



# ENDAVA PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2018**

**COMPANY REGISTRATION NUMBER 5722669**

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The Directors present their Strategic and Directors' Reports on and the audited financial statements of Endava Plc (the "Group") for the year ended 30 June 2018.

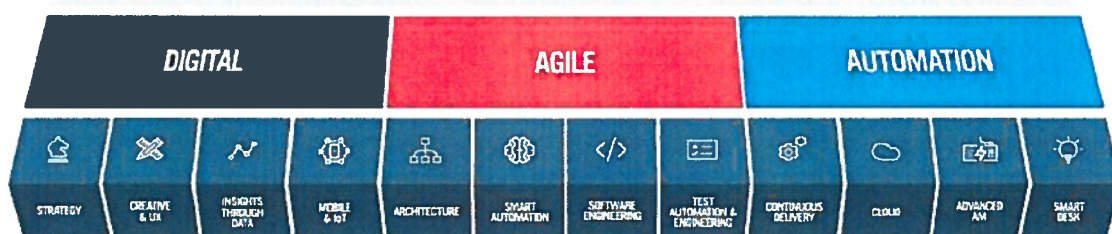
**STRATEGIC REPORT**

**Our Business**

We are a leading next-generation technology services provider and help accelerate disruption by delivering rapid evolution to enterprises. We aid our clients in finding new ways to interact with their customers and users, enabling them to become more engaging, responsive and efficient. Using Distributed Agile at scale, we collaborate with our clients, seamlessly integrating their teams, catalysing ideation and delivering robust solutions. Our people, whom we call Endavans, synthesize creativity, technology and delivery at scale in multi-disciplinary teams, enabling us to support our clients from ideation to production.

We help our clients become digital, experience-driven businesses by assisting them in their journey from idea generation to development and deployment of products, platforms and solutions. Our expertise spans the ideation-to-production spectrum across three broad solution areas – Digital evolution, Agile Transformation and Automation. At the core of our approach is our proprietary Distributed Enterprise Agile scaling framework, known as The Endava Agile Scaling Framework, or TEAS. TEAS utilises common Agile scaling frameworks, but enhances them by balancing the requirements of delivering both quality and speed-to-market, helping our clients release higher-quality products market faster, respond better to market changes and incorporate customer and user feedback through rapid releases and product iterations.

Underpinning our three types of solutions – Digital Evolution, Agile Transformation and Automation are 12 service offerings set forth below.



Often a single client engagement requires a number of these services. For instance, it would be common for an engagement to originate with a Strategy assignment and then leverage Creative and User Experience design, Software Engineering, Test Automation and Engineering and Advanced Applications Management. We continually evolve our service offerings to leverage next-generation technologies and meet the needs of our clients.

Endava has had another solid year of growth: Revenues up 36.5% year on year, adjusted PBT up 32.6% and diluted adjusted EPS up 11.8%. Our three-year Cumulative Average Growth Rate ("CAGR") in revenues is at 37.3% and adjusted PBT ("Profit before tax") is at 21.3%.

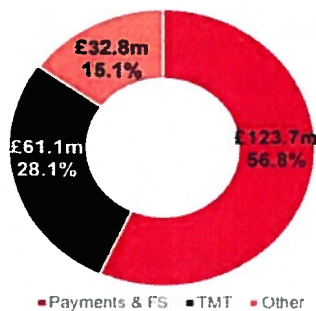
**Supporting Endava Expansion**

Our growth in North America has been boosted by our recent acquisition of Velocity Partners in December 2017. With this acquisition, we strengthened our sales presence in North America and added nearshore delivery capability in Latin America, which is important for Enterprise Agile Delivery at Scale that requires proximity to the client to be truly effective. We believe this acquisition gives us a great platform to further penetrate the North American market.

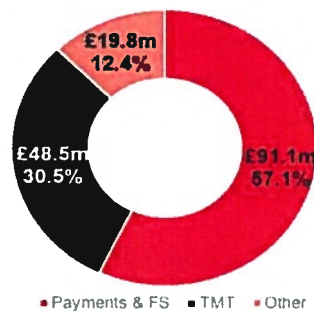
**Our Business Performance**

Revenues grew 36.5% year on year and constant currency growth was 37.2% with foreign exchange headwinds reducing growth by 0.7%. Our revenue composition by industry sector is as follows:

REVENUE BY INDUSTRY FY18



REVENUE BY INDUSTRY FY17



Payments and Financial Services grew strongly in FY18, 35.8% at cumulative average rate (the monthly average exchange rate used to report the statement of comprehensive income) and roughly maintained its share of Endava’s revenues at 56.8%. Other also grew strongly at cumulative average rate by 66.1% and now represents 15.1% of revenues, up from 12.4% in FY17. As a result, TMT declined as a proportion of revenue from 30.5% to 28.1% due to lower growth at 25.9% compared to the strong performance in Payments and Financial Services and Other.

Velocity impacted the sector position, with the majority of its revenues mainly split evenly between TMT and Other.

Looking at each sector in turn:

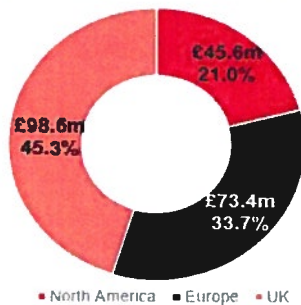
**Payments and Financial Services** grew very strongly, 35.8% at cumulative average rate, with strong organic growth originated mainly in North America and Europe, where we grew existing clients. New Client additions drove growth in the UK.

**TMT** grew 25.9% at cumulative average rate, with the Velocity acquisition contributing significantly in North America. The growth was particularly strong in Europe, where we grew 20.6% at cumulative average rate, mainly with existing clients. The UK grew 3.1% at cumulative average rate.

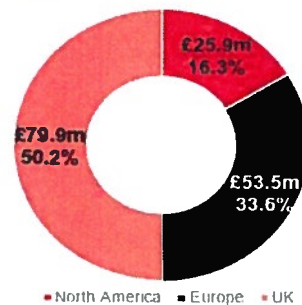
**Other** grew 66.1% at cumulative rate, again with Velocity acquisition making a significant contribution in North America. UK grew particularly strongly in the Consumer Products and Retail sub-sectors.

In terms of Geographic growth at cumulative average rate (defined as where our work is delivered) North America and Europe grew strongly, 75.8% and 37.3% respectively.

REVENUE BY GEOGRAPHY FY18



REVENUE BY GEOGRAPHY FY17



The acquisition of Velocity Partners had a significant impact on the geographic mix of where work is delivered with North America increasing to 21.0% of total revenues and the UK falling to 45.3%. As stated above, Velocity Partners accelerates our strategy to grow in North America and become a more internationally balanced business by revenue.

Looking at each geography in turn:

**North America** grew 75.8% at cumulative average rate. Velocity Partners contributed strongly to TMT and Other., Growth was also strong from existing Payments and Financial Services clients.

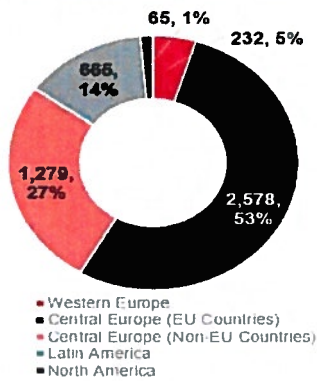
**Europe** grew strongly 37.3% at cumulative average rate, mainly from growing existing clients particular in our Payments and Financial Services sector and TMT.

**UK** grew 23.3% at cumulative average rate. Payments and Financial Services grew strongly, particularly in Asset and Wealth Management, with solid growth coming from Other.

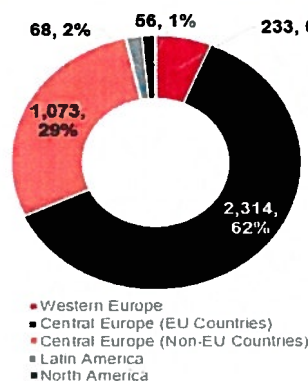
**Our People**

We had 4,819 employees at the end of June operating across Europe, Latin and North America. We provide services from our nearshore delivery centres, located in two European Union countries – Romania and Bulgaria, three other Central European countries – Macedonia, Moldova and Serbia and four countries in Latin America – Argentina, Colombia, Uruguay and Venezuela. Velocity partners acquisition strengthened our nearshore capability in Latin America adding 527 employees in December 2017.

EMPLOYEES BY GEOGRAPHY FY 18



EMPLOYEES BY GEOGRAPHY FY 17



We believe that our people are our most important asset. We grew our average operational headcount by 24.4% in 2018. We provide Endavans with training to develop their technical and soft skills, in an environment where they are continually challenged and given opportunities to grow as professionals, and with tools and resources to innovate.

Maintaining and developing our culture whilst we grow is key to our success. We are the aspirational brand for IT professionals in the regions in which we operate, so we have little trouble in attracting the best talent, and it is from this talent that the majority of our leadership comes. This is achieved by a career and people development framework we have developed called "Pass It On," which encourages apprenticeship and career coaching so people learn from experienced Endava colleagues how we work and what makes us and our customers successful. We deliver this message externally under the banner of "BE MORE", our statement to the market, setting out clearly that by engaging with and working for Endava individuals and business will grow as a result of the experience.

Our employees have great ideas so we strive to involve our people with matters impacting them. We receive feedback through employee opinion surveys as they provide honest feedback that can drive business improvements. Since the Group's ordinary shares were admitted for trading on The New York Stock Exchange we encouraged employee involvement in the wider performance of the Group through the share save plan which is open to all employees across the Group. The Group also have a policy to give full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Depending on the nature, severity and duration of the disability, the Group continues to employ those employees who have become disabled and makes arrangements for the training and career development if necessary.

The split of Endavans by gender at the end of June was 66% men, 34% women. At 30 June FY17 the split was similar at 64% men and 36% women.

### Key Performance Indicators

We regularly monitor a number of financial and operating metrics to evaluate our business, measure performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

	2018	2017
<b>Revenue growth rate at constant currency</b>	<b>37.2%</b>	<b>28.5%</b>
<b>Average number of employees involved in delivery of our services</b>	<b>3,957</b>	<b>3,181</b>
<b>Revenue concentration</b>	<b>41.5%</b>	<b>49.1%</b>
<b>Number of large clients</b>	<b>46</b>	<b>34</b>
<b>Adjusted profit before taxes margin</b>	<b>15.4%</b>	<b>15.8%</b>
<b>Free cash flow</b>	<b>£30.0m</b>	<b>£11.2m</b>
<b>Statutory revenue</b>	<b>£217.6m</b>	<b>£159.4m</b>
<b>Statutory profit before tax</b>	<b>£24.7m</b>	<b>£21.7m</b>

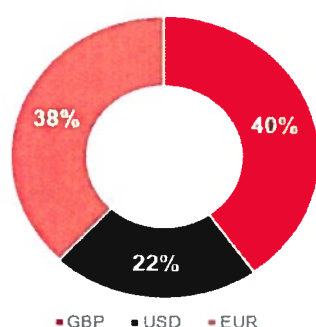
### **Revenue growth rate at constant currency**

We monitor our revenue growth rate at constant currency. As the impact of foreign currency exchange rates is highly variable and difficult to predict, we believe revenue growth rate at constant currency allows us to better understand the underlying business trends and performance of our ongoing operations on a period-over-period basis. We calculate revenue growth rate at constant currency by translating revenue from entities reporting in foreign currencies into British Pounds using the comparable foreign currency exchange rates from the prior period.

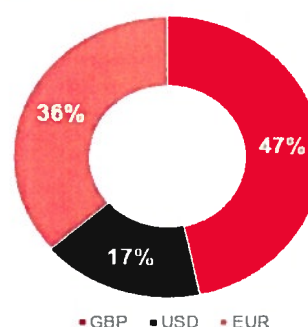
Revenue growth on an organic basis was 37.2%, with Velocity contributing significantly. Foreign exchange headwinds reduced the constant currency growth by 0.7% to a reported growth of 36.5%.

