WANdisco International Limited

Annual report and financial statements

Registered number: 06612293

31 December 2019

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Contents

Strategic report

Principal activities and business review

The principal activity of the company continues to be the development of global collaboration software and provision of support services to the software development industry.

WANdisco group is the world leader in Active Data Replication™. WANdisco Fusion is a next-generation LIVE DATA platform that enables the replication of continuously changing data to the cloud and on-premises datacentres. Built on unique, patented technology, WANdisco Fusion guarantees data consistency, 100% availability and no business disruption across environments, regardless of distance or data source, all at hyperscale economics to support exponential data growth within the same IT budget. It also allows distributed development teams to collaborate as if they are all working at one location as software development projects are tracked in real-time. In 2019, the Company's turnover, £7,490,266, represents sales of software licenses, maintenance and support contracts to third party customers. This turnover was partly invoiced by a fellow Group company, WANdisco Inc., in the US.

Business model

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.

WANdisco stands for **W**ide **A**rea **N**etwork **Dis**tributed **Co**mputing. The company offers solutions to make data available consistently and reliably, synchronised both within and between data centres including over Wide Area Networks. The company's proposition offers, active-active data replication technology, meeting crucial continuous availability requirements for both the Big Data and Cloud and LiveCode markets. The software reduces customers' costs of data loss, downtime and recovery.

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.

WANdisco Fusion, created in 2015, is a general-purpose replication platform able to work across cloud, on-premises file systems and Hadoop as well as with Subversion, Access, Git and Gerrit. It transfers data as it changes across different environments with guaranteed consistency, no downtime and no data loss.

- **Big Data and Cloud**

The company's Fusion Active Data Replication™ technology enables customer to have guaranteed data consistency and availability across any combination of on-premises and cloud environments regardless of distance and data. Migrating data to the cloud is difficult – particularly when the data involved is active (constantly being used or changed) – as is the case with cardiograms and stock portfolios for instance. WANdisco's Fusion technology is enabling enterprises to move such active data to the cloud with guaranteed consistency, no downtime and no business disruption.

Strategic report *(continued)*

- **LiveCode**

LiveCode, the tracking of modifications to code, is assisted by WANdisco's Fusion technology. WANdisco Fusion enables distributed development teams to collaborate as if they are all working at one location by providing continuous and consistent connectivity to Subversion, Git, Gerrit and Access source code repositories. As more and more software developers work remotely on modern, agile, open source platforms such as Subversion, they are increasingly in need of software like WANdisco Fusion to manage changes in a controlled manner. In the version control market, customers are steadily moving off old proprietary platforms and on to modern, agile, open source platforms such as Subversion.

Key performance indicators

The directors regard changes in revenue, operating expenses and the need to move towards trading profitably to be the Key Performance Indicators ("KPI's"). These are reported in the financial statements.

The directors have considered what other KPI's of a financial and non-financial nature, particularly in relation to employees and environmental matters, should be disclosed to help evaluate the performance and position of the Company. The Company is relatively small and having considered the matter carefully, the directors do not believe such indicators, when presented on a Company basis, will be particularly meaningful or useful. The directors intend to keep this aspect of reporting under review.

Principal risks and uncertainties

- **Products**

The software on which our products are based is complex and the products may contain undetected defects which may be discovered after first introduction. Such defects could damage the Company's reputation. Regulation of data transfer is rapidly evolving and additional compliance on user privacy, content liability, data encryption and copyright protection may reduce the value added by our products. We have continued to invest significantly in quality control processes and training within our engineering team. We have also strengthened our sales engineering team which helps to ensure that commitments made to customers as to product capability are wholly deliverable.

- **Competition**

There can be no guarantee that competitors will not develop superior products. Competitors may have or develop greater financial, marketing or technical resources, enabling them to successfully develop and market competing products. We protect our intellectual property by securing patents whenever possible.

- **Resource allocation and operational execution**

We address a significant and rapidly growing market, but as a small company, we have limited resources of people and capital. Over time it will be essential to keep adding to and refreshing this resource, but at all times it will remain essential that we ensure that resource is effectively directed to addressing and delivering on our strategic goals.

- **Future developments**

The market for software that enables continuously available Big Data and Cloud over wide area networks is both large and rapidly growing and the Company is in a leading position in this market. The Company's Big Data and Cloud software offering, *Fusion,* provides guaranteed data consistency and availability across any combination of on-premises and cloud environments regardless of distance and data source. The significant growth in the Big Data and Cloud market is due not only to the explosion in the volume and variety of data that enterprises are seeking to make use of, but also to the inability of traditional database storage systems to accommodate this data without enormous escalation in costs. In the capture, curation and analysis of very large pools of structured and unstructured data, traditional data platforms are unable to handle data of the scale. In addition, as the Big Data and Cloud market evolves there is an increased market opportunity from 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.

