

8 March 2017

WANDisco plc
(“WANDisco”, the “Company” or the “Group”)

Preliminary unaudited results for the year ended 31 December 2016

WANDisco (LSE: WAND), the world leader in Active Data Replication™ announces preliminary unaudited results for the year ended 31 December 2016.

Financial highlights

- Total bookings for the year increased 72% to \$15.5m (2015: \$9.0m)
 - Big Data and Cloud bookings rose 184% to \$7.1m (2015: \$2.5m)
 - ALM bookings rose 29% to \$8.4m (2015: \$6.5m)
- Revenue for the year rose 4% to \$11.4m (2015: \$11.0m)
- Cash overheads¹ were reduced by \$11.2m to \$23.4m (2015: \$34.6m)
- Adjusted EBITDA² loss was more than halved to \$7.5m (2015: \$16.0m loss)
- Cash at year-end of \$7.6m (31 December 2015: \$2.6m)
- Cash burn reduced to \$0.2m in Q4 2016 (Q4 2015: \$6.9m)
- Debt-free as at 31 December 2016

Operational and strategic highlights

- Added 15 new Big Data and Cloud Fusion customers for our patented WANDisco Fusion (‘Fusion’) technology
- Significant progress achieved in developing our channel partner network
 - Strategic partnership agreements now in place with IBM, Amazon and Oracle, and seeing good contract momentum as a result of these channel partners
 - Secured landmark IBM OEM agreement for WANDisco Fusion
- WANDisco Fusion is now ideally positioned to leverage the rapid growth in the Big Data and Cloud markets
- Major contract wins include:
 - \$1m order for Fusion to be deployed as part of Dubai’s Smart City Project through partnership with Hewlett Packard Enterprise
 - \$1.5m order for Fusion from a major US Bank in association with Oracle
 - \$1m order for Fusion from a major multinational automobile manufacturer in association with IBM
- Renewed sales focus generating positive margin contribution from ALM product set (ALM now referred to as Source Code Management)
- Filed 8 new patents (both US and foreign) and had 6 US patents issued in 2016
- Strong order book and sales pipeline going into 2017

¹ Operating expenses, excluding amortisation and depreciation, exceptional items, equity-settled share-based payment and capitalised product development costs – see note 5

² EBITDA loss excluding exceptional items, equity-settled share-based payment, capitalised product development costs and acquisition-related items – see note 5

David Richards, Chief Executive Officer and Interim Chairman of WANDisco, commented:

“Over the past year, as the Big Data and Cloud markets have continued to expand, we have seen global enterprises increasingly require the ability to move large volumes of data at speed across both on-premises and cloud environments. WANDisco Fusion is the only solution available in the world that enables the replication of continuously changing data, whilst guaranteeing this data is continuously available, consistent and delivered with zero business disruption.”

“As a result of this significant expansion in our core Cloud markets, our total bookings increased by 72% during 2016 and 97% in Q4 2016. Our OEM with IBM, as well as our other channel relationships, have been central in driving new business, by enabling us to take advantage of this market opportunity whilst reducing our operational cost base throughout the year. This has resulted in a \$11.2m reduction in overheads and a halving of the EBITDA loss from 2015 to 2016 bringing us much closer to cash flow breakeven.

“We continue to build on this momentum with a strong new business pipeline which, combined with a significantly reduced cost base together will further underpin our progress towards profitability.”

A webcast of our results presentation will be available on our website later this morning:

<https://www.wandisco.com/investors>

WANDisco will also be holding a presentation for private and retail investors at 4.00pm on Thursday 9 March 2017 at No.1 Cornhill, London EC3V 3ND. Admittance for the event is strictly limited to those who register their attendance in advance. For further information and to register attendance, please contact Vigo Communications via email on wandisco@vigocomms.com.

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About WANDisco

WANDisco is the world leader in Active Data Replication™. Its patented WANDisco Fusion technology enables the replication of continuously changing data to the cloud and on-premises data centers with guaranteed consistency, no downtime and no business disruption. It also allows distributed development teams to collaborate as if they are all working in one location. WANDisco has an OEM with IBM as well as partnerships with Amazon Web Services, Cisco, Google Cloud, Hewlett Packard Enterprise, Microsoft Azure, and Oracle to resell its patented technology. WANDisco also works directly with Fortune 1000 companies around the world to ensure their data gives them the real insight they need.