The split of revenues by currency is shown below:

REVENUE BY CURRENCY FY 18



REVENUE BY CURRENCY FY 17



The split is based on the reported figures at the average rates for the respective years. We have grouped European currencies as Euro denominated as the currency in these jurisdictions largely follows the Euro.

The FY18 result follows the proportion of our revenue by geography, which is as expected, as we largely bill clients in the currency where the project is being delivered. There has been a significant shift away from the proportion of revenues coming from GBP following the acquisition of Velocity Partners.



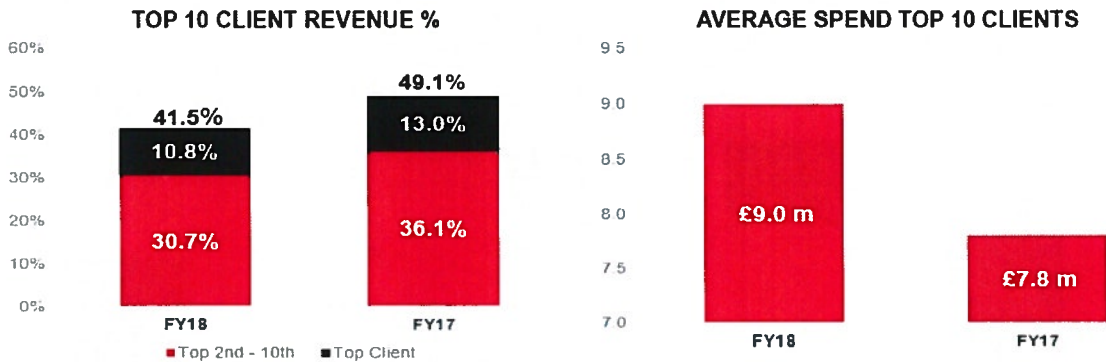
**Average number of employees involved in delivery of our services**

We monitor our average number of operational employees because we believe it gives us visibility into the size of both our revenue-producing base and our most significant cost base, which in turn allows us to better understand changes in our utilisation rates and gross margins on a period-over-period basis. We calculate average number of operational employees as the average of our number of full-time employees involved in delivery of our services on the last day of each month in the relevant period.

The increase in average operational heads has been mainly organic with a contribution of 480 heads following the acquisition of Velocity Partners in December 2017.

**Revenue Concentration**

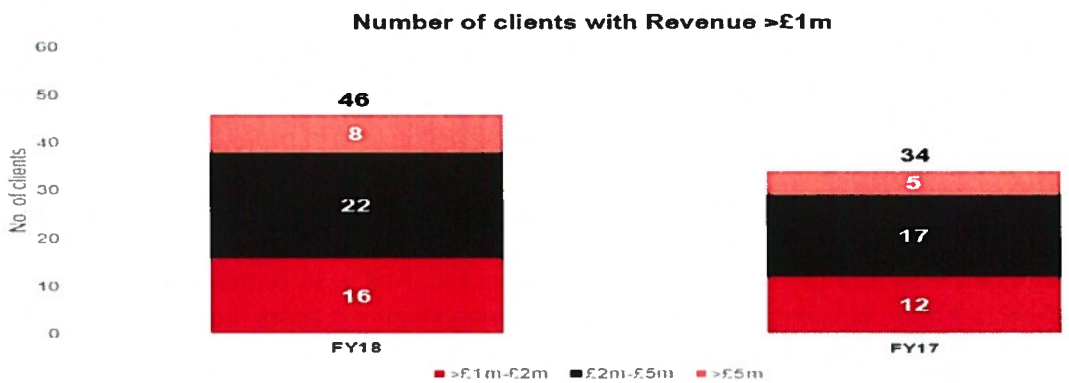
We monitor our revenue concentration to better understand our dependence on large clients on a period-over-period basis and to monitor our success in diversifying our revenue base. We define revenue concentration as the percent of our total revenue derived from our 10 largest clients by revenue in each period presented.



As can be seen the client concentration has declined from 49.1% to 41.5%, showing we are reducing our dependence on a small number of large clients, whilst we have increased the average spend per client.

**Number of large clients**

We monitor our number of large clients to better understand our process in winning large contracts on a period-over-period basis. We define number of large clients as the number of clients from whom we generated more than £1.0 million of revenue in the period 12-month period.

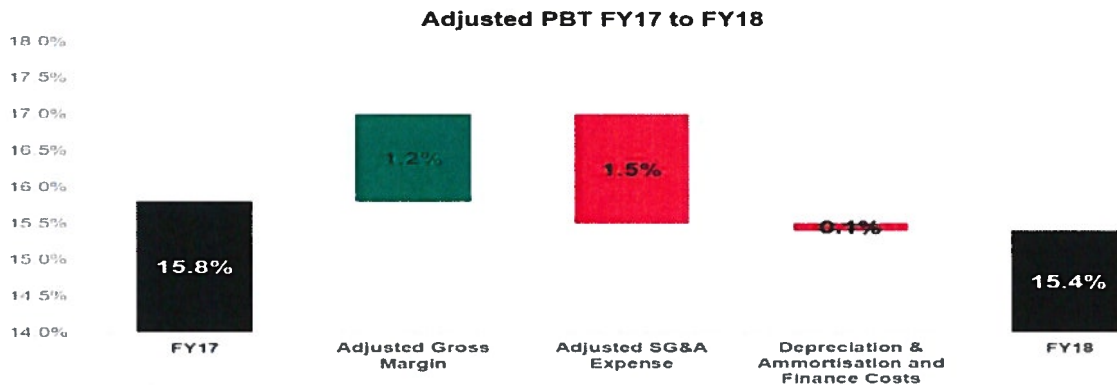


We continue to grow the number of clients generating more than £1.0m which grew from 34 in 2017 to 46 in 2018, which demonstrates our ability to grow accounts outside the top 10.

**Adjusted PBT margin %**

We monitor our adjusted profit before taxes margin or Adjusted PBT margin to better understand our ability to manage operational costs, to evaluate our core operating performance and trends and develop future operating plans. In particular, we believe that the exclusion of certain expenses in calculating Adjusted PBT Margin facilitates comparisons of our operating performance on a period-over-period basis. Our Adjusted PBT margin is our Adjusted PBT, which is our profit before taxes adjusted to exclude the impact of share-based compensation expense, amortisation of acquired intangible assets, realised and unrealised foreign exchange gains and losses and initial public offering expenses incurred as a percentage of our total revenue. We do not consider these excluded items to be indicative of our core operating performance.

The bridge below shows the key drivers behind the slight decline in margin from 15.8% in FY17 to 15.4% in FY18.



Adjusted gross margin, which is defined as gross profit excluding share based payments and allocated cost of sales, as a percentage of total revenue increased 1.2 percentage points. On an organic constant currency basis adjusted gross margin rose 1.3 percentage points, largely due to improved rates and utilisation, Velocity partners contributed a further 0.4 percentage points of improvement. Currency headwinds impacted adjusted gross margin by -0.5 percentage points.

The currency impact largely arises from an imbalance in the proportion of Euro denominated currencies comprising the direct costs of sales compared to the proportion of Euro denominated currencies comprising revenues. The Euro proportion of direct cost of sales cost base is approximately 70.9% compared to the proportion of revenues at 38.1%. The British pounds has weakened 3.0% against the Euro year on year.

Adjusted Selling, General and Administration expenses, which excludes share based payments, but includes allocated direct cost of sales rose as a percentage of revenue impacting Adjusted PBT margin by -1.5 percentage points. This was primarily due to costs incurred in the integration of Velocity Partners and increased running costs required to operate as a public company incurred in the run up to IPO.

### **Free Cash Flow**

We monitor our free cash flow to better understand and evaluate our liquidity position and to develop future operating plans. Our free cash flow is our net cash provided by operating activities, plus grant received, less purchase of non-current tangible and intangible assets plus initial public offering expenses paid.

	2018 £'000	2017 £'000
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>33,984</b>	<b>14,740</b>
Grant received	147	2,924
Purchased on non-current assets (tangible and intangible)	(5,404)	(6,478)
<b>FREE CASH FLOW</b>	<b>28,727</b>	<b>11,186</b>
<b>FREE CASH FLOW % REVENUE</b>	<b>13.2%</b>	<b>7.0%</b>

The principal reason for the improvement in Free Cash Flow was the improvement in working capital movement, which improved from an outflow of £5.0m in FY17 to an inflow of £6.8m in FY18, which as a % of revenue was a movement of 6.3%. This improvement arose mainly due to the increased level of accruals as well as an improvement in receivables year on year. Capital expenditure as a percentage of revenue totaled 2.9% down from 4.0% in the same period last year due to the timing of spend on our nearshore delivery centres. Endava received grant cash from the Romanian Ministry of Finance in FY17 and submitted but not yet received the claim in FY18. This accounted for a -1.8% movement and is due to timing of receipts from the Romanian Ministry of Finance. The grant received in FY18 is from the Macedonian Government.

### **Principal risks and uncertainties**

As for any group in the IT service market, the group faces a number of principal risks and uncertainties. The overall success of the group depends, in part, upon its ability to succeed in different operating environments and to manage and to mitigate such risks.

Each of the group's Business Units identifies the risks associated with that unit and implements internal control procedures to mitigate and exercise control over those risks in accordance with laws and regulations in the country where they operate.

Group management has applied a risk management framework which it uses to monitor Business Unit risks and further identify corporate level risks. The framework is used by all management in the group to identify areas where risk has been identified and where management may be required to act.

### ***We must attract and retain highly-skilled IT professionals***

In order to sustain our growth, we must attract and retain a large number of highly-skilled and talented IT professionals. During the fiscal year ended June 30, 2018, we increased our headcount by 1,075 employees, or 28.7%. Our business is people driven and, accordingly, our success depends upon our ability to attract, develop, motivate, retain and effectively utilize

highly-skilled IT professionals in our delivery locations, which are principally located in Bulgaria, Macedonia, Moldova, Romania and Serbia, which we collectively refer to as Central Europe, and Argentina, Colombia, Uruguay and Venezuela in Latin America. We believe that there is significant competition for technology professionals in the geographic regions in which our delivery centers are located and that such competition is likely to continue for the foreseeable future. Increased hiring by technology companies and increasing worldwide competition for skilled technology professionals may lead to a shortage in the availability of suitable personnel in the locations where we operate and hire. Our ability to properly staff projects, maintain and renew existing engagements and win new business depends, in large part, on our ability to recruit, train and retain IT professionals. Failure to hire, train and retain IT professionals in sufficient numbers could have a material adverse effect on our business, results of operations and financial condition.

***Increases in our current levels of attrition may increase our operating costs and adversely affect our future business prospects.***

The technology industry generally experiences a significant rate of turnover of its workforce. There is a limited pool of individuals who have the skills and training needed to help us grow our company. We compete for such talented individuals not only with other companies in our industry but also with companies in other industries, such as software services, engineering services, financial services and technology generally, among others. High attrition rates of IT personnel would increase our hiring and training costs and could have an adverse effect on our ability to complete existing contracts in a timely manner, meet client objectives and expand our business.

***Our revenue is dependent on a limited number of industry verticals, and any decrease in demand for technology services in these verticals or our failure to effectively penetrate new verticals could adversely affect our results of operations.***

Historically, we have focused on developing industry expertise and deep client relationships in a limited number of industry verticals. As a result, a substantial portion of our revenue has been generated by clients operating in the Payments and Financial Services vertical and the technology, media and telecommunications, or TMT, vertical. Payments and Financial Services and TMT constituted 55.1% and 36.8% of our revenue, respectively, for the fiscal year ended June 30, 2016, 57.1% and 30.5% of our revenue, respectively, for the fiscal year ended June 30, 2017 and 56.8% and 28.1% of our revenue, respectively, for the fiscal year ended June 30, 2018. Our business growth largely depends on continued demand for our services from clients in Payments and Financial Services and TMT, and any slowdown or reversal of the trend to spend on technology services in these verticals could result in a decrease in the demand for our services and materially adversely affect our revenue, financial condition and results of operations.

