Financial instruments – fair values and risk management continued

(a) Financial risk management continued

(iv) Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

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.

(v) Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily US dollars, sterling and Australian dollars.

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
2018 cash and cash equivalents	**185**	**18**	**10,554**	**10,757**
2017 cash and cash equivalents	10,622	60	16,714	27,396

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 $631,000 (2017: $573,000).

(vi) Interest rate risk

The Group is exposed to interest rate risk on its $3.9m debt drawing (2017: $4.0m), on which interest is charged at 1.5% above the US prime rate.

(vii) 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.

26. List of subsidiaries

See accounting policy in Note 31(a).

Set out below is a list of the subsidiaries of the Group:

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%	Dormant
AltoStor, Inc.	US	Ordinary shares	100%	Dormant
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.

27. Operating leases

See accounting policy in Note 31(q).

The Group leases several office premises under operating leases. The leases typically run for a period of less than five years.

(a) Future minimum lease payments

At 31 December 2018, the future minimum lease payments under non-cancellable leases were payable as follows:

Land and buildings	2018 $'000	2017 $'000
Less than one year	612	421
Between one and five years	1,869	1,163
	2,481	1,584

(b) Amounts recognised in profit or loss

	2018 $'000	2017 $'000
Operating lease expense	493	452

28. Commitments and contingencies

At 31 December 2018 the Group had no capital commitments (31 December 2017: $nil).

The Group had no contingent liabilities at 31 December 2018 (31 December 2017: none).

29. Related parties

(a) Transactions with key management personnel

Key management personnel compensation comprised the following:

	2018 $'000	2017 $'000
Short-term employee benefits	4,314	4,060
Equity-settled share-based payment	4,573	1,529
	8,887	5,589

Further details on the remuneration, share options and pension entitlements of the Directors are included in the Director's share options and the Director's remuneration tables included in the Remuneration Committee report on page 39, which form part of these audited financial statements.

30. Subsequent events

On 14 February 2019 the Group announced the subscription of 2,489,499 new ordinary shares of 10 pence each in the Company by existing shareholders at a price of 546 pence (a premium of 9.2% on the closing share price on 13 February 2019), raising gross proceeds of $17.5m. This represents 5.85% of the entire existing share capital of WANdisco and the subscription shares will be issued under the Company's existing authorities. The proceeds will be used to support our relationships with strategic cloud partners and provide growth working capital.

31. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 5).

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration is measured at fair value at the date of acquisition.

(ii) 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 on which control commences until the date on which control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at an average rate for the year, where this approximates to the foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency differences are recognised in Other comprehensive income ("OCI") and accumulated in the translation reserve.

(c) 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.

(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.

31. Significant accounting policies continued

(c) Use of estimates and judgements continued

(i) Accounting estimates continued

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. See Note 8.

(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 31(m)(i).

- Alternative accounting judgement that could have been applied – not capitalising development costs.
- Effect of that alternative accounting judgement – reduction of $5,099,000 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 carve-out of the term licence in a subscription arrangement from the maintenance and support element. 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.

Deferred tax asset

The Group has unrecognised deferred tax assets where judgement has been applied around the amount to recognise. Further details are included in Note 13(d).

- Alternative accounting judgement that could have been applied – Recognition of deferred tax asset.
- Effect of that alternative accounting judgement – Increase of $16,239,000 in assets.

(d) Revenue from contracts with customers

The Group has initially applied IFRS 15 from 1 January 2018; information about the Group's accounting policies relating to contracts with customers is provided in Note 8. The effect of initially applying IFRS 15 is described in Note 5.

(e) 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.

31. Significant accounting policies continued

(f) Cost of sales

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

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past services provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment arrangements

The grant date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market-based 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.

(iii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

(h) Government grants

The Group recognises an unconditional government grant related to development costs as deferred income at fair value if there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(i) Exceptional items

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

(j) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

31. Significant accounting policies continued

(k) Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of 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 for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any 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.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

31. Significant accounting policies continued

(l) Property, plant and equipment continued

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for 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 and adjusted if appropriate.

(m) Intangible assets and goodwill

(i) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Other intangible assets (including computer software)	Other intangible assets, including those acquired on acquisition of subsidiaries, have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses.
Research and development	Expenditure on research activities is recognised in profit or loss as incurred. Development activities relate to software development and involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if: • development costs can be measured reliably; • the product or process is technically and commercially feasible; • future economic benefits are probable; and • the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. The expenditure capitalised includes direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Otherwise, development costs are recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

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

- Other intangible assets Two years
- Development costs Two years
- Computer software Over the life of the software licence

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

31. Significant accounting policies continued

(n) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – business model assessment: policy applicable from 1 January 2018

The Group assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest: policy applicable from 1 January 2018

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change in timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – subsequent measurement and gains and losses: policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

31. Significant accounting policies continued

(n) Financial instruments continued

(ii) Classification and subsequent measurement continued

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, is a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recorded in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are measured in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets are transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis to realise the asset and settle the liability simultaneously.

(o) Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(p) Impairment

(i) Non-derivative financial assets: policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for estimate credit losses ("ECL") on:

- financial assets measured at amortised cost; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

31. Significant accounting policies continued

(p) Impairment continued

(i) Non-derivative financial assets: policy applicable from 1 January 2018 continued

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the customer;
- a breach of contract, such as a default; or
- it is probable that the customer will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- indications that a debtor would enter bankruptcy; and
- adverse changes in the payment status of a debtor.