For additional information, please visit www.wandisco.com.

BUSINESS REVIEW

2016 has been a year of financial transformation and operational progress. We have realigned our cost base, which we now believe is at an appropriate level to deliver cash flow breakeven and EBITDA positivity. We continue to focus on the following strategic priorities:

- To capitalise on the significant growth in the Cloud and Big Data markets to ensure the transfer of data is consistent, continuously available and delivered with zero business disruption
- Continue to develop key channel partners in order to capitalise on the significant market opportunity
- Invest in and support the Company's profitable Source Code Management product

One of the Group's key focuses for 2016 was to establish our partner network and during the year we successfully secured our IBM OEM agreement, as well as two significant channel partnerships with Oracle and Amazon. These partnerships are strategically important to WANDisco as they accelerate Fusion's access to blue chip customers whilst leveraging global sales channel networks. Through the partnership with IBM, and the white labelling of Fusion as IBM Big Replicate, we are confident we will be able to achieve accelerated market penetration with the support of the IBM sales team.

These strategic partnerships are already significantly contributing to our strong bookings performance, with customers secured through all three key partnerships with IBM, Amazon and Oracle in the year.

Big Data – WANDisco Fusion

2016 was the year that WANDisco Fusion gained significant traction in the market adding 15 new customers.

WANDisco Fusion, our Big Data replication product developed in 2015, uniquely addresses the need for replication of large amounts of constantly changing data both between the cloud and on-premises, and is increasingly seen by our customers as a "must have" as they adopt cloud computing solutions. No other solution in the world can achieve consistent replication, whilst the data is constantly changing, with no down-time. We believe the increasing adoption of Fusion by customers, both direct and through our strategic partnerships, will be a significant driver of our revenue growth for years to come.

We secured a number of major contracts for Fusion in the year: Hewlett Packard Enterprise selected us to be part of the platform underpinning Dubai's Smart City Project; Oracle chose us for work with a large commercial bank; we secured a contract with a multinational automotive manufacturer via our OEM Partnership with IBM, and with a global online gambling company, Playtika to use our Amazon S3 Cloud solution, available on Amazon's AWS Marketplace.

In addition, many of our existing Big Data customers have expressed their intent to significantly scale up their use of WANDisco solutions. During the year we also secured five contract expansions with existing customers, some of them even before our product went live.

Source Code Management

In 2016 we renewed our sales emphasis for our Source Code Management products and we continue to see an opportunity in the segment of the ALM market that we focus on. This is evident as customers continue to move from legacy proprietary platforms to modern, agile, open source platforms. 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 driving the greater need for Source Code Management products.

Our ongoing success in the Source Code Management market confirms that we have the right products for the market at this stage in its evolution. Our Subversion MultiSite and GIT MultiSite products fit with customers' needs in replicated open source version control and we believe there are further growth opportunities in traditional industries developing internal software as well as with newer software vendors developing gaming, media and mobile applications for consumers.

We have chosen to direct our sales efforts towards traditional industry segments where open source adoption is strong, and have renewed our focus on up-selling and renewals for our installed base of over 200 customers. During the year we received a \$0.8m order for Subversion from a major European bank, along with significant renewal and expansion orders from our existing customers.

People

Our people are key to our success. We endeavour to recruit, develop and maintain the best people across our organisation. We believe in creating an environment of trust, and giving people access to learning opportunities and challenging work assignments, so they can realise their true potential as individuals as well as contribute to the Company's progress.

We are only able to deliver our innovative products because of the efforts of all the people at WANDisco, from the development staff, to customer support, marketing and sales, and those in finance and administration.

The Board

The Board has been significantly strengthened over the period, with the appointment of both Grant Dollens and Karl Monaghan as Non-executive Directors, and Erik Miller as Chief Financial Officer. In addition, post year-end, Dr Yeturu Aahlad, who is part of the team that founded WANDisco, was appointed to the Board. Co-founder, David Richards, Interim Chairman and Chief Executive Officer also remains on the Board. James Campigli, Chief Operating Officer, Co-Founder and member of the Board has stepped down from the board to pursue other business interests.

WANDisco continues to explore the opportunity to further strengthen the Board, in particular to appoint a Chairman with experience in working with both UK and US listed technology businesses.