We have also recently begun expanding our business into other verticals, such as consumer products, healthcare, logistics and retail. However, we have less experience in these verticals and there can be no assurance that we will be successful in penetrating these verticals. There may be competitors in these verticals that may be entrenched and difficult to dislodge. As a result of these and other factors, our efforts to expand our client base may be expensive and may not succeed, and we therefore may be unable to grow our revenue. If we fail to further

penetrate our existing industry verticals or expand our client base in new verticals, we may be unable to grow our revenue and our operating results may be harmed.

Other developments in the industries in which we operate may also lead to a decline in the demand for our services, and we may not be able to successfully anticipate and prepare for any such changes. For example, consolidation or acquisitions, particularly involving our clients, may adversely affect our business. Our clients and potential clients may experience rapid changes in their prospects, substantial price competition and pressure on their profitability. This, in turn, may result in increasing pressure on us from clients and potential clients to lower our prices, which could adversely affect our revenue, results of operations and financial condition.

***Our contracts could be unprofitable.***

We perform our services primarily under time-and-materials contracts (where materials costs consist of travel and out-of-pocket expenses). We charge out the services performed by our employees under these contracts at daily or hourly rates that are agreed at the time at which the contract is entered. The rates and other pricing terms negotiated with our clients are highly dependent on our internal forecasts of our operating costs and predictions of increases in those costs influenced by wage inflation and other marketplace factors, as well as the volume of work provided by the client. Our predictions are based on limited data and could turn out to be inaccurate, resulting in contracts that may not be profitable. Typically, we do not have the ability to increase the rates established at the outset of a client project, other than on an annual basis and often subject to caps. Independent of our right to increase our rates on an annual basis, client expectations regarding the anticipated cost of a project may limit our practical ability to increase our rates for ongoing work.

In addition to our time-and-materials contracts, we undertake some engagements on a fixed-price basis and also provide managed services in certain cases. Our pricing in fixed-price and managed service contracts is highly dependent on our assumptions and forecasts about the costs we expect to incur to complete the related project, which are based on limited data and could turn out to be inaccurate. Any failure by us to accurately estimate the resources, including the skills and seniority of our employees, required to complete a fixed-price or managed service contracts on time and on budget or meet a service level on a managed service contract, or any unexpected increase in the cost of our employees assigned to the related project, office space or materials could expose us to risks associated with cost overruns and could have a material adverse effect on our business, results of operations and financial condition. In addition, any unexpected changes in economic conditions that affect any of the foregoing assumptions and predictions could render contracts that would have been favorable to us when signed unfavorable.

***Our profitability could suffer if we are not able to maintain favorable pricing.***

Our profitability and operating results are dependent on the rates we are able to charge for our services. Our rates are affected by a number of factors, including:

- our clients' perception of our ability to add value through our services;
- our competitors' pricing policies;
- bid practices of clients and their use of third-party advisors;
- the ability of large clients to exert pricing pressure;
- employee wage levels and increases in compensation costs;

- employee utilization levels;
- our ability to charge premium prices when justified by market demand or the type of service; and
- general economic conditions.

If we are not able to maintain favorable pricing for our services, our profitability could suffer.

***We must maintain adequate resource utilization rates and productivity levels.***

Our profitability and the cost of providing our services are affected by our utilization rates of our employees in our delivery locations. If we are not able to maintain appropriate utilization rates for our employees involved in delivery of our services, our profit margin and our profitability may suffer. Our utilization rates are affected by a number of factors, including:

- our ability to promptly transition our employees from completed projects to new assignments and to hire and integrate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate number of employees in each of our delivery locations;
- our ability to deploy employees with appropriate skills and seniority to projects;
- our ability to manage the attrition of our employees; and
- our need to devote time and resources to training, professional development and other activities that cannot be billed to our clients.

Our revenue could also suffer if we misjudge demand patterns and do not recruit sufficient employees to satisfy demand. Employee shortages could prevent us from completing our contractual commitments in a timely manner and cause us to lose contracts or clients. Further, to the extent that we lack sufficient employees with lower levels of seniority and daily or hourly rates, we may be required to deploy more senior employees with higher rates on projects without the ability to pass such higher rates along to our clients, which could adversely affect our profit margin and profitability.

***We face intense competition.***

The market for technology and IT services is intensely competitive, highly fragmented and subject to rapid change and evolving industry standards and we expect competition to intensify. We believe that the principal competitive factors that we face are the ability to innovate; technical expertise and industry knowledge; end-to-end solution offerings; delivery location; price; reputation and track record for high-quality and on-time delivery of work; effective employee recruiting; training and retention; responsiveness to clients' business needs; scale; and financial stability.

Our primary competitors include next-generation IT service providers, such as Globant S.A. and EPAM Systems; digital agencies and consulting companies, such as Ideo, McKinsey & Company, The Omnicom Group, Sapient Corporation and WPP plc; global consulting and traditional IT services companies, such as Accenture PLC, Capgemini SE, Cognizant Technology Solutions Corporation and Tata Consultancy Services Limited; and in-house development departments of our clients. Many of our competitors have substantially greater financial, technical and marketing resources and greater name recognition than we do. As a result, they may be able to compete more aggressively on pricing or devote greater resources to the development and promotion of technology and IT services. Companies based in some

emerging markets also present significant price competition due to their competitive cost structures and tax advantages.

In addition, there are relatively few barriers to entry into our markets and we have faced, and expect to continue to face, competition from new market entrants. Further, there is a risk that our clients may elect to increase their internal resources to satisfy their services needs as opposed to relying on a third-party service providers, such as us. The technology services industry may also undergo consolidation, which may result in increased competition in our target markets from larger firms that may have substantially greater financial, marketing or technical resources, may be able to respond more quickly to new technologies or processes and changes in client demands, and may be able to devote greater resources to the development, promotion and sale of their services than we can. Increased competition could also result in price reductions, reduced operating margins and loss of our market share. We cannot assure you that we

will be able to compete successfully with existing or new competitors or that competitive pressures will not materially adversely affect our business, results of operations and financial condition.

***We are dependent on members of our senior management team and other key employees.***

Our future success heavily depends upon the continued services of our senior management team, particularly John Cotterell, our Chief Executive Officer, and other key employees. We currently do not maintain key man life insurance for any of the members of our senior management team or other key employees. We also do not have long-term employment contracts with all of our key employees. We are only entitled to 12 months' prior notice if our executive officers intend to terminate their respective employment with us and three months' prior notice if any of our other senior executives intend to terminate their respective employment with us. If one or more of our senior executives or key employees are unable or unwilling to continue in their present positions, it could disrupt our business operations, and we may not be able to replace them easily, on a timely basis or at all. In addition, competition for senior executives and key employees in our industry is intense, and we may be unable to retain our senior executives and key employees or attract and retain new senior executives and key employees in the future, in which case our business may be severely disrupted.

If any of our senior management team or key employees joins a competitor or forms a competing company, we may lose clients, suppliers, know-how and IT professionals and staff members to them. Also, if any of our sales executives or other sales personnel, who generally maintain close relationships with our clients, joins a competitor or forms a competing company, we may lose clients to that company, and our revenue may be materially adversely affected. Additionally, there could be unauthorized disclosure or use of our technical knowledge, business practices or procedures by such personnel. Any non-competition, non-solicitation or non-disclosure agreements we have with our senior executives or key employees might not provide effective protection to us in light of legal uncertainties associated with the enforceability of such agreements.

Additionally, we have a number of current employees whose equity ownership in our company gives them a substantial amount of personal wealth. As a result, it may be difficult for us to

continue to retain and motivate these employees, and this wealth could affect their decisions about whether or not they continue to work for us. Further, although the Class B ordinary shares and Class C ordinary shares that are held by our employees are subject to certain restrictions on disposition for periods of up to five years and two years, respectively, following the completion of our initial public offering in July 2018, sales of our ADSs by our employees in the open market or the perception that such sales may occur may negatively impact the market price of our ADSs. The risk that our employees may sell ADSs in the open market may be made more acute as a result of the fact that we do not anticipate paying dividends (as we did in fiscal year 2015 and fiscal year 2016) for the foreseeable future, meaning open market sales may be our employees' only means of generating liquidity from their ownership of our securities.

***Our business will suffer if we are not successful in delivering contracted services.***

Our operating results are dependent on our ability to successfully deliver contracted services in a timely manner. We must consistently build, deliver and support complex projects and managed services. Failure to perform or observe any contractual obligations could damage our relationships with our clients and could result in cancellation or non-renewal of a contract. Some of the challenges we face in delivering contracted services to our clients include:

- maintaining high-quality control and process execution standards;
- maintaining planned resource utilization rates on a consistent basis;
- maintaining employee productivity and implementing necessary process improvements;
- controlling costs;
- maintaining close client contact and high levels of client satisfaction;
- maintaining physical and data security standards required by our clients;
- recruiting and retaining sufficient numbers of skilled IT professionals; and
- maintaining effective client relationships.

If we are unable to deliver on contracted services, our relationships with our clients will suffer and we may be unable to obtain new projects. In addition, it could damage our reputation, cause us to lose business, impact our margins and adversely affect our business and results of operations.

***If we provide inadequate service or cause disruptions in our clients' businesses, it could result in significant costs to us, the loss of our clients and damage to our corporate reputation.***

Any defects or errors or failure to meet clients' expectations in the performance of our contracts could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, error, mistakes or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, certain liabilities, such as claims of third parties for intellectual property infringement and breaches of data protection and security requirements, for which we may be required to indemnify our clients, could be substantial. The successful assertion of one or more large claims against us in amounts greater than those covered by our current insurance policies could materially adversely affect our business, financial condition and results of operations. Even if such assertions against us are unsuccessful, we may incur reputational harm and substantial legal



fees. In addition, a failure or inability to meet a contractual requirement could seriously damage our corporate reputation and limit our ability to attract new business.

In certain instances, we guarantee clients that we will complete a project by a scheduled date or that we will maintain certain service levels. We are generally not subject to monetary penalties for failing to complete projects by the scheduled date, but may suffer reputational harm and loss of future business if we do not meet our contractual commitments. In addition, if the project experiences a performance problem, we may not be able to recover the additional costs we will incur, which could exceed revenue realized from a project. Under our managed service contracts, we may be required to pay liquidated damages if we are unable to maintain agreed-upon service levels.

***Our business depends on a strong brand and corporate reputation.***

Since many of our specific client engagements involve highly tailored solutions, our corporate reputation is a significant factor in our clients' and prospective clients' determination of whether to engage us. We believe the Endava brand name and our reputation are important corporate assets that help distinguish our services from those of our competitors and also contribute to our efforts to recruit and retain talented IT professionals. However, our corporate reputation is susceptible to damage by actions or statements made by current or former employees or clients, competitors, vendors and adversaries in legal proceedings, as well as members of the investment community and the media. There is a risk that negative information about our company, even if based on false rumor or misunderstanding, could adversely affect our business. In particular, damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our employee recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our Endava brand name and could reduce investor confidence in us and adversely affect our operating results.

***If we do not continue to innovate and remain at the forefront of emerging technologies and related market trends, we may lose clients and not remain competitive.***

Our success depends on delivering innovative solutions that leverage emerging technologies and emerging market trends to drive increased revenue. Technological advances and innovation are constant in the technology services industry. As a result, we must continue to invest significant resources to stay abreast of technology developments so that we may continue to deliver solutions that our clients will wish to purchase. If we are unable to anticipate technology developments, enhance our existing services or develop and introduce new services to keep pace with such changes and meet changing client needs, we may lose clients and our revenue and results of operations could suffer. Our results of operation would also suffer if our employees are not responsive to the needs of our clients, not able to help clients in driving innovation and not able to help our clients in effectively bringing innovative ideas to market. Our competitors may be able to offer engineering, design and innovation services that are, or that are perceived to be, substantially similar or better than those we offer. This may force us to reduce our daily rates and to expend significant resources in order to remain competitive, which we may be unable to do profitably or at all. Because many of our clients

and potential clients regularly contract with other IT service providers, these competitive pressures may be more acute than in other industries.