Strategic report *(continued)*

- **Brexit**

The company has analysed the potential impacts of Brexit as employee and import/export constraints, the details of this are outlined below:

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.

Wandisco International Limited 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.

COVID-19 update

The COVID-19 pandemic has led to the implementation of long-standing business continuity measures, with staff working from home across the globe. As a predominantly distributed organisation, working remotely for most employees is normal and, to date, we have not seen any negative impact on our productivity. The business remains well placed to weather a prolonged period of self-isolation with good teamwork and employee morale. We also believe that the improvements made to how we operate will continue and evolve further when the COVID-19 crisis ends. To date, we have experienced minimal effects to our customer base and order flow, and have not reduced employee-based costs.

Whilst the impact of COVID-19 is still uncertain, we are moving forward this year with continued business momentum as evidenced by our landmark agreement with Microsoft announced in June 2020.

By order of the board

E Miller
Director
30 July 2020

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Research and development

The company expensed research and development expenditure of £3,686,494 (2018: £3,313,736) as incurred.

Proposed dividend

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The directors who held office during the year were as follows:
Mr D Richards
Mr E Miller

Employees

The directors recognise the importance of the company's employees to its success and future development and are committed to providing an environment that will attract, motivate and reward high quality employees. The company continues to invest in a range of internal and external initiatives to promote employee development.

Employees are kept informed of matters affecting them as employees and factors affecting the performance of the company through regular employee meetings and briefings.

The company's policy is to provide, wherever possible, employment opportunities for disabled people, to care for employees who become disabled whilst employed by the company, and to make the best possible use of their skills and potential.

Political contributions

The company made no political contributions during the year (2018: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Subsequent events

The global expansion of the COVID-19 virus since the fiscal year end has resulted in macroeconomic uncertainty. Whilst there has been no material impact on the Group as at the date of this report it is difficult to assess the short to longer-term impact of that uncertainty on the Group's operations.

Despite the significant challenge COVID-19 presents we are moving forward this year with continued business momentum as evidenced by our landmark agreement with Microsoft announced in June 2020. Management expects that the potential of the agreement with Microsoft will overcome any short-term headwinds from the economic uncertainty surrounding the impact of COVID-19.

Auditor

During 2019 there was an audit rotation, and BDO LLP was selected and appointed as the Company's auditor following a review of a number of potential providers. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

By order of the board

Erik Miller
Director
30 July 2020

Castle House
1-13 Angel Street
Sheffield
S3 8LN

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company'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 company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF WANdisco International Limited

Opinion

We have audited the financial statements of WANdisco International Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and loss account and other comprehensive income, the Balance sheet, the Statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANdisco International Limited *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANdisco International Limited *(continued)*

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

BDO LLP

David Butcher (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
30 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and loss account and other comprehensive income
for the year ended 31 December 2019

Continuing operations	Note	**Year ended 31 December 2019 £**	As restated Year ended 31 December 2018 £
Turnover	2	**7,490,266**	2,080,566
Cost of sales		**(144,556)**	(47,351)
Gross profit		**7,345,710**	2,033,215
Administration expenses		**(12,004,789)**	(9,857,422)
Operating loss	3	**(4,659,079)**	(7824,207)
Interest receivable and similar income	6	**-**	13,652
Interest payable and similar expenses	7	**(7,920)**	(43)
Loss before taxation		**(4,666,999)**	(7,810,598)
Tax credit	8	**746,649**	604,395
Loss for the financial year	13	**(3,920,350)**	(7,206,203)

The company has no other comprehensive income/(costs), other than the results for the year as set out above.