Big Data and Cloud marketplace

The amount of data being produced daily is growing exponentially. As the amount of data produced grows more quickly than the budgets of enterprises looking to store it, businesses are increasingly shifting a proportion of their data processing workloads to the cloud. In 2015 the market for Big Data in the cloud was \$1.1bn (5% of all Big Data revenues), with this number expected to grow to \$21.8bn by 2026 (24% of all Big Data revenues)³.

Migrating data to the cloud is challenging, particularly when the data set is active and constantly being changed. WANDisco's Fusion technology is the only solution able to address this challenge and is enabling enterprises to move to a cloud-based model with guaranteed consistency, no downtime and no business disruption.

Royalties received from IBM

In February 2017, the Group received \$1.1m from IBM, representing their Q4 2016 sales of WANDisco Fusion branded as 'IBM Big Replicate'. These amounts will flow through to revenue in H1 2017.

Second line of stock

At the time of the Company's placing in July 2016 a second line of stock was created due to United States Securities regulations. This line of stock, WAN2 is required to remain in place until July 2017, however it is the intention of the Board to revert to a single line of stock as soon as is practical within the regulatory restrictions.

Outlook

As the Big Data market evolves we continue to see a significant market opportunity unfold as the full impact of Cloud migration materialises. Our Fusion product is fast establishing itself as a crucial technology enabling customers to migrate onto our partners' emerging Cloud data platforms. With partners such as IBM, Amazon and Microsoft, we are working increasingly closely on data migration offerings and go-to-market activities.

In our Source Code Management business, we are pleased with our improved sales bookings towards the end of the year, responding to our increased focus on this market. Our offering remains well suited to today's increasingly distributed software development operations, and our live customer base of over 200 corporations offers ample sales opportunities.

The establishment of our partner network enabled us to significantly realign our cost base, which we now believe is at an appropriate level to deliver on our strategic ambitions. Whilst the timing of contract wins remains variable, we are confident that WANDisco enters 2017 on a strengthened operational footing and is moving closer to cash flow break-even. With a compelling product for Big Data in the Cloud, increasing engagement of our channel partners and a well-established Source Code Management product, we expect continued improvement in our results for 2017.

FINANCIAL REVIEW

Revenue for the year ended 31 December 2016 was \$11.4m (2015: \$11.0m), driven by an increase in new sales bookings to \$15.5m in 2016 compared with \$9.0m in 2015.

Deferred revenue from sales booked during 2016 and in previous years, and not yet recognised as revenue, was \$12.5m at 31 December 2016 (31 December 2015: \$9.8m). Our deferred revenues represent future revenue from new and renewed contracts, many of them spanning multiple years.

We delivered significant improvements in cost control over the year, with cash overheads materially below the prior year, resulting in the Adjusted EBITDA² loss narrowing to \$7.5m (2015: \$16.0m loss).

Big Data – WANDisco Fusion

Big Data revenue was \$3.2m (2015: \$1.8m), showing strong growth on the prior year and a consistent revenue stream from our new and existing contracts.

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

Average deal size continues to increase, and we received two bookings via our channel partners in 2016 in excess of \$1.0m.

Contract wins continue to exhibit variability in the timing of their completion, but as demand for WANDisco Fusion continues to grow, we are seeing an increasing number of contract wins, with new sales bookings from initial and expanded contracts of \$7.1m (2015: \$2.5m).

Application Lifecycle Management - Source Code Management

Source Code Management (previously known under the umbrella term Application Lifecycle Management) revenue for the year was \$8.2m (2015: \$9.2m). The revenue contraction arose due to lower deferred revenue on prior year new sales bookings being recognised in the year, following a contraction in new sales bookings in 2015. This trend should reverse in future years following strong new sales bookings in 2016.

Steps were taken early in the year to sharpen our focus on the Source Code Management market and increase the productivity of our sales operations. New sales bookings improved between the first and second half of the year, and totalled \$8.4m for the year (2015: \$6.5m).

New customers during the year include corporations developing applications for automotive manufacturing, banking, and air transport communications. Renewals have continued to contribute a substantial proportion of sales, including a significant renewal from a communication technology business.

During 2015 the Source Code Management product line began generating positive margin contribution a trend which continued through 2016 due to its product maturity, growing revenue base and the inherent operating leverage in the business.