***Our cash flows and results of operations may be adversely affected if we are unable to collect on billed and unbilled receivables from clients.***

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain provisions against receivables. Actual losses on client balances could differ from those that we currently anticipate and, as a result, we may need to adjust our provisions. We may not accurately assess the creditworthiness of our clients. Macroeconomic conditions, such as a potential credit crisis in the global financial system, could also result in financial difficulties for our clients, including limited access to the credit markets, insolvency or bankruptcy. Such conditions could cause clients to delay payment, request modifications of their payment terms, or default on their payment obligations to us, all of which could increase our receivables balance. Timely collection of fees for client services also depends on our ability to complete our contractual commitments and subsequently bill for and collect our contractual service fees. If we are unable to meet our contractual obligations, we might experience delays in the collection of or be unable to collect our client balances, which would adversely affect our results of operations and could adversely affect our cash flows. In addition, if we experience an increase in the time required to bill and collect for our services, our cash flows could be adversely affected, which in turn could adversely affect our ability to make necessary investments and, therefore, our results of operations.

***If we are unable to comply with our security obligations or our computer systems are or become vulnerable to security breaches, we may face reputational damage and lose clients and revenue.***

The services we provide are often critical to our clients' businesses. Certain of our client contracts require us to comply with security obligations, which could include maintaining network security and backup data, ensuring our network is virus-free, maintaining business continuity planning procedures, and verifying the integrity of employees that work with our clients by conducting background checks. Any failure in a client's system, whether or not a result of or related to the services we provide, or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for substantial damages against us. Our liability for breaches of data security requirements, for which we may be required to indemnify our clients, may be extensive. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, and adversely affect our results of operations.

In addition, we often have access to or are required to collect and store confidential client and customer data. If any person, including any of our employees or former employees, penetrates our network security, accidentally exposes our data or code, or misappropriates data or code that belongs to us, our clients, or our clients' customers, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential client and

customer data, whether through breach of our computer systems, systems failure, loss or theft of confidential information or intellectual property belonging to our clients or our clients' customers, or otherwise, could damage our reputation, cause us to lose clients and revenue, and result in financial and other potential losses by us.

***We may be subject to liability claims if we breach our contracts and our insurance may be inadequate to cover our losses.***

We are subject to numerous obligations in our contracts with our clients. Despite the procedures, systems and internal controls we have implemented to comply with our contracts, we may breach these commitments, whether through a weakness in these procedures, systems and internal controls, negligence or the willful act of an employee or contractor. Our insurance policies, including our errors and omissions insurance, may be inadequate to compensate us for the potentially significant losses that may result from claims arising from breaches of our contracts, disruptions in our services, failures or disruptions to our infrastructure, catastrophic events and disasters or otherwise. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

***If we incur any liability for a violation of the intellectual property rights of others, our reputation, business, financial condition and prospects may be adversely affected.***

Our success largely depends on our ability to use and develop our technology, tools, code, methodologies and services without infringing the intellectual property rights of third parties, including patents, copyrights, trade secrets and trademarks. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our services or using technology involving the allegedly infringing intellectual property. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us, whether with or without merit, could, among others things, require us to pay substantial damages, develop substitute non-infringing technology, or rebrand our name or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and would require us to cease making, licensing or using products that have infringed a third party's intellectual property rights. Protracted litigation could also result in existing or potential clients deferring or limiting their purchase or use of our services until resolution of such litigation, or could require us to indemnify our clients against infringement claims in certain instances. Any intellectual property claim or litigation, whether we ultimately win or lose, could damage our reputation and materially adversely affect our business, financial condition and results of operations.

In addition, we typically indemnify clients who purchase our services and solutions against potential infringement of intellectual property rights, which subjects us to the risk of indemnification claims. These claims may require us to initiate or defend protracted and costly litigation on behalf of our clients, regardless of the merits of these claims and are often not subject to liability limits or exclusion of consequential, indirect or punitive damages. If any of these claims succeed, we may be forced to pay damages on behalf of our clients, redesign or cease offering our allegedly infringing services or solutions, or obtain licenses for the

intellectual property such services or solutions allegedly infringe. If we cannot obtain all necessary licenses on commercially reasonable terms, our clients may stop using our services or solutions.

Further, our current and former employees could challenge our exclusive rights to the software they have developed in the course of their employment. In certain countries in which we operate, an employer is deemed to own the copyright work created by its employees during the course, and within the scope, of their employment, but the employer may be required to satisfy additional legal requirements in order to make further use and dispose of such works. While we believe that we have complied with all such requirements, and have fulfilled all requirements necessary to acquire all rights in software developed by our independent contractors, these requirements are often ambiguously defined and enforced. As a result, we may not be successful in defending against any claim by our current or former employees or independent contractors challenging our exclusive rights over the use and transfer of works those employees or independent contractors created or requesting additional compensation for such works.

***We may need additional capital, and a failure by us to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.***

We believe that our current cash balances, cash flow from operations and credit facilities should be sufficient to meet our anticipated cash needs for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities, draw down on our revolving credit facility or obtain another credit facility. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including investors' perception of, and demand for, securities of IT services companies, conditions in the capital markets in which we may seek to raise funds, our future results of operations and financial condition, and general economic and political conditions. Financing may not be available in amounts or on terms acceptable to us, or at all, and could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

***Fluctuations in currency exchange rates and increased inflation could materially adversely affect our financial condition and results of operations.***

We have offices located in Argentina, Bulgaria, Colombia, Denmark, Germany, Macedonia, Moldova, the Netherlands, Romania, Serbia, the United Kingdom, the United States, Uruguay and Venezuela. As a result of the international scope of our operations, fluctuations in exchange rates, particularly between the British Pound, our reporting currency, and the Euro and U.S. dollar, may adversely affect us. Currency fluctuations related to the BREXIT referendum had a significant impact on our financial results for the fiscal year ended June 30, 2018. In the fiscal year ended June 30, 2018, 40.3% of our sales were denominated in the British Pound, 21.2% of our sales were denominated in U.S. dollars, 36.0% were denominated

in Euros and the balance were in other currencies. Conversely, during the same time period, 70.3% of our expenses were denominated in Euros (or in currencies that largely follow the Euro, including the RON) or U.S. Dollars. As a result, strengthening of the Euro or U.S. dollar relative to the British Pound presents the most significant risk to us. Any significant fluctuations in currency exchange rates may have a material impact on our business.

In addition, economies in Central European and Latin American countries have periodically experienced high rates of inflation. Periods of higher inflation may slow economic growth in those countries. As a substantial portion of our expenses (excluding currency losses and changes in deferred tax) are denominated in Euros or in currencies that largely follow the Euro, the relative movement of inflation significantly affects our results of operations. Inflation also is likely to increase some of our costs and expenses, including wages, rents, leases and employee benefit payments, which we may not be able to pass on to our clients and, as a result, may reduce our profitability. To the extent inflation causes these costs to increase, such inflation may materially adversely affect our business. Inflationary pressures could also affect our ability to access financial markets and lead to counter-inflationary measures that may harm our financial condition, results of operations or materially adversely affect the market price of our securities.

***Our revenue, margins, results of operations and financial condition may be materially adversely affected if general economic conditions in Europe, the United States or the global economy worsen.***

We derive a significant portion of our revenue from clients located in Europe and the United States. The technology services industry is particularly sensitive to the economic environment, and tends to decline during general economic downturns. If the U.S. or European economies weaken or slow, pricing for our services may be depressed and our clients may reduce or postpone their technology spending significantly, which may, in turn, lower the demand for our services and negatively affect our revenue and profitability. The BREXIT referendum and the resulting economic uncertainty could adversely impact our operating results unless and until economic conditions in Europe improve and the prospect of national debt defaults in Europe decline. To the extent that these adverse economic conditions continued or worsened, they would likely have a negative effect on our business. If we are unable to successfully anticipate changing economic and political conditions affecting the markets in which we operate, we may be unable to effectively plan for or respond to those changes, and our results of operations could be adversely affected.

***Wage inflation and other compensation expense for our IT professionals could adversely affect our financial results.***

Wage costs for IT professionals in Central European and Latin American countries are lower than comparable wage costs in more developed countries. However, wage costs in the technology services industry in these countries may increase at a faster rate than in the past and wage inflation for the IT industry may be higher than overall wage inflation within these countries. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive, and we may not be able to pass on these increased costs to our clients. Unless we are able to continue to increase the efficiency and productivity of our employees as well as the prices we can charge for our services, wage inflation may materially adversely affect our financial condition and results of operations.

***As a result of becoming a public company, we are obligated to develop and maintain proper and effective internal controls over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our ADSs.***

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the fiscal year beginning on July 1, 2019, which is the first fiscal year beginning after the effective date of our initial public offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the date we are no longer an “emerging growth company,” as defined in the JOBS Act. We will be required to disclose significant changes made in our disclosure controls or internal control procedures on a quarterly basis.

We have commenced the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, and we may not be able to complete our evaluation, testing and any required remediation in a timely fashion. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our ADSs could decline, and we could be subject to sanctions or investigations by the New York Stock Exchange, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital market.

**Brexit Impact**

The main impact of Brexit has been the foreign currency volatility Endava has experienced since the vote in June 2016. This has seen our reporting currency GBP vary against most of the major currencies. GBP strengthened 6% against USD, and weakened 3% against EUR year on year. The nearshore delivery model we deploy results in our revenues being derived in a different currency mix to that of the cost base. Our delivery cost base is mainly denominated in currencies that tend to follow the Euro, with a consequential impact on margins when translated into our reporting currency GBP.

Endava's response is to grow our business outside the UK, principally in North America and Europe to spread and reduce the foreign exchange volatility risk, developing natural currency hedges where we can and seek to increase the proportion of non-GBP billings.

We have not experienced any slowdown in activity from any uncertainty caused by the vote on the UK economy, although there is pressure on rate cards from clients.

**Outlook**

Endava has had a strong year and strengthened our presence in North America and delivery in Latin America following the acquisition of Velocity Partners. Endava will continue to focus on becoming a more international business with a greater proportion of its revenues arising from North America. We have a leadership position in Payments and Financial services and the waves of technology change continue to disrupt the nature of business in the industry sectors that we serve. We continue to monitor these technology waves to ensure we are in a position to identify new industry sectors that would benefit from our services. Brexit will create significant uncertainty in the near term, but we believe Endava is well positioned, through its increased geographic spread, to deal with that uncertainty.

On behalf of the board



**J E COTTERELL**  
**CHIEF EXECUTIVE OFFICER**

22 October 2018

## DIRECTORS' REPORT

### Directors

The directors of the Group who were in office during the year and up to date of signing the financial statements were:

J Cotterell  
M Thurston  
T Smith  
A Allan  
M Kinton  
D Pattillo  
B Druskin (appointed 7 September 2017)

### Directors' Insurance

The Group maintained Directors' and Officers' liability insurance policies on behalf of the Directors of the Group throughout the financial year and remain in force at the approval of these financial statements. These policies meet the Companies Act 2006 definition of a qualifying third party indemnity provision.

### Proposed dividends

No interim dividend was declared or paid in the year. No final ordinary dividend was proposed by the Directors in respect of the current financial year.

### Disclosure of information to auditors

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

### Other information

A review of the business as well as expected future developments, an indication of research and development undertaken in the period, information on financial risk management objectives and risk exposure, and the Group's policy in respect of disabled employees are included in the Strategic Report.

### Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### Liquidity and going concern

At 30 June 2018, the Group had net assets of £69.5m and net current liabilities of £3.0m. The Directors have considered the funding and liquidity position of the Group. Following this review the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

### Post balance sheet events

The Group's post balance sheet events were included in note 33 of the Group financial statements.