Balance sheet
at 31 December 2019

	Note	31 December 2019 £	As restated 31 December 2018 £
Fixed assets			
Tangible assets	9	**469,619**	164,972
		469,619	164,972
Current assets			
Debtors	10	**8,162,186**	3,274,328
Cash in bank and in hand		**1,260,649**	116,203
		9,422,835	3,390,531
Creditors: amounts falling due within one year	11	**(26,221,889)**	(17,533,895)
Net current liabilities		**(16,799,054)**	(14,143,364)
Total assets less current liabilities		**(16,329,435)**	(13,978,392)
Creditors: amounts falling due in more than one year			
Deferred tax liability	12	**(3,400)**	(3,400)
Deferred income		**(46,838)**	-
		(50,238)	(3,400)
Net liabilities		**(16,379,673)**	(13,981,792)
Capital and reserves			
Called up share capital	13	**1**	1
Capital contribution	13	**19,624,337**	18,101,868
Profit and loss account	13	**(36,004,011)**	(32,083,661)
Shareholder's funds	13	**(16,379,673)**	(13,981,792)

These financial statements were approved by the board of directors on 30 July 2020 and were signed on its behalf by:

E Miller
Director

Company registered number: 06612293

Statement of changes in equity
at 31 December 2019

Year ended 31 December 2019	Called up share capital £	Capital contribution £	Profit and loss account £	Total equity £
Balance at 31 December 2018	1	18,249,011	(32,230,804)	(13,981,792)
Prior year adjustment – equity settled share-based payment transaction	-	(147,143)	147,143	-
Balance at 1 January 2019 – as restated	1	18,101,868	(32,083,661)	(13,981,792)
Total comprehensive income for the year				
Loss for the financial year	-	-	(3,920,350)	(3,920,350)
Total comprehensive income for the year	-	-	(3,920,350)	(3,920,350)
Transactions with owners, recorded directly in equity				
Equity-settled share-based payment transaction	-	1,522,469	-	1,522,469
Total contributions by and distributions to owners	-	1,522,469	-	1,522,469
Balance at 31 December 2019	**1**	**19,624,337**	**(36,004,011)**	**(16,379,673)**

As restated Year ended 31 December 2018	Called up share capital £	Capital contribution £	Profit and loss account £	Total equity £
Balance at 1 January 2018	1	17,209,693	(24,877,458)	(7,667,764)
Total comprehensive income for the year				
Loss for the financial year	-	-	(7,206,203)	(7,206,203)
Total comprehensive income for the year	-	-	(7,206,203)	(7,206,203)
Transactions with owners, recorded directly in equity				
Equity-settled share-based payment transaction – As restated.	-	892,175	-	892,175
Total contributions by and distributions to owners	-	892,175	-	892,175
Balance at 31 December 2018	1	18,101,868	(32,083,661)	(13,981,792)

Notes

(forming part of the financial statements)

1 Accounting policies

1.1 Reporting entity

WANdisco International Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

1.2 Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 (The Financial Reporting Standard) applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company's parent undertaking, WANdisco plc includes the Company in its consolidated financial statements. The consolidated financial statements of WANdisco plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the registered office: 47 Esplanade, St. Helier, Jersey, JE1 0BD. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of WANdisco plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.3 Measurement convention

The financial statements are prepared on the historical cost basis.

1.4 Going concern

Notwithstanding the net liabilities of £16,379,673 as at 31 December 2019 (31 December 2018: £13,981,792) and a loss before taxation of £4,666,999 for the year then ended (2018: £7,810,598), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The parent company of Wandisco International Limited is Wandisco plc. Wandisco plc continues to adopt the going concern basis in preparing the Group financial statements for the year ended 31 December 2019 and has agreed to provide continued financial and other support to Wandisco International Limited including not seeking repayment of the amounts due to it at the balance sheet date and providing additional financial support for a period of at least 12 months from the date of approval of these financial statements. A letter of Group support has been provided to this effect.

Details of the disclosures from Wandisco plc's financial statements are included below:
The Directors have prepared a detailed budget and forecast 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 cash flow model includes the injection of $25m of cash which was raised following the year end on 29 June 2020, as detailed in Note 31.

Whilst the Directors are confident in the Group's ability to grow revenue, the Board's sensitivity modelling (which considered the impact of Brexit and COVID-19) shows that the Group can remain within its facilities in the event that revenue growth is delayed (i.e. revenue does not increase from the level reported in 2019) for a period in excess of twelve months. The Directors' financial forecasts and operational planning and modelling also include the actions, under the 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 revenue were set to remain consistent with the level reported in 2019. 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 revenue and funding scale.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Going concern *(continued)*

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.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.5 Basic financial instruments

Trade and other receivables / creditors

Trade and other debtors, and trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Leasehold improvements 5 years
- Computer equipment 3 years
- Fixtures and fittings 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Intangible assets

Research and development

Expenditure on research and development activities is recognised in the profit and loss account as an expense as incurred.

1.8 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.9 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.10 Revenue

Turnover represents the sale of software licenses and maintenance and support contracts to third party customers.
(i) Software licences
Sales of software licences are recognised once the licence has been granted and the customer has been provided with access to the software. Revenue derived from sales of licences is spread over the period of the licence. Where licences are perpetual, revenue is recognised in full once the agreement is in place.