Operating costs

We reduced operating costs significantly throughout the year, resulting in lower cash overheads in the second half of the year than in the first half. We have gained operating leverage via our channel partner strategy, driving more bookings with less cost. Our strong cost disciplines across all areas of the business have resulted in an efficient cost structure that can scale into future periods with minimal incremental increases in operating costs.

Product development expenditure was \$5.9m (2015: \$8.4m). All of this expenditure was associated with new product features and was capitalised.

Total cash overheads¹ (excluding cost of sales and including capitalised product development) of \$23.4m were significantly below the prior year (2015: \$34.6m). These lower total cash overheads¹ are expected to continue into 2017, with the current annualised run rate of cash overheads at approximately \$23m.

Our headcount was 118 as at 31 December 2016 (31 December 2015: 143). Headcount reductions in the year resulted from efficiencies in finance and administration, and the leverage gained by our channel partners strategy in sales and marketing.

Profit and loss

The adjusted EBITDA² loss for the year was \$7.5m (2015: \$16.0m loss), representing an improvement of 53%.

The loss after tax for the year narrowed to \$9.3m (2015: \$29.9m), as a result of the reduced loss from operations and exceptional finance income of \$8.1m. This arose from the retranslation of intercompany balances at 31 December 2016, reflecting the post-Brexit depreciation of Sterling against the US dollar. There is uncertainty around the effect of Brexit on future FX rates, but the impact of this on the financial statements should be restricted to the retranslation of non-USD denominated loans, as opposed to the operating activities of the business.

Balance sheet and cash flow

Trade and other receivables at 31 December 2016 were \$6.1m (2015: \$6.7m). This includes \$3.9m of trade receivables (2015: \$3.5m) and \$2.2m related to non-trade receivables (2015: \$3.2m). In addition to this, not included on the balance sheet are receivables not billed by the year-end of \$6.6m (2015: \$6.5m) largely from multi-year contracts.

Principally as a result of improved bookings performance and the reductions in cash overheads, our net consumption of cash was significantly reduced during the course of the year, resulting in a net cash balance of \$7.6m at the close of the year (2015: \$2.6m). This includes the benefit of \$13.6m of new equity funds (net of fees) closed on 6 July 2016. In addition, we retain a revolving credit facility with HSBC Bank plc which was undrawn as at 31 December 2016.

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

¹ *Operating expenses, excluding amortisation and depreciation, exceptional items, equity-settled share-based payment and capitalised product development costs – see note 5*

² *EBITDA loss excluding exceptional items, equity-settled share-based payment, capitalised product development costs and acquisition-related items – see note 5*

³ *'Wikibon Big Data in the Public Cloud Forecast, 2016-2026', Ralph Finos, 31 May 2016*

Condensed consolidated statement of profit and loss and other comprehensive income

for the year ended 31 December 2016

		Year ended 31 December 2016 (Unaudited)			Year ended 31 December 2015 (Audited)		
		Pre- exceptional \$'000	Exceptional Items ⁴ \$'000	Total \$'000	Pre- exceptional \$'000	Exceptional items \$'000	Total \$'000
Continuing operations	Note						
Revenue	3	11,379	-	11,379	10,994	-	10,994
Cost of sales		(1,349)	-	(1,349)	(749)	-	(749)
Gross profit		10,030	-	10,030	10,245	-	10,245
Operating expenses	5	(27,921)	(32)	(27,953)	(40,160)	(614)	(40,774)
Loss from operations	5	(17,891)	(32)	(17,923)	(29,915)	(614)	(30,529)
Finance income	6	1	8,169	8,170	59	-	59
Finance costs	6	(269)	(25)	(294)	(565)	-	(565)
Net finance (costs)/income	6	(268)	8,144	7,876	(506)	-	(506)
Loss before tax		(18,159)	8,112	(10,047)	(30,421)	(614)	(31,035)
Income tax	7	772	-	772	1,129	-	1,129
Loss for the year		(17,387)	8,112	(9,275)	(29,292)	(614)	(29,906)
Other comprehensive income							
Items that are or may be reclassified to profit or loss:							
Foreign operations – foreign currency translation differences		107	(8,144)	(8,037)	55	-	55
Other comprehensive income for the year, net of tax		107	(8,144)	(8,037)	55	-	55
Total comprehensive income for the year		(17,280)	(32)	(17,312)	(29,237)	(614)	(29,851)
Loss per share							
Basic and diluted loss per share	8			\$0.28			\$1.04

The notes on pages 11 to 17 form an integral part of this condensed consolidated financial report.