### Statement of Directors' responsibilities

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

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

On behalf of the board



**J E COTTERELL**  
**CHIEF EXECUTIVE OFFICER**

22 October 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENDAVA PLC

1. Our opinion is unmodified

We have audited the financial statements of Endava plc ("the Group") for the year ended 30 June 2018 which comprise the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and the related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2018 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
<b>Materiality:</b> group financial statements as a whole	£1.26 (2017:£1m)  4.3% (2017: 5%) of profit before tax excluding IPO costs of £4.6m
<b>Coverage</b>	100% (2017:100%) of group profit before tax
<b>Risks of material misstatement</b>	vs 2017
<b>Recurring risks</b>	None ◀▶

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENDAVA PLC  
(CONTINUED)

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

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

	The risk	Our response
<p><b>Acquired intangible assets: Valuation of customer relationships:</b></p> <p>(£15.2m)</p> <p>Refer to Note 15 and 16 of the group financial statements.</p>	<p><b>The risk – Subjective Valuation:</b></p> <p>There is significant judgement with regard to assumptions and estimates involved in forecasting future cash flows, which form the basis of the assessment of the fair value of intangibles arising out of the Velocity Partners acquisition</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Valuation Specialist:</b> We used our own valuation specialist to independently evaluate the Groups valuation methodology, including an assessment over the weighted average cost of capital calculation, discount rates, internal rates of return and key assumptions.</li> <li>— <b>Test of detail: key assumptions:</b> Forecasted revenue- Evaluated revenue growth by inspecting historical financial statements and comparing growth and growth rates against external data and latest industry information</li> <li>— Customer attrition- Evaluated the attrition rate by considering the current and expected business environment and comparing it to historical trends.</li> <li>— Forecasted cost of goods sold, selling general and admin expenses- Evaluated projected figures against historical trends and % of revenue to assess the reasonableness of managements assumptions.</li> <li>— Tax rate- Evaluated the effective tax rate by inspecting historical tax returns and comparing to industry rate.</li> <li>— Assembled workforce- tested by checking historical cost to supporting documentation and evaluated projected cost against 2018 actual cost to assess for reasonableness</li> <li>— Tax amortisation benefit- we tested this benefit by agreeing inputs to supporting documentation and checking compliance with local legislation.</li> <li>— <b>Assessing transparency:</b> Assessing whether the group's disclosures appropriately disclose fair value considerations related to the valuation of customer relationships.</li> </ul>
<p><b>Parent Company: Recoverability of the Company's investments in subsidiaries:</b></p> <p>(£49.9m; 2019 £36.2m)</p> <p>Refer to Note 1 (accounting policy) and Note 3 (financial disclosures) to Parent Company Financial Statements</p>	<p><b>The risk – low risk/high value:</b></p> <p>The carrying amount of the Company's investments in subsidiaries (£49.9 m) represents 56.6% of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the financial statements, this is considered to be the area that had the greatest effect on our overall audit of the parent company</p>	<p>Our procedures included:</p> <p><i>Tests of detail:</i> We compared the carrying amount of material investments with the relevant subsidiaries' balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.</p> <p><i>Assessing subsidiary audits:</i> We assessed the work performed by the subsidiary audit teams of those subsidiaries where audits are performed and considering the results of that work on those subsidiaries' profits and net assets.</p> <p><i>Our sector experience:</i> For those subsidiaries where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENDAVA PLC  
(CONTINUED)**
**3. Our application of materiality and an overview of the scope of our audit**

Materiality for the Group financial statements as a whole was set at £1.264 million (2017: £1 million), determined with reference to a benchmark of Profit before tax, of which it represents 4.3%.

We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding £63,000 (2017: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit approach is split between two reporting components - the newly acquired Velocity Partners group and the remaining "legacy" Endava group.

**Legacy Endava**

The finance function and reporting for this group is run from Romania and therefore our audit approach mirrors this. The processes/controls and management of the ledgers as well as the consolidation and accounts preparation is carried out in Romania.

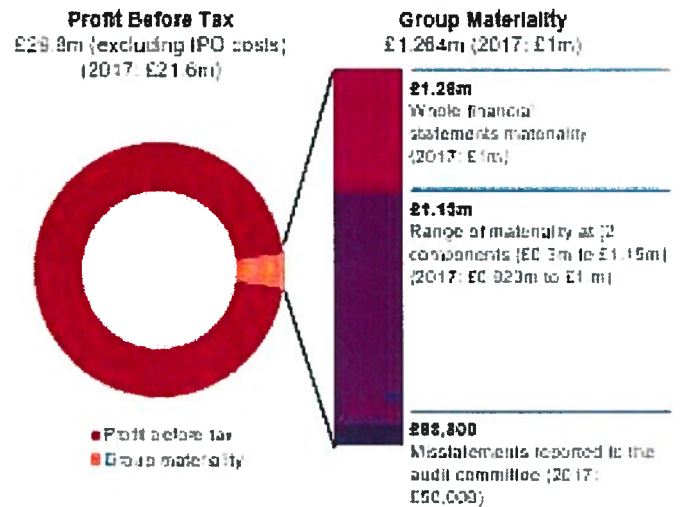
We carried out the audit of the legacy Endava consolidated group as one audit performed by the group team. Endava plc is encompassed as part of the Endava legacy audit.

**Velocity Partners**

The finance function for this group is run out of Seattle and was audited as a separate component.

This audit was carried out remotely by the group team with visits to Seattle to assess audit risk and strategy,

Our overall strategy results in full audit coverage of the group accounts.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENDAVA PLC  
(CONTINUED)**

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

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information

- we have not identified material misstatements in the strategic report and the directors' report,
- in our opinion the information given in those reports for the financial year is consistent with the financial statements, and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

**7. Respective responsibilities**

**Directors' responsibilities**

As explained more fully in their statement set out on page 17, the directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so

**Auditor's responsibilities**

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

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

This report is made solely to the Company's members, as a body, in accordance with 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.



**Tudor Aw**  
Senior Statutory Auditor  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square,  
London, E14 5GL

24 October 2018

**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June**

	NOTE	2018 £'000	2017 £'000 <small>(Restated - see Note 3.2)</small>
<b>REVENUE</b>	5	217,613	159,368
<i>Cost of sales</i>			
Direct cost of sales		(132,775)	(98,853)
Allocated cost of sales		(12,668)	(9,907)
<b>Total cost of sales</b>		<b>(145,443)</b>	<b>(108,760)</b>
<b>GROSS PROFIT</b>		<b>72,170</b>	<b>50,608</b>
Selling, general and administrative expenses		(46,737)	(27,551)
<b>OPERATING PROFIT</b>	6	<b>25,433</b>	<b>23,057</b>
Finance costs	9	(818)	(1,375)
Finance income	10	35	18
<b>Net finance (expense) / income</b>		<b>(783)</b>	<b>(1,357)</b>
<b>PROFIT BEFORE TAX</b>		<b>24,650</b>	<b>21,700</b>
Tax on profit on ordinary activities	11	(5,675)	(4,868)
<b>PROFIT FOR THE YEAR AND PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>		<b>18,975</b>	<b>16,832</b>
<b>EARNINGS PER SHARE (EPS):</b>	13		
<b>BASIC EPS</b>		£0.42	£0.37
<b>DILUTED EPS</b>		£0.38	£0.34
<b>Weighted average number of shares outstanding-basic</b>		<b>45,100,165</b>	<b>45,258,750</b>
<b>Weighted average number of shares outstanding-diluted</b>		<b>50,426,216</b>	<b>49,292,520</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translating foreign operations		(409)	2,520
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>		<b>18,566</b>	<b>19,352</b>

The accompanying notes form an integral part of these financial statements.

**GROUP BALANCE SHEET**  
**As at 30 June**

	NOTE	2018 £'000	2017 £'000
<b>ASSETS – NON CURRENT</b>			
Goodwill	14	41,062	16,198
Intangible assets	16	30,787	16,029
Property, plant and equipment	17	8,584	7,486
Deferred tax assets	12	2,488	867
Other assets - non-current		-	14
<b>TOTAL</b>		<b>82,921</b>	<b>40,594</b>
<b>ASSETS - CURRENT</b>			
Inventories		16	62
Trade and other receivables	19	52,352	41,494
Corporation tax receivable		677	661
Cash and cash equivalents		15,048	23,571
<b>TOTAL</b>		<b>68,093</b>	<b>65,788</b>
<b>TOTAL ASSETS</b>		<b>151,014</b>	<b>106,382</b>
<b>LIABILITIES - CURRENT</b>			
Borrowings	22	19,744	29,402
Trade and other payables	20	40,243	24,358
Corporation tax payable		1,488	1,000
Contingent consideration		5,259	-
Deferred consideration		4,401	-
<b>TOTAL</b>		<b>71,135</b>	<b>54,760</b>
<b>LIABILITIES - NON-CURRENT</b>			
Borrowings	22	20	63
Deferred tax liabilities	12	2,832	2,586
Contingent consideration		7,251	-
Other liabilities – non-current		277	253
<b>TOTAL</b>		<b>10,380</b>	<b>2,902</b>

**GROUP BALANCE SHEET (CONTINUED)**  
 As at 30 June

	NOTE	2018 £'000	2017 £'000
<b>EQUITY</b>			
Share capital	25	996	996
Share premium		2,678	2,678
Merger relief reserve		4,430	4,430
Retained earnings		59,260	38,072
Other reserves		4,410	4,819
Investment in own shares		(2,275)	(2,275)
<b>TOTAL</b>		<b>69,499</b>	<b>48,720</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>151,014</b>	<b>106,382</b>

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 22 October 2018 and are signed on their behalf by:



**JE Cotterell, Director**



**MS Thurston, Director**



**GROUP STATEMENT OF CASH FLOWS**  
**For the year ended 30 June**

	2018 £'000	2017 £'000
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the year</b>	<b>18,975</b>	<b>16,832</b>
Income tax charge	5,675	4,868
Adjustments (note 28)	6,249	3,519
Tax paid	(5,608)	(5,471)
UK research and development credit received	1,854	-
Net changes in working capital (note 28)	6,839	(5,008)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>33,984</b>	<b>14,740</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of non-current assets (tangibles and intangibles)	(5,483)	(6,372)
Proceeds / (Loss) from disposal of non-current assets	(79)	(106)
Acquisition of subsidiaries, consideration in cash	(28,765)	(13,807)
Cash and cash equivalents acquired with subsidiaries	2,342	768
Interest received	35	18
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(31,792)</b>	<b>(19,499)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	26,462	17,007
Repayment of borrowings	(36,768)	(3,462)
Grant received	147	2,924
Interest paid	(573)	(391)
Dividends paid	-	-
Purchase of own shares	-	(1,240)
<b>NET CASH FROM / (USED) IN FINANCING ACTIVITIES</b>	<b>(10,732)</b>	<b>14,838</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,540)</b>	<b>10,079</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>23,571</b>	<b>12,947</b>
<b>NET FOREIGN EXCHANGE DIFFERENCES</b>	<b>17</b>	<b>545</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>15,048</b>	<b>23,571</b>

The accompanying notes form an integral part of these financial statements.