(ii) Support subscriptions
Sales of support subscriptions are recognised on a straight-line basis over the period of the contract.

(iii) Maintenance, training and other services
Sales of maintenance, training and other services are recognised on a straight-line basis over the period of the contract.

(iv) Royalties
Royalties are accounted for on an accruals basis in accordance with the substance of the relevant agreement when it is probable that economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.

(v) Multi-element

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

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest receivable and similar income include interest receivable on funds invested.

Interest payable and similar charges include interest payable and are recognised in the profit and loss account.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.13 Equity settled share-based payments

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.

2 Turnover

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
UK	**77,567**	68,293
Rest of Europe	**1,608,454**	1,159,790
Rest of World	**5,804,245**	852,483
	7,490,266	2,080,566

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Sale of goods	**6,233,016**	1,144,245
Sale of services	**1,257,250**	936,321
	7,490,266	2,080,566

3 Operating loss

Operating loss is stated after charging:	**Year ended 31 December 2019 £**	Year ended 31 December 2018 £
Research and development expenditure expensed as incurred	**3,686,494**	3,313,736
Depreciation of owned fixed assets	**113,470**	83,559
Operating lease costs: Other	**180,897**	130,910
Auditor's remuneration	**45,375**	44,120

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company, including directors, during the year, analysed by category was as follows:

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Development	**65**	68
Sales and marketing	**30**	16
Administration	**7**	6
	102	90

The aggregate payroll costs of these persons were as follows:	**Year ended 31 December 2019 £**	As restated Year ended 31 December 2018 £
Wages and salaries	**4,780,210**	4,121,164
Redundancy	**216,406**	85,326
Social security costs	**580,857**	477,550
Share-based payments	**1,522,469**	892,175
Contributions to defined contribution plans	**159,913**	136,616
	7,259,855	5,712,831

5 Directors' remuneration

All of the directors of Wandisco International Limited are also directors of the parent company, Wandisco plc. Services paid to the directors for their work across all the group companies, incurred by a fellow group company Wandisco, Inc. was as follows:

The aggregate payroll costs were as follows:	**Year ended 31 December 2019 £**	Year ended 31 December 2018 £
Basic salary	**579,756**	556,140
Bonus	**385,459**	371,261
Benefits	**51,708**	42,086
	1,016,923	969,487

6 Interest receivable and similar income

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Bank interest	**-**	13,652

7 Interest payable and similar expenses

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Other interest	**7,920**	43

Notes *(continued)*

8 Tax credit

Total tax credit recognised in profit and loss account	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Current tax		
Current tax for the year	**(556,994)**	(351,916)
Adjustments in respect of prior years	**(189,655)**	(252,479)
Tax credit on loss	**(746,649)**	(604,395)

Factors affecting current tax credit

The tax credit assessed on the loss on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 19% (2018: 19%).

Reconciliation of effective tax rate	Year ended 31 December 2019 £	As restated Year ended 31 December 2018 £
Loss before taxation	**(4,666,999)**	(7,810,598)
Tax using the UK corporation tax rate of 19% (2018: 19%)	**(886,730)**	(1,484,014)
Effects of		
Non-deductible expenses	**2,539**	4,509
Capital allowances for period in excess of depreciation	**21,574**	15,876
Adjustments to tax charge in respect of previous periods	**(189,655)**	(252,479)
Current year losses for which no deferred tax asset was recognised	**862,617**	1,463,629
Enhanced allowance for research and development expenditure	**(556,994)**	(351,916)
Total current tax credit	**(746,649)**	(604,395)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the Group's future current tax charge accordingly.

A deferred tax asset of £4,592,934 (2018: £4,440,820) in respect of unutilised trading taxable losses carried forward at 31 December 2019 has not been provided for due to uncertainty surrounding the timing of future taxable profits available for offset.