Condensed consolidated balance sheet

as at 31 December 2016

	Note	31 December 2016 (Unaudited) \$'000	31 December 2015 (Audited) \$'000
Assets			
Intangible assets	9	5,977	8,583
Property, plant and equipment		492	230
Non-current assets		6,469	8,813
Trade and other receivables	10	6,145	6,728
Cash and cash equivalents		7,558	2,555
Current assets		13,703	9,283
Total assets		20,172	18,096
Liabilities			
Borrowings – finance lease liabilities		(89)	-
Trade and other payables		(3,488)	(2,714)
Deferred income	11	(5,809)	(6,060)
Deferred government grant		(12)	(28)
Current tax liabilities		(11)	-
Current liabilities		(9,409)	(8,802)
Deferred income	11	(6,683)	(3,697)
Borrowings – finance lease liabilities		(294)	-
Deferred income tax liabilities		(3)	(5)
Non-current liabilities		(6,980)	(3,702)
Total liabilities		(16,389)	(12,504)
Net assets		3,783	5,592
Equity			
Share capital		5,638	4,667
Share premium		94,526	81,974
Translation reserve		(8,284)	(247)
Merger reserve		1,247	1,247
Retained earnings		(89,344)	(82,049)
Total equity		3,783	5,592

The notes on pages 11 to 17 form an integral part of this condensed consolidated financial report.

Condensed consolidated statement of changes in equity

for the year ended 31 December 2016

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

	Share capital \$'000	Share premium \$'000	Translation reserve \$'000	Merger reserve \$'000	Retained earnings \$'000	Total \$'000
Year ended 31 December 2015 (Audited)						
Balance at 1 January 2015	3,879	56,587	(302)	1,247	(56,814)	4,597
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(29,906)	(29,906)
Other comprehensive income	-	-	55	-	-	55
Total comprehensive income for the year	-	-	55	-	(29,906)	(29,851)
Transactions with owners of the Company						
Contributions and distributions						
Equity-settled share-based payment	-	-	-	-	4,671	4,671
Proceeds from share placing	737	25,341	-	-	-	26,078
Share options exercised	51	46	-	-	-	97
Total transactions with owners of the Company	788	25,387	-	-	4,671	30,846
Balance at 31 December 2015	4,667	81,974	(247)	1,247	(82,049)	5,592

The notes on pages 11 to 17 form an integral part of this condensed consolidated financial report.

Condensed consolidated statement of cash flows

for the year ended 31 December 2016

	Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Cash flows from operating activities		
Loss for the year	(9,275)	(29,906)
Adjustments for:		
- Depreciation of property, plant and equipment	174	270
- Amortisation of intangible assets	8,466	9,600
- Loss on disposal of property, plant and equipment	4	-
- Net finance costs	268	133
- Income tax	(772)	(1,129)
- Foreign exchange	(7,507)	42
- Equity-settled share-based payment	1,819	4,671
	(6,823)	(16,319)
Change in:		
- Trade and other receivables	328	275
- Trade and other payables	827	(432)
- Deferred income	2,735	(1,507)
- Deferred government grant	(11)	(49)
Net working capital change	3,879	(1,713)
Cash used in operating activities	(2,944)	(18,032)
Interest paid	(162)	(192)
Income tax received	690	552
Net cash used in operating activities	(2,416)	(17,672)
Cash flows from investing activities		
Purchase of property, plant and equipment and computer software	(64)	(95)
Proceeds from sale of property, plant and equipment	2	-
Development expenditure	(5,860)	(8,369)
Interest received	1	59
Net cash used in investing activities	(5,921)	(8,405)
Cash flows from financing activities		
Net proceeds from share issues	13,523	26,175
Payment of finance lease liabilities	(8)	(8)
Net cash from financing activities	13,515	26,167
Net increase in cash and cash equivalents	5,178	90
Cash and cash equivalents at the start of the year	2,555	2,481
Effect of movements in exchange rates on cash and cash equivalents	(175)	(16)
Cash and cash equivalents at the end of the year	7,558	2,555

The notes on pages 11 to 17 form an integral part of this condensed consolidated financial report.

Notes to the condensed consolidated financial report

for the year ended 31 December 2016

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. These condensed consolidated financial statements (“Financial statements”) as at and for the year ended 31 December 2016 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.