**GROUP STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June**

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	MERGER RELIEF RESERVE £'000	INVESTMENT IN OWN SHARES £'000	RETAINED EARNINGS £'000	CAPITAL REDEMPTION RESERVE £'000	FOREIGN EXCHANGE TRANSLATION RESERVE £'000	TOTAL £'000
<b>BALANCE AT 30 JUNE 2016</b>	<b>996</b>	<b>2,678</b>	<b>4,430</b>	<b>(1,035)</b>	<b>20,425</b>	<b>161</b>	<b>2,138</b>	<b>29,793</b>
Equity-settled share-based payment transactions	-	-	-	-	815	-	-	815
Issue of shares	-	-	-	-	-	-	-	-
Shares purchased by the Employee Benefits Trust	-	-	-	(1,240)	-	-	-	(1,240)
<b>TRANSACTION WITH OWNERS</b>	-	-	-	<b>(1,240)</b>	<b>815</b>	-	-	<b>(425)</b>
Profit for the year	-	-	-	-	16,832	-	-	16,832
Other comprehensive income	-	-	-	-	-	-	2,520	2,520
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>16,832</b>	-	<b>2,520</b>	<b>19,352</b>
<b>BALANCE AT 30 JUNE 2017</b>	<b>996</b>	<b>2,678</b>	<b>4,430</b>	<b>(2,275)</b>	<b>38,072</b>	<b>161</b>	<b>4,658</b>	<b>48,720</b>
Equity-settled share-based payment transactions	-	-	-	-	2,213	-	-	2,213
Issue of shares	-	-	-	-	-	-	-	-
Shares purchased by the Employee Benefits Trust	-	-	-	-	-	-	-	-
<b>TRANSACTION WITH OWNERS</b>	-	-	-	-	<b>2,213</b>	-	-	<b>2,213</b>
Profit for the year	-	-	-	-	18,975	-	-	18,975
Other comprehensive income	-	-	-	-	-	-	(409)	(409)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>18,975</b>	-	<b>(409)</b>	<b>18,566</b>
<b>BALANCE AT 30 JUNE 2018</b>	<b>996</b>	<b>2,678</b>	<b>4,430</b>	<b>(2,275)</b>	<b>59,260</b>	<b>161</b>	<b>4,249</b>	<b>69,499</b>

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE GROUP FINANCIAL STATEMENTS**

For the year ended 30 June

**1. GENERAL INFORMATION****REPORTING ENTITY**

Endava plc (the “Company” and, together with its subsidiaries, the “Group” and each a “Group Entity”) is domiciled in London, United Kingdom. The address of the Company’s registered office is 125 Old Broad Street, London, EC2N 1AR. The Group is a next-generation technology services provider with expertise spanning the ideation-to-production spectrum across three broad solution areas – Digital Evolution, Agile Transformation and Automation.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**

The following standards, interpretations and amendments to existing standards are not yet effective and have not been adopted early by the Group.

***IFRS 9 – “Financial Instruments”***

IFRS 9 Financial Instruments replaces the corresponding requirements of IAS 39 Financial Instruments: Recognition and Measurement and applies to periods beginning on or after 1 January 2018. It includes requirements on the classification of financial assets and financial liabilities; impairment and the effective interest method; and hedge accounting. The Group’s adoption of the standard on 1 July 2018 is not expected to have a material impact on the measurement, presentation or disclosure of financial assets and financial liabilities in the consolidated financial statements.

***IFRS 15 – “Revenue from Contracts with Customers”***

IFRS 15 Revenue from Contracts with Customers provides new guidance for recognising revenue from all contracts with customers, except for contracts within the scope of the IFRS standards on leases, insurance and financial instruments. IFRS 15 requires an entity to recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services, when control of those goods or services transfers to the customer. IFRS 15 also requires expanded qualitative and quantitative disclosures regarding the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers. Furthermore, IFRS 15 requires an entity to recognise (1) certain incremental costs to obtain a contract and (2) certain costs to fulfill a contract as an asset, which the entity must subsequently (a) amortise on a systematic basis that is consistent with the transfer of the goods or services to which the asset relates and (b) evaluate for impairment, if one or more factors or circumstances indicates that the carrying value of the asset may not be recoverable.

The Group will adopt IFRS 15 effective 1 July 2018 on a modified retrospective basis. Under this transition method, the Group will apply the new standard to contracts that are not substantially completed as of 1 July 2018. Management have performed a full assessment of the impact of IFRS 15. The full assessment involved the evaluation of

**APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)**

significant, representative contracts entered into with customers under the five-step model prescribed by IFRS 15. This included a review of the contract acquisition costs, including the Group’s sales commission schemes, to determine whether the Group incurs incremental costs to obtain contracts that must be recognised as an asset and subsequently amortised pursuant to IFRS 15.

The Group had identified contract types, performance obligations and specific contract terms that have been separately evaluated for purposes of revenue recognition under IFRS 15. Since the majority of the Group’s services are charged to clients on a time and materials basis where the revenue generated is both variable and contingent based upon the hours worked by the Group’s employees, the Group’s current revenue policy of recognising revenue as the contract progresses will continue to be appropriate under IFRS 15. For fixed price contracts with milestones, the specific terms and conditions of a contract were reviewed and determined whether the revenue attributable to the contract will be recognised over time or at a point in time.

The Group also utilised all relevant practical expedients available under IFRS 15 for purposes of revenue recognition, including the practical expedient that permits an entity to expense contract acquisition costs as incurred, when the amortisation period for these costs is otherwise expected to be one year or less. The adoption of IFRS 15 will involve additional disclosures but not result in a material change to the 1 July 2018 opening balance sheet.

***IFRS 16 – “Leases”***

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise all leases with a lease term of greater than 12 months in the balance sheet by recognising a right of use asset and a corresponding financial liability to the lessor based on the present value of future lease payments. The new standard also eliminates the distinction between operating and finance leases. The majority of the Group lease portfolio relates to property leases. The Group is performing an assessment of the impact of adoption of IFRS 16 on its consolidated financial statements and related disclosures, which was ongoing at the end of the reporting period.

The Group does not anticipate that adoption of the following IFRSs will have a significant effect on the Group’s consolidated financial statements and related disclosures.

Effective for annual periods beginning on or after January 2018:

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 - Investment Property - Transfers of Investment Property
- Amendments to IFRS 2 - Share-based Payment Transactions - Classification and measurement of Share-based Payment Transactions
- Amendments to IFRS 4 - Insurance contracts - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts

Effective for annual periods beginning on or after January 2019:

- IFRIC 23 - Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation

**APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)**

- Amendments to IAS 28 - Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures
- Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS 2015 - 2017 Cycle

Effective for annual periods beginning on or after January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards

Effective for annual periods beginning on or after January 2021:

- IFRS 17 - Insurance Contracts

**3. SIGNIFICANT ACCOUNTING POLICIES**

**A. GROUP FINANCIAL STATEMENTS**

**1. STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as endorsed by the European Union and which were in effect at 30 June 2018.

**2. BASIS OF PREPARATION AND RESTATEMENT OF 2017 BALANCES**

The consolidated financial statements have been prepared on a historical cost convention, except where IFRS requires or permits fair value measurement.

*Reclassifications*

The Group reviewed its consolidated statement of comprehensive income presentation and determined to reclassify a portion of share-based compensation expense, depreciation and amortisation expense and property costs, including operating lease expense, from selling, general and administrative expenses to cost of sales in order to better reflect the total cost incurred in generating revenue. The Group also divided cost of sales into two categories: direct cost of sales and allocated cost of sales. Direct cost of sales consists primarily of personnel costs, including salary, bonuses, share-based compensation, benefits and travel expenses for the Group’s employees directly involved in delivery of the Group’s services, as well as software licenses and other costs that relate directly to the delivery of services. Allocated cost of sales consists of the portion of depreciation and amortisation expense and property costs, including operating lease expense, related to delivery of the Group’s services.

	2017 £'000
<b>Cost of sales – as previously reported</b>	<b>(98,293)</b>
Share-based compensation	(560)
<b>Direct cost of sales – as restated</b>	<b>(98,853)</b>

Endava plc

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)**

	2017 £'000
<b>Allocated cost of sales – as previously reported</b>	-
Depreciation and amortisation expense	(2,412)
Property costs	(7,495)
<b>Allocated cost of sales – as restated</b>	<b>(9,907)</b>

	2017 £'000
<b>Selling, general and administrative expenses – as previously reported</b>	<b>(33,672)</b>
Depreciation, amortisation and impairment of non-financial assets	(4,346)
Depreciation and amortisation expense allocated to Cost of Sales	2,412
Share-based compensation allocated to Cost of Sales	560
Property costs allocated to Cost of Sales	7,495
<b>Selling, general and administrative expenses – as restated</b>	<b>(27,551)</b>

The depreciation, amortisation and impairment of non-financial assets of £4,346,000 was previously reported as a separate line on the face of the statement of comprehensive income.

The Group believe that the expenses as reclassified provide information that is reliable and more relevant to users of the Group's consolidated financial statements.

The principal accounting policies adopted by the Group in the preparation of the consolidated financial statements are set out below.

### 3. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in British Pound Sterling ("Sterling"), which is the Company's functional currency. All financial information presented in Sterling has been rounded to the nearest thousand, except when otherwise indicated.

### 4. COST OF SALES

The Group divides cost of sales into two categories: direct cost of sales and allocated cost of sales. Direct cost of sales consists primarily of personnel costs, including salary, bonuses, share-based compensation, benefits and travel expenses for the Group's employees directly involved in delivery of the Group's services, as well as software licenses and other costs that relate directly to the delivery of services. Allocated cost of sales consists of the portion of depreciation and amortisation expense and property costs, including operating lease expense, related to delivery of the Group's services.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)****5. USE OF ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

A key area involving estimates and judgment in the year ended 30 June 2018 relates to the accounting for business combinations and share-based compensation.

*Business Combinations*

Business acquisitions are accounted for using the acquisition method. The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognised as goodwill.

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocate the purchase price to the tangible and intangible assets acquired and liabilities assumed based on our best estimate of fair value. We determine the appropriate useful life of intangible assets by performing an analysis of cash flows based on historical experience of the acquired businesses. Intangible assets are amortised over their estimated useful lives based on the pattern in which the economic benefits associated with the asset are expected to be consumed, which to date has approximated the straight-line method of amortisation.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in profit and loss. At the balance sheet date the Group held a financial liability measured at fair value through profit or loss, in respect of contingent consideration, of £11.3 million which was considered a major source of estimation uncertainty. The valuation methodology, key assumptions and narrative sensitivity analysis are disclosed in notes 15 and 21.

Transaction costs associated with business combinations are expensed as incurred and are included in selling, general and administrative expenses.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)**

Other than contingent consideration, there are no assumptions made about the future and other sources of estimation uncertainty at the balance sheet date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities acquired within the next financial year.

*Share-Based Compensation*

We grant share incentive awards to certain of our employees and directors. These compensation arrangements are settled in equity, or in certain cases at our discretion, in cash, at a predetermined price and generally vest over a period of up to five years and, in certain cases, vest in full on a liquidity event involving our company. All vested share incentive awards have a term of five years before expiration. We measure share-based awards at the grant date based on the fair value of the award and we recognize it as a compensation expense over the vesting period. We determine the fair value of our share options using the Black-Scholes option-pricing model.

The Black-Scholes option pricing model requires the input of subjective assumptions, including assumptions about the expected life of share-based awards, share price volatility, risk-free interest rate, expected dividend yield and the fair value of our ordinary shares. Prior to the completion of our initial public offering, we relied, in part, on valuation reports prepared by unrelated third-party valuation firms to assist us in valuing our share-based awards.

In conducting these valuations, the third-party firm considered objective and subjective factors that it believed to be relevant for each valuation conducted, including its best estimate of our business condition, prospects, and operating performance at each valuation date. Within the valuations performed, a range of factors, assumptions, and methodologies were used. The significant factors considered included:

- the prices at which our ordinary shares were transferred in contemporaneous arm's length transactions;
- the lack of an active public market for our ordinary shares;
- the material risks related to our business and industry;
- our business strategy;
  
- the market performance of publicly traded companies in the technology services sectors; and
- the likelihood of achieving a liquidity event for the holders of our ordinary shares, such as an initial public offering, given prevailing market conditions.

Following the completion of our initial public offering, the fair value of our ordinary shares will be determined based on the closing price of our ADSs on the New York Stock Exchange.



**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)****6. GOING CONCERN**

The Board has reviewed the Group's business plan and forecasts for a period at least 12 months from the signing of these financial statements. This review took into consideration facilities available to the Group and access to capital markets now that the Group is publicly listed. As a result of such review, the Board believes that the Group has adequate resources to continue operations for the foreseeable future, being at least 12 months from the signing of these financial statements, and accordingly continue to adopt the going concern basis in preparing the consolidated financial statements.

**7. BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group made up to 30 June each year.

**(i) Business combinations**

Business acquisitions are accounted for using the acquisition method. The results of businesses acquired in a business combination are included in the consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognised as goodwill.

The Group performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocates the purchase price to the tangible and intangible assets acquired and liabilities assumed based on management's best estimate of fair value. The Group determines the appropriate useful life of intangible assets by performing an analysis of cash flows based on historical experience of the acquired businesses. Intangible assets are amortised over their estimated useful lives based on the pattern in which the economic benefits associated with the asset are expected to be consumed, which to date has approximated the straight-line method of amortisation.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in statement of comprehensive income.