All individual assets were individually assessed for impairment. An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at an asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment had been recognised.

31. Significant accounting policies continued

(q) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements based on their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(r) Operating loss

Operating loss is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating loss excludes net finance costs and income taxes.

(s) Fair value measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 25).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

32. Standards issued but not yet effective

Several new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 "Leases" is expected to have a material impact on the Group's financial statements in the period of initial application.

(a) IFRS 16 "Leases"

The Group is required to adopt IFRS 16 "Leases" from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change as the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

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.

IFRS 16 replaces existing lease guidance, including IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

(i) Impact on application

The Group will recognise new assets and liabilities for its operating leases of office premises (see Note 27). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of approximately $2.0m as at 1 January 2019.

(ii) Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

(b) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRIC 23, "Uncertainty over Income Tax Treatments" (effective date 1 January 2019);
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (effective date 1 January 2019);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective date 1 January 2019);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (effective date 1 January 2019);
- Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards (effective date 1 January 2019);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020);
- IFRS 17 "Insurance Contracts" (effective date 1 January 2021).

31 December	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000
New sales bookings	17,360	9,012	15,493	22,517	**16,181**
New sales bookings growth	18%	(48%)	72%	45%	**(28%)**
Revenue	11,218	10,994	11,379	19,637	**17,019**
Revenue growth	40%	(2%)	4%	73%	**(13%)**
Deferred revenue	11,264	9,757	12,492	14,160	**4,318**
Deferred revenue growth	33%	(13%)	28%	13%	**(70%)**
Cash	2,481	2,555	7,558	27,396	**10,757**
Operating loss	(39,917)	(30,529)	(17,923)	(9,695)	**(22,117)**
Amortisation of intangible assets	8,283	9,600	8,466	6,699	**6,475**
Depreciation of property, plant and equipment	267	270	174	215	**388**
Acquisition-related items	145	—	—	—	**—**
Exceptional items	1,441	614	32	—	**—**
EBITDA before exceptional items	(29,781)	(20,045)	(9,251)	(2,781)	**(15,254)**
Add back equity-settled share-based payment	11,907	4,057	1,787	2,201	**5,857**
Adjusted EBITDA before exceptional items	(17,874)	(15,988)	(7,464)	(580)	**(9,397)**
Development expenditure capitalised	(9,040)	(8,369)	(5,860)	(6,303)	**(4,910)**
Adjusted EBITDA before exceptional items including development expenditure	(26,914)	(24,357)	(13,324)	(6,883)	**(14,307)**

Note: The 2018 figures include the adoption of IFRS 15 "Revenue from Contracts with Customers" and the prior years have not been restated and are prepared on an IAS 18 basis.

Notice is given that the seventh Annual General Meeting of WANdisco plc ("the Company") will be held at the Company's offices, Electric Works, 3 Concourse Way, Sheffield Digital Campus, Sheffield S1 2BJ on 22 May 2019 at 10am for the following purposes:

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

1. That the Company's financial statements for the year ended 31 December 2018, the Strategic report and the reports of the Directors and auditor thereon be received and considered.
2. That Bob Corey be elected as a Director of the Company.
3. That Grant Dollens be re-elected as a Director of the Company.
4. That Erik Miller be re-elected as a Director of the Company.
5. That KPMG LLP be re-appointed as auditor of the Company.
6. That the Directors be authorised to determine the remuneration of the auditor.
7. That, in substitution for all existing authorities but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors be and are hereby generally and unconditionally authorised pursuant to Article 2.3 of the Company's Articles of Association ("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 £1,501,250, 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.
8. That, pursuant to Article 58A(1)(b) of the Companies (Jersey) Law 1991 ("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 7 and pursuant to Article 2.10 of the Articles, the Directors be and are hereby generally empowered to allot, grant options over or otherwise dispose of equity securities (within the meaning of the Articles) wholly for cash, pursuant to the general authority described in resolution 7 above, as if pre-emption rights did not apply to any such allotment, such power being limited to:

   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 9.1 above) wholly for cash of ordinary shares up to an aggregate nominal amount of £450,375,

   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 Law as amended 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 APRIL 2019

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

Registered office

47 Esplanade
St. Helier
Jersey
JE1 0BD

Notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on 20 May 2019. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 10am (UK time) on 22 May 2019 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. 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 ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. 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).
5. 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, 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 Meeting.
6. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - you may request a hard-copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0871 664 0300. Calls cost 12 pence per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am and 5.30pm, Monday to Friday excluding public holidays in England and Wales; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10am on 20 May 2019.
7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the registrars before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in Note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message ("a CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10am on 20 May 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notes continued

12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 16 April 2019 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 45,037,502 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 April 2019 are 45,037,502.
14. Under section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
15. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
16. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 9.45am on the day of the Meeting until the conclusion of the Meeting:
    - copies of the Directors' letters of appointment or service contracts.
17. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website at www.wandisco.com.

Secretary

Larry Webster

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Company registered number

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Registrars

Link Asset Services

The Registry
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Beckenham
Kent 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.

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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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