2. Basis of preparation

Basis of accounting

Whilst the financial information included in this preliminary announcement has been prepared on the basis of the requirements of International Financial Reporting Standards (“IFRSs”) in issue, as adopted by the European Union (“EU”) and effective at 31 December 2016, this announcement does not itself contain sufficient information to comply with IFRS.

The Group expects to publish full Consolidated Financial Statements in April 2017. The financial information set out in this preliminary announcement does not constitute the Group’s Consolidated financial statements for the years ended 31 December 2016 or 31 December 2015.

The financial information for 2015 is derived from the consolidated accounts for the year ended 31 December 2015 which has been delivered to the registrar of companies with the Jersey Financial Services Commission (“JFSC”). The auditor has reported on the year ended 31 December 2015 consolidated accounts; their report was unqualified. It did not contain statements under section 113B (3) or (6) of the Companies (Jersey) law 1991.

The consolidated accounts for the year ended 31 December 2016 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies with the JFSC in due course.

The Consolidated financial statements have been prepared in accordance with IFRSs as adopted for use in the EU. The Group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these Financial Statements.

The accounting policies have been applied consistently to all periods presented in the Group financial statements.

The following new standards and amendments to standards that are effective for the first time for the financial year beginning 1 January 2016, have been adopted, but have not had a material impact on the Consolidated financial statements:

- IFRS 14 “Regulatory Deferral Accounts”.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Annual Improvements 2012-2014 Cycle.
- Disclosure Initiative (Amendments to IAS 1).
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

Going concern

As at 31 December 2016 the Group had net assets of \$3.8m (31 December 2015: \$5.6m), including cash of \$7.6m (2015: \$2.6m) as set out in the Consolidated balance sheet above and an unused revolving credit facility of \$10.0m (2015: \$10.0m). In the year ended 31 December 2016, the Group incurred a loss before tax of \$10.0m (2015: \$31.0m) and net cash outflows before financing of \$8.3m (2015: \$26.1m).

During 2016, the performance of the Group improved, with bookings growing by 72% to \$15.5m (2015: \$9.0m). Most of this growth was achieved in H2 of 2016, which saw increased momentum in bookings as a result of success from new partnerships and focus on the Source Code Management business. In addition, the Group’s cost base was significantly reduced by \$11.2m during 2016. In addition, during 2016 the Group raised \$13.6m, net of costs through an equity raise, as a result of this, the Group had \$7.6m (2015: \$2.6m) of cash at 31 December 2016. In H2 2016 the net cash outflow in cash (before financing) reduced to \$3.1m (H2 2015: \$12.7m).

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 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. At 31 December 2016, the Group has a revolving credit facility of \$10.0m, which is due to expire on 30 June 2017, in performing the sensitivity analysis, the Group has assumed that this facility will not be renewed.

Whilst the Directors are confident in the Group's ability to grow bookings, the Board's sensitivity modelling shows that the Group can remain within its facilities in the event that bookings growth is delayed (i.e. bookings do not increase from the level reported in 2016) for a period in excess of twelve months. The Directors' financial forecasts and operational planning and modelling also include the actions that the Group could take to further significantly reduce the cost base during the coming year in the event that longer-term bookings was set to remain consistent with the level reported in 2016. 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 be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Group financial statements.

Functional and presentational currency

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

Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements as at and for the year ended 31 December 2015.

3. Segmental analysis

Operating segments

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

Geographical segments

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

	Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Revenue		
North America	8,192	7,255
Europe	2,476	2,983
Rest of the world	711	756
Total revenue	11,379	10,994

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

The Group has no customers representing individually over 10% of revenue (2015: Nil).

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

	Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Revenue		
SCM	8,182	9,158
Big Data	3,197	1,836
Total revenue	11,379	10,994

4. Exceptional items

		Year ended 31 December 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
	Note	\$'000	\$'000
Exceptional items comprise the following:			
Exchange gain on intercompany balances		8,144	-
Equity-settled share-based payment charge in relation to acquisitions			
- OhmData, Inc.	12	-	(241)
- AltoStor, Inc.	12	-	(249)
- TortoiseSVN.net	12	(32)	(124)
		(32)	(614)
		8,112	(614)

The exceptional gain arose on Sterling denominated intercompany balances. These balances were retranslated at the closing exchange rate at 31 December 2016 which was 1.23 a 17% reduction compared to the rate of 1.48 at 31 December 2015. Sterling to US\$ exchange rates declined following the Brexit vote on 23 June 2016. Due to the size and nature of the exchange gain, it has been included as an exceptional item.