Transaction costs associated with business combinations are expensed as incurred and are included in selling, general and administrative expenses.

**(ii) Subsidiaries**

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)****(iii) Transactions eliminated on consolidation**

All transactions and balances between Group Entities are eliminated on consolidation, including unrealised gains and losses on transactions between Group Entities. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

**8. FOREIGN CURRENCY****(i) Foreign Currency balances and transactions**

Foreign currency transactions are translated into the functional currency of the applicable Group Entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in statement of comprehensive income. Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**(ii) Foreign operations**

In the consolidated financial statements, all assets, liabilities and transactions of Group Entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate. Income and expenses have been translated into Sterling at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to statement of comprehensive income and are recognised as part of the gain or loss on disposal.

**9. FINANCIAL INSTRUMENTS****(i) Recognition, initial measurement and de-recognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)*****Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect is immaterial. The Group's cash and cash equivalents, trade and substantially all other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss ("FVTPL") include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category. Assets in this category are measured at fair value with gains or losses recognised in the statement of comprehensive income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**(ii) Classification and subsequent measurement of financial assets**

All financial assets except for those at FVTPL are subject to review for impairment at least at 30 June of each year to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

**(iii) Classification and subsequent measurement of financial liabilities**

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)**

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within selling, general and administrative expenses.

**10. PROPERTY, PLANT AND EQUIPMENT****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of an item of property, plant and equipment comprises:

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between net proceeds from disposal and the carrying amount of the item) is recognised in the statement of comprehensive income.

**(ii) Subsequent costs**

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

**(iii) Depreciation**

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the leased term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)**

Computers and equipment	3 years
Fixtures and fittings	5 years
Motor vehicles	5 years

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

**11. INTANGIBLE ASSETS AND GOODWILL**
**(i) Goodwill**

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in our business combinations. Goodwill is not amortised and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets generated by new acquisitions are separately assessed for impairment in the year in which the acquisition occurred and are assessed on a consolidated basis with all other acquired intangible assets beginning in the year following the acquisition.

Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of the Group's use of the acquired assets or the strategy for the Group's overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

If the fair value of the reporting unit is less than book value, the carrying amount of the goodwill is compared to its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognised intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognised in an amount equal to the excess. The Group tests for goodwill impairment on June 30 of each year.

**(ii) Other intangible assets**

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets that are acquired by the Group in a business combination and have finite useful lives are measured at fair value at acquisition date less accumulated amortisation and accumulated impairment losses.

**(iii) Subsequent expenditure**

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as incurred.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)**
**(iv) Amortisation**

Except for goodwill, intangible assets are amortised on a straight-line basis in the statement of comprehensive income over their estimated useful lives, from the date they are available for use.

Client relationship	5 - 10 years
Non-compete agreement	3 years
Computer software	3 – 10 years
Licences	Shorter of licence period and up to 3 years

**12. LEASE AGREEMENTS**
**(i) Finance lease agreements**

Where the Group enters into a lease that entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as property, plant and equipment and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within borrowings. Rentals payable are apportioned between the finance element, which is charged to the statement of comprehensive income on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

**(ii) Operating lease agreements**

Rental payments applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Lease incentives (such as rent-free periods or contributions by the lessor to the lessee's relocation costs) are considered an integral part of the consideration for the use of the leased asset. Incentives are treated as a reduction of lease income or lease expense. As they are an integral part of the net consideration agreed for the use of the leased asset, incentives are recognised by both the lessor and the lessee over the lease term, with each party using a single amortisation method applied to the net consideration.

**(iii) Lease payments**

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

**(iv) Determining whether an arrangement contains a lease**

At the inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains the right to use the asset(s).

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)****13. IMPAIRMENT****(i) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting period to determine whether there is any indication of impairment. Goodwill and indefinite-lived intangible assets are tested at least annually for impairment.

For impairment assessment purposes, non-financial assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in use.

To determine the value-in-use, management estimates expected future cash flows from each cash generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

**(ii) Non-derivative financial assets**

A financial asset not classified as at fair value to profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)****14. EMPLOYEE BENEFITS****(i) Termination benefits**

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic probability of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits of voluntary redundancies are recognised as an expense if the Group has made an offer to voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

**(ii) Short-term employee benefits**

Short-term employee benefit obligations are measured at an undiscounted basis and are expenses as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the statement of comprehensive income.

**(iii) Employee benefit trust**

All assets and liabilities of the Endava Limited Guernsey Employee Benefit Trust (“the EBT”) have been consolidated in the consolidated financial statements as the Group has de facto control over the EBT’s net assets. Any assets held by the EBT cease to be recognised on the Group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against equity of the Group. The proceeds from the sale of own shares held by the EBT increases shareholders’ funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group’s statement of comprehensive income.

**(iv) Employee share schemes and share based payments**

The Group issues equity settled share options to its employees. The payments are measured at fair value at date of grant. The fair value of the share options issued is expensed to the statement of comprehensive income account on a straight line basis over the vesting period, based on the Group’s estimate of the number of options that will eventually vest, updated at each balance sheet date.



**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)****15. PROVISIONS**

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. The unwinding of the discount is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

**16. REVENUE**

The Group generates revenue primarily from the provision of its services and recognise revenue in accordance with IAS 18 – “Revenue.” Revenue is measured at fair value of the consideration received, excluding discounts, rebates, taxes and duties. The Group’s services are generally performed under time-and-material based contracts (where materials consist of travel and out-of-pocket expenses), fixed-price contracts and managed service contracts.

Under time-and-materials based contracts, the Group charges for services based on daily or hourly rates and bills and collects monthly in arrears. Revenue from time-and-materials contracts is recognised as services are performed, with the corresponding cost of providing those services reflected as cost of sales when incurred.

Under fixed-price contracts, the Group bills and collects monthly throughout the period of performance. Revenue is recognised based on the percentage of completion method, with the percentage of completion typically assessed using cost measures. Under this method, revenue is recognised in the accounting periods in which the associated services are rendered. In instances where final acceptance of a deliverable is specified by the client and there is risk or uncertainty of acceptance, revenue is deferred until all acceptance criteria have been met. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known.

## SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)

Under managed service contracts, the Group typically bills and collects upon executing the applicable contract and typically recognises revenue over the service period on a straight-line basis. Certain of the Group's managed service contracts contain service-level commitments regarding availability, responsiveness, security, incident response and/or fulfillment of service and change requests. To the extent the Group has material uncertainty regarding its ability to comply with a service-level commitment, recognition of revenue related to the applicable contract would be deferred until the uncertainty is resolved and revenue recognised would be restricted to the extent of any provision made for potential damages or service-level credits. Further, to the extent the Group believes that it is probable that an outflow of resources may be required to address non-compliance with a service-level commitment, a provision would be made to cover the expected cost.

With respect to all types of contracts, revenue is only recognized when (i) the amount of revenue can be recognised reliably, (ii) it is probable that there will be a flow of economic benefits and (iii) any costs incurred are expected to be recoverable. Anticipated profit margins on contracts is reviewed monthly by the Group and, should it be deemed probable that a contract will be unprofitable, any foreseeable loss would be immediately recognised in full and provision would be made to cover the lower of the cost of fulfilling the contact and the cost of exiting the contract.

### 17. GOVERNMENT GRANTS

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. They exclude those forms of government assistance that cannot reasonably have a value placed upon them and transactions with government that cannot be distinguished from the normal trading transactions of the entity. Government grants are accounted for using the income approach under which they are recognised in the statement of comprehensive income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Following IAS 20 presentation options, the Group presents the grant related to income as a deduction from the related expense.

### 18. FINANCE INCOME AND FINANCE COSTS

Finance costs consist primarily of interest expense on borrowings and unwinding of the discount on acquisition holdbacks and contingent consideration. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of comprehensive income using the effective interest method.

Finance income consists of interest income on funds invested. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Finance income and finance costs also reflect the net effect of realized and unrealized foreign currency exchange gains and losses.

**SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)****19. INCOME TAXES**

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Amounts receivable in respect of research and development tax credits are recognised in the financial statements in the year in which the related expenditure was incurred, provided there is sufficient evidence that these amounts are recoverable. These credits are recognised within cost of sales in the group statement of comprehensive income.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective periods of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the statement of comprehensive income, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

## SIGNIFICANT ACCOUNTING POLICIES – GROUP (CONTINUED)

### 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

### 21. EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- Translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Sterling;
- Capital redemption reserve is created to maintain the statutory capital maintenance requirements of the Companies Act 2006;
- Merger relief reserve balance represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in a business combination;
- Retained earnings include all current and prior period retained profits.

All transactions with equity shareholders of the Company are recorded separately within equity. Dividend distributions payable to equity shareholders of the Company are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Investment in own shares represents shares held by the EBT.

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by dividing the profit or loss attributable to equity holders of the Company, adjusted by fair value movement of financial liabilities and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include awards under share award schemes and share options granted to employees.

### 22. SHARE SPLIT

On July 6, 2018, the Company completed a five for one share split of each class of ordinary shares. This share split has been retrospectively reflected in the financial statements impacting earnings per share calculations and disclosures regarding the number of ordinary shares. This is reflected in Notes 13, 25, 27 and 33 of these financial statements.

#### 4. OPERATING SEGMENT ANALYSIS

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM") in deciding on how to allocate resources and in assessing performance. The Company's CODM is considered to be the Company's chief executive officer ("CEO"). The CEO reviews financial information presented on a Group level basis for purposes of making operating decisions and assessing financial performance. Therefore, the Group has determined that it operates in a single operating and reportable segment.

##### *Major Customer*

Worldpay (UK) Limited, or Worldpay, was our largest client for each of the last three fiscal years, contributing 10.8%, 13.0% and 15.6% of our total revenue in fiscal 2018, 2017 and 2016, respectively.

##### *Geographical Information of Group's Non-Current Assets*

Geographical information about the Group's non-current assets (excluding deferred tax asset) is based on locations where the assets are accumulated:

	2018 £'000	2017 £'000
UK	27,209	27,028
North America	45,717	6,350
Europe	5,246	4,996
Other	2,261	1,339
<b>TOTAL</b>	<b>80,433</b>	<b>39,713</b>

#### 5. REVENUE

Revenue recognised in the Consolidated Statement of Comprehensive Income is analysed into the following geography split, based on where the service is being delivered to:

	2018 £'000	2017 £'000
UK	98,571	79,938
North America	45,600	25,944
Europe	73,442	53,486
<b>TOTAL</b>	<b>217,613</b>	<b>159,368</b>

**6. OPERATING PROFIT**

	2018 £'000	2017 £'000
<b>OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING):</b>		
Depreciation and impairment of owned property, plant and equipment	3,266	2,470
Depreciation of assets held under finance leases	72	62
Impairment of non-current assets (tangibles and intangibles)	19	-
Amortisation of intangible assets	2,912	1,814
Gain on disposal of property, plant and equipment	(79)	(16)
Loss on disposal of property, plant and equipment	74	122
Research & development expenditure credit	(1,008)	(1,322)
Government grants	(1,633)	(1,691)
Share-based compensation	1,505	854
Initial public offering preparation costs	4,643	-
<b>OPERATING LEASE COSTS:</b>		
Land and buildings	8,444	6,443

Initial public offering preparation costs include professional fees incurred in the Group's preparation for an initial public offering of the Company's ordinary shares.