Notes *(continued)*

9 Tangible assets

	Leasehold Improvements £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
As at 1 January 2019	40,565	461,798	108,584	610,947
Additions	317,823	89,134	11,160	418,117
As at 31 December 2019	358,388	550,932	119,744	1,029,064
Depreciation				
As at 1 January 2019	31,837	312,908	101,230	445,975
Depreciation charge for the year	17,391	92,694	3,385	113,470
As at 31 December 2019	49,228	405,602	104,615	559,445
Net book value				
As at 31 December 2019	**309,160**	**145,330**	**15,129**	**469,619**
As at 31 December 2018	**8,728**	**148,890**	**7,354**	**164,972**

10 Debtors

	31 December 2019 £	31 December 2018 £
Trade debtors	**17,085**	19,161
Amounts owed by group undertakings	**6,808,725**	1,868,702
Other debtors	**72,466**	219,989
Corporation tax recoverable	**1,098,563**	1,010,648
Prepayments	**165,347**	155,828
	8,162,186	3,274,328

11 Creditors: amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Trade creditors	**199,261**	279,349
Amounts owed to group undertakings	**25,238,412**	16,849,081
Other creditors	**218,442**	172,288
Deferred income	**31,225**	-
Accruals	**534,549**	233,177
	26,221,889	17,533,895

Notes *(continued)*

12 Deferred tax liability

The movement in the deferred tax liability during the year was:

	31 December 2019 £	31 December 2018 £
Provision at start and end of year	**3,400**	3,400

The provision for deferred taxation consists of the tax effect of timing differences in respect of excess of taxation allowance over depreciation on fixed assets.

13 Capital and reserves

	31 December 2019		31 December 2018	
Share capital	**Number**	**£**	Number	£
Allotted, called up and fully paid				
1 Ordinary share of £1 each	**1**	**1**	1	1

Reserves	**Capital contribution £**	**Profit and loss account £**
As at 1 January 2019 – As restated.	18,101,868	(32,083,661)
Loss for the year	-	(3,920,350)
Capital contribution from parent	1,522,469	-
As at 31 December 2019	**19,624,337**	**(36,004,011)**

Shareholder's funds	**31 December 2019 £**	As restated 31 December 2018 £
Loss for the financial year	**(3,920,350)**	(7,206,203)
Recognition of parent company capital contributions to equity settled share-based payments in year	**1,522,469**	892,175
Net reduction in shareholder's funds	**(2,397,881)**	(6,314,028)
Opening shareholder's funds	**(13,981,792)**	(7,667,764)
Closing shareholder's funds	**(16,379,673)**	(13,981,792)

Prior year adjustment

The 2018 share-based payment charge has been adjusted to correct the accounting for options with graded vesting on grants awarded prior to 1 January 2018. Previously, the share-based payment charge was recorded evenly over the vesting period of the respective options, on a straight-line basis. The share-based payment charge now reflects the impact of the graded vesting conditions of the underlying options.

The impact of the prior year adjustment are:

- The 2018 share-based payment charge was reduced by £147,143 to £892,175, resulting in a decrease in both administration expenses and operating loss by the same amount in the Profit or loss account and other comprehensive income.
- The Statement of changes in equity for 2018 also reflects the same reduction in the share-based payment charge by £147,143 to £892,175.
- As a non-cash item, there is no impact on cash flow, net assets or KPIs.

Notes *(continued)*

14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	
	31 December 2019	31 December 2018
Operating leases which expire:	**£**	£
Within one year	**183,249**	126,370
Within 2 to 5 years	**427,529**	122,150
In more than 5 years	**716,918**	-
	1,327,696	248,520

15 Related party transactions

At 31 December 2019 the ultimate parent undertaking and controlling party was WANdisco plc a company incorporated in Jersey.

Profit and loss account	**31 December 2019**	31 December 2018
Transactions with entities with control or joint control:	**£**	£
Revenue from	**6,800,515**	2,011,466
Administrative expenses incurred from	**(1,456,161)**	(1,342,889)
	5,344,354	668,577

Balance sheet	**31 December 2019**	31 December 2018
Transactions with entities with control or joint control:	**£**	£
Receivables outstanding	**6,808,725**	1,868,702
Creditors outstanding	**(25,238,412)**	(16,849,081)
	(18,429,687)	(14,980,379)

16 Ultimate parent company

The Company's ultimate parent and controlling party is WANdisco plc, a company incorporated in Jersey.

Copies of the Group accounts can be obtained from the parent company at Castle House, 1-13 Angel Street, Sheffield, S3 8LN.

17 Post balance sheet event

The global expansion of the COVID-19 virus since the fiscal year end has resulted in macroeconomic uncertainty. Whilst there has been no material impact on the Company as at the date of this report it is difficult to assess the short to longer-term impact of that uncertainty on the Company's operations.

Despite the significant challenge COVID-19 presents we are moving forward this year with continued business momentum as evidenced by our landmark agreement with Microsoft announced in June 2020. Management expects that the potential of the agreement with Microsoft will overcome any short-term headwinds from the economic uncertainty surrounding the impact of COVID-19.