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

The equity-settled share-based payment charge recognised in the year in relation to the acquisitions of OhmData, Inc. and AltoStor, Inc. and the purchase of the intellectual property of TortoiseSVN.net has been classified as exceptional. See Note 12 for further details.

5. Non-GAAP profit measures – Adjusted EBITDA and Cash overheads

		Year ended 31 December 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
	Note	\$'000	\$'000
Reconciliation of loss from operations to “Adjusted EBITDA”:			
Loss from operations		(17,923)	(30,529)
Adjusted for:			
Amortisation and depreciation		8,640	9,870
Exceptional items within operating expenses	4	32	614
EBITDA before exceptional items		(9,251)	(20,045)
Equity-settled share-based payment (excluding exceptional item)	12	1,787	4,057
Adjusted EBITDA before exceptional items		(7,464)	(15,988)
Development expenditure capitalised	9	(5,860)	(8,369)
Adjusted EBITDA before exceptional items including development expenditure		(13,324)	(24,357)

		Year ended 31 December 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
	Note	\$'000	\$'000
Reconciliation of operating expenses to “Cash overheads”:			
Operating expenses		(27,953)	(40,774)
Remove:			
Amortisation and depreciation		8,640	9,870
Exceptional items within operating expenses	4	32	614
Equity-settled share-based payment (excluding exceptional item)	12	1,787	4,057
Development expenditure capitalised	9	(5,860)	(8,369)
Cash overheads		(23,354)	(34,602)

6. Net finance (costs)/income

	Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Interest receivable – bank	1	59
Exchange gain	8,169	-
Finance income	8,170	59
Unwind of discount on pledged shares	-	(16)
Exchange loss	(25)	(373)
Interest payable on bank borrowings	(79)	(48)
Finance charges	(83)	-
Amortisation of loan costs	(107)	(128)
Finance costs	(294)	(565)
Net finance (costs)/income	7,876	(506)

7. Taxation

	Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Current tax expense		
Current year	542	739
Adjustment for prior years	230	390
Income tax	772	1,129

8. Loss per share

Basic loss per share

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

	Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Loss for the year attributable to ordinary shareholders	9,275	29,906

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares		
At the start of the year	29,564	24,018
Effect of shares issued in the year	3,727	4,765
Weighted average number of ordinary shares during the year	33,291	28,783

Basic loss per share	\$0.28	\$1.04
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8. Loss per share (continued)

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:

	Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Adjusted loss for the year:		
Loss for the year attributable to ordinary shareholders	9,275	29,906
Add back:		
Exceptional items	8,112	(614)
Acquisition-related items	-	(16)
Equity-settled share-based payment (excluding exceptional item)	(1,787)	(4,057)
Adjusted basic loss for the year	15,600	25,219
Adjusted loss per share	\$0.47	\$0.88

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

9. Intangible assets

	Other Intangible assets \$'000	Development costs \$'000	Computer software \$'000	Total \$'000
At 31 December 2016 (Unaudited)				
Cost				
At 1 January 2016	3,154	31,156	189	34,499
Additions – own work capitalised	-	5,860	-	5,860
At 31 December 2016	3,154	37,016	189	40,359
Amortisation				
At 1 January 2016	(2,804)	(22,923)	(189)	(25,916)
Amortisation charge for the year	(350)	(8,116)	-	(8,466)
At 31 December 2016	(3,154)	(31,039)	(189)	(34,382)
Net book value - At 31 December 2016	-	5,977	-	5,977
At 31 December 2015 (Audited)				
Cost				
At 1 January 2015	3,154	22,787	1,189	27,130
Additions – own work capitalised	-	8,369	-	8,369
Disposals	-	-	(1,000)	(1,000)
At 31 December 2015	3,154	31,156	189	34,499
Amortisation				
At 1 January 2015	(1,795)	(14,375)	(1,146)	(17,316)
Amortisation charge for the year	(1,009)	(8,548)	(43)	(9,600)
Disposals	-	-	1,000	1,000
At 31 December 2015	(2,804)	(22,923)	(189)	(25,916)
Net book value - At 31 December 2015	350	8,233	-	8,583

9. Intangible assets (continued)

The carrying amount of the intangible assets is allocated across cash-generating units ("CGUs"). A CGU is defined as the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The recoverable amount of the CGUs are determined using value in use ("VIU") calculations. As at 31 December 2016 and 2015 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 SCM and Big Data markets, including the new Fusion platform that was launched in 2015.

Other intangible assets arose as part of the acquisitions of OhmData, Inc. in June 2014 and AltoStor, Inc. in November 2012. The intangibles arising as part of these acquisitions are allocated to the DConE CGU. The recoverable amount of the DConE CGU has been calculated on a VIU basis at both 31 December 2016 and 31 December 2015. These calculations use cash flow projections based on financial forecasts and appropriate long-term growth rates. To prepare VIU calculations, the cash flow forecasts are discounted back to present value using a pre-tax discount rate of 10.0% (2015: 10.0%) and a terminal value growth rate of 2% from 2021. The Directors have reviewed the recoverable amount of the CGU and do not consider there to be any indication of impairment.

Development costs are predominantly capitalised staff costs associated with new products and services. Development costs are allocated to the DConE CGU, the recoverable amount of which has been determined on a VIU basis as described above.

In February 2015 WANDISCO International Limited sold the software to SyntevoGmbH for consideration of €1. This software became fully amortised during the year ended 31 December 2014 so there was no material profit/(loss) on disposal in the prior year.

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

10. Trade and other receivables

	31 December 2016 (Unaudited) \$'000	31 December 2015 (Audited) \$'000
Due within a year:		
Trade receivables	3,926	3,538
Other receivables	485	1,061
Corporation tax	1,446	1,631
Prepayments	288	498
Total trade and other receivables	6,145	6,728

11. Deferred income

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

	31 December 2016 (Unaudited) \$'000	31 December 2015 (Audited) \$'000
Deferred income which falls due:		
Within a year	5,809	6,060
In more than a year	6,683	3,697
Total deferred income	12,492	9,757

12. Share-based payment

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

The terms and conditions of the share option grants are detailed in the Group annual financial statements for the year ended 31 December 2015.

		Year ended 31 December 2016 (Unaudited) \$'000	Year ended 31 December 2015 (Audited) \$'000
Analysis of equity-settled share-based payment charge:	Note		
Total equity-settled share-based payment charge in relation to acquisitions	4	32	614
Non-exceptional equity-settled share-based payment charge	5	1,787	4,057
Total equity-settled share-based payment charge		1,819	4,671

12. Share-based payment (continued)

	Year ended 31 December 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
	\$'000	\$'000
Exceptional equity-settled share-based payment charge in relation to acquisitions:		
OhmData, Inc.	-	241
AltoStor, Inc.	-	249
TortoiseSVN.net	32	124
Total share-based payment charge	32	614
Number of restricted shares	-	41,990

As part of the acquisitions of OhmData, Inc. in June 2014, AltoStor, Inc. in November 2012 and TortoiseSVN.net community website in June 2013 restricted shares in WANDisco plc were issued to former owners. These shares have been treated as contingent payments and have been accounted for under IFRS 2 "Share-based Payments" as employee benefit expenses.

	Year ended 31 December 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
	Number	Number
Number of share options outstanding:		
Balance at the start of the year	4,437,995	4,301,667
Granted	1,592,924	1,550,927
Forfeited	(1,052,031)	(1,086,309)
Exercised	(659,989)	(328,290)
Balance at the end of the year	4,318,899	4,437,995
Exercisable at the end of the year	2,733,488	1,435,100
Vested at the end of the year	2,733,488	1,856,870

Weighted average exercise price for:	\$	\$
Shares granted	2.15	0.69
Shares forfeited	3.40	6.75
Options exercised	0.18	0.19
Exercise price in the range:		
From	0.15	0.15
To	21.20	18.19

	Years	Years
Weighted average contractual life remaining	7.8	6.2

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

	Year ended 31 December 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
Fair value assumptions:		
Dividend yield	0.00%	0.00%
Risk-free interest rate	1.05%	1.53%
Stock price volatility	30%	30%
Expected life (years)	7.0	3.8
Weighted average fair value of options granted during the year	\$3.09	\$2.76

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

13. Contingent liabilities

The Group had no contingent liabilities at 31 December 2016 (31 December 2015: None).

14. Post-balance sheet events

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