**AUDITOR'S REMUNERATION:**

The Group paid the following amounts to its auditors in respect of the audit of the historical financial information and for other services provided to the Group:

Audit of the financial statements	437	126
Subsidiary local statutory audits	85	89
<b>TOTAL AUDIT FEES</b>	<b>522</b>	<b>215</b>
Initial public offering fees	655	-
<b>TOTAL AUDIT RELATED FEES</b>	<b>655</b>	<b>-</b>
<b>TOTAL AUDITOR'S REMUNERATION</b>	<b>1,177</b>	<b>215</b>

**7. PARTICULARS OF EMPLOYEES**

	2018	2017
<b>AVERAGE NUMBER OF STAFF EMPLOYED BY THE GROUP DURING THE YEAR</b>		
Number of operational staff	3,957	3,181
Number of administrative staff	373	283
Number of management staff	7	7
<b>TOTAL</b>	<b>4,337</b>	<b>3,471</b>
	2018 £'000	2017 £'000

**AGGREGATE PAYROLL COSTS OF THE ABOVE WERE:**

Wages and salaries	122,166	82,894
Social security and pension costs	15,336	14,850
Share option charge	1,505	854
<b>TOTAL</b>	<b>139,007</b>	<b>98,598</b>

**8. KEY MANAGEMENT REMUNERATION**

The compensation of the members of our Board of Directors was:

	2018 £'000	2017 £'000
Remuneration paid	1,204	865
Company contribution to pension scheme	50	41
Share-based compensation	107	79
<b>TOTAL</b>	<b>1,361</b>	<b>985</b>

**EMOLUMENTS OF HIGHEST PAID DIRECTOR:**

Remuneration paid	589	400
Company contribution to pension scheme	34	31
Share-based compensation	25	27
<b>TOTAL</b>	<b>648</b>	<b>458</b>

There were 2 directors who were members of a pension scheme during the year (2017: 2).

The highest paid director did not exercise share options in the year (2017: £nil) and did not receive shares under a long-term incentive scheme.

**9. FINANCE COSTS**

	2018 £'000	2017 £'000
Interest charge on bank borrowings	561	286
Interest payable on leases	8	22
Foreign exchange loss	17	967
Other interest charge	3	100
Fair value movement of financial liabilities	229	-
<b>TOTAL</b>	<b>818</b>	<b>1,375</b>

**10. FINANCE INCOME**

	2018 £'000	2017 £'000
Interest income on bank deposits	26	15
Other interest income	9	3
<b>TOTAL</b>	<b>35</b>	<b>18</b>

**11. TAX ON PROFIT ON ORDINARY ACTIVITIES**
**ANALYSIS OF CHARGE / (CREDIT) IN THE YEAR**

	2018 £'000	2017 £'000
UK Corporation tax based on the results for the year ended 30 June 2018 at 19% (2017: 19.75%)	1,977	1,664
Overseas tax	4,048	3,066
<b>CURRENT TAX</b>	<b>6,025</b>	<b>4,730</b>
<b>DEFERRED TAX</b>	<b>(350)</b>	<b>138</b>
<b>TOTAL TAX</b>	<b>5,675</b>	<b>4,868</b>

The standard rate of corporation tax in the UK fell from 20% to 19% with effect from 1 April 2017. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantially enacted on 15 September 2016.



**TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**
**RECONCILIATION OF THE TAX RATE ON GROUP PROFITS**

	2018		2017	
	£'000	%	£'000	%
<b>Profit on ordinary activities before taxation</b>	<b>24,650</b>	<b>-</b>	<b>21,700</b>	<b>-</b>
Profit on ordinary activities at UK statutory rate	4,684	19.0%	4,286	19.8%
Differences in overseas tax rates	(359)	(1.5%)	(219)	(1.0%)
Impact of share-based compensation	150	0.6%	56	0.2%
Utilisation of previously unrecognised tax losses	(2)	(0.0%)	(2)	(0.0%)
Other permanent differences	1,030	4.2%	258	1.2%
Adjustments related to prior periods	(73)	(0.3%)	292	1.3%
Tax on unremitted earnings/withholding tax on dividends	185	0.8%	197	0.9%
Impact of rate change on deferred tax	60	0.2%	-	-
<b>TOTAL</b>	<b>5,675</b>	<b>23.0%</b>	<b>4,868</b>	<b>22.4%</b>

The other permanent differences of £1,030,000 mainly related to certain expenses of the initial public offering that are not expected to be tax deductible in any jurisdiction.

**TAX ON ITEMS CHARGED TO EQUITY AND STATEMENT OF COMPREHENSIVE INCOME**

	2018 £'000	2017 £'000
Share-based compensation	(1,090)	(42)
<b>TOTAL CREDIT TO EQUITY AND STATEMENT OF COMPREHENSIVE INCOME</b>	<b>(1,090)</b>	<b>(42)</b>

**UNREMITTED EARNINGS**

The aggregate amount of unremitted profits at 30 June 2018 was approximately £21,000,000 (2017 - £24,000,000). The movement during the year reflects profits made in various territories outside of the United Kingdom and repatriation of such profits through various dividend payments to Endava plc. UK legislation relating to company distributions provides for exemption from tax for most repatriated profits. Deferred taxation of £385,000 has been provided on these profits as of 30 June 2018 (2017 - £142,000).

**12. DEFERRED TAX ASSETS AND LIABILITIES**

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

DEFERRED TAX 2017	AT 1 JULY 2017 £'000	EXCHANGE ADJUSTMENTS £'000	CREDIT / (CHARGE) TO PROFIT AND LOSS £'000	CREDIT TO EQUITY £'000	ACQUISITION £'000	AT 30 JUNE 2018 £'000
Accelerated capital allowances	(76)	(2)	(9)	-	-	(87)
Tax losses	227	-	(165)	-	-	62
Share based payments	271	-	309	1,090	-	1,670
Intangibles assets	(2,490)	(61)	462	-	-	(2,089)
Other temporary differences	349	(2)	(247)	-	-	100
<b>TOTAL</b>	<b>(1,719)</b>	<b>(65)</b>	<b>350</b>	<b>1,090</b>	<b>-</b>	<b>(344)</b>

DEFERRED TAX 2017	AT 1 JULY 2016 £'000	EXCHANGE ADJUSTMENTS £'000	CREDIT / (CHARGE) TO PROFIT AND LOSS £'000	CREDIT TO EQUITY £'000	ACQUISITION £'000	AT 30 JUNE 2017 £'000
Accelerated capital allowances	(34)	-	(42)	-	-	(76)
Tax losses	312	15	(100)	-	-	227
Share based payments	117	(1)	113	42	-	271
Intangibles assets	(1,543)	(141)	269	-	(1,075)	(2,490)
Other temporary differences	724	3	(378)	-	-	349
<b>TOTAL</b>	<b>(424)</b>	<b>(124)</b>	<b>(138)</b>	<b>42</b>	<b>(1,075)</b>	<b>(1,719)</b>

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**DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

The deferred tax charge to the income statement relating to changes in tax rates is £60,000 (2017 - £nil). All other deferred tax movements arise from the origination and reversal of temporary differences. Deferred tax assets are recognised to the extent it is probable that taxable profits will be generated against which those assets can be utilised.

After offsetting deferred tax assets and liabilities where appropriate within territories, the net deferred tax asset comprises:

	2018 £'000	2017 £'000
Deferred tax assets	2,488	867
Deferred tax liabilities	(2,832)	(2,586)
<b>NET DEFERRED TAX</b>	<b>(344)</b>	<b>(1,719)</b>

**13. EARNINGS PER SHARE**
**BASIC EARNINGS PER SHARE**

Basic earnings per share ("EPS") is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2018 £'000	2017 £'000
Profit for the year attributable to equity holders of the Company	18,975	16,832

	2018	2017
Weighted average number of shares outstanding	45,100,165	45,258,750

	2018	2017
Earnings per share – basic (£)	0.42	0.37

The Group's weighted average number of shares outstanding has been adjusted by the number of shares held by the EBT. The 2017 comparator has also been adjusted.

**DILUTED EARNINGS PER SHARE**

Diluted EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of shares that would be issued if all dilutive potential ordinary shares were converted into ordinary shares. In accordance with IAS 33, the dilutive earnings per share are without reference to adjustments in respect of outstanding shares when the impact would be anti-dilutive.

## EARNINGS PER SHARE (CONTINUED)

	2018 £'000	2017 £'000
Profit for the year attributable to equity holders of the Company	18,975	16,832
Fair value movement of financial liabilities	126	-
<b>profit for the year attributable to equity holders of the company including impact of fair value adjustment of contingent consideration</b>	<b>19,101</b>	<b>16,832</b>
	2018	2017
Weighted average number of shares outstanding	45,100,165	45,258,750
Diluted by: options in issue and contingent shares	5,326,051	4,033,770
<b>Weighted average number of shares outstanding (diluted)</b>	<b>50,426,216</b>	<b>49,292,520</b>
Earnings per share – diluted (£)	0.38	0.34

## 14. GOODWILL

GROUP 2018	£'000
<b>COST AND NET BOOK VALUE</b>	
<b>At 1 July 2017</b>	<b>16,198</b>
Acquired through business combinations	24,212
Effect of foreign exchange translations	652
<b>AT 30 JUNE 2018</b>	<b>41,062</b>
GROUP 2017	£'000
<b>COST AND NET BOOK VALUE</b>	
<b>At 1 July 2016</b>	<b>11,321</b>
Acquired through business combinations	4,200
Effect of foreign exchange translations	677
<b>AT 30 JUNE 2017</b>	<b>16,198</b>

The Group has one Cash Generating Unit ("CGU") and accordingly goodwill is reported under one CGU.

**GOODWILL (CONTINUED)**

During 2018, the Group acquired 100% of Velocity Partners, LLC (“Velocity Partners”) voting rights and obtained control of Velocity Partners, which resulted in an increase in goodwill of £24,212,000. All goodwill is recorded in local currency. Additions are converted at the exchange rate on the date of the transaction and the goodwill at the end of the year is stated at closing exchange rates.

During 2017, the Group acquired 100% of Integrated Systems Development Corporation (“ISDC”) voting rights and obtained control of ISDC, which resulted in an increase in goodwill of £4,200,000. All goodwill is recorded in local currency. Additions are converted at the exchange rate on the date of the transaction and the goodwill at the end of the year is stated at closing exchange rates.

**GOODWILL IMPAIRMENT TESTING**

Goodwill is not amortised and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

For the year ended 30 June 2018, the Board reviewed the value of goodwill based on internal value in use calculations. The key assumptions for these calculations are discount rates, growth rates and expected changes to gross margins during the period. The growth rates for the analysed period are based on management’s expectations of the medium-term performance of the acquired businesses, planned growth market shares, industry forecasts and growth in the market. These calculations used five-year cash flow projections based on financial budgets approved by management and assumed a 1.5% terminal growth rate thereafter.

The key assumptions used in the assessments for the years ended 30 June 2018 and 2017 are as follows:

	2018	2017
Growth rate	20%	25%
Discount rate	15.7%	19.5%
Terminal growth rate	1.5%	1.5%

Management’s impairment assessment for 2018 and 2017 indicates value in use substantially in excess of the carrying value of goodwill. Management therefore believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

As at 30 June 2018 and 30 June 2017, there were no indicators of impairment that suggested that the carrying amount of the Group’s goodwill is not recoverable.

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**15. ACQUISITION OF SUBSIDIARIES**
**ACQUISITION OF VELOCITY PARTNERS**

On 29 December 2017 (the "Acquisition Date"), the Group entered into an Equity Purchase Agreement ("the Purchase Agreement") pursuant to which the Group acquired all of the issued and outstanding equity of Velocity Partners, LLC ("Velocity Partners"). Velocity Partners is based in Seattle, Washington and provides software development services to clients based in North America. Following the acquisition, 527 employees of Velocity Partners became part of the Group.

The acquisition accounting for the Velocity Partners acquisition was considered final as at 30 June 2018.

Total consideration includes elements of cash, contingent consideration and deferred compensation. Under the Purchase Agreement, there are other amounts that are payable in future periods based on the continued service of certain employees of Velocity Partners. Any amounts based on continued service provided to the post-combination entity have been excluded from consideration and will instead be accounted for as ongoing remuneration. The following table summarises the acquisition date fair values of each major class of consideration transferred:

	<b>£'000</b>
Initial cash consideration	28,586
Fair value of deferred consideration	4,198
Fair value of contingent consideration	10,933
Fair value of tax refund consideration	1,170
<b>TOTAL CONSIDERATION TRANSFERRED</b>	<b>44,887</b>

Under the Purchase Agreement, the Group paid to the former equity holders of Velocity Partners a cash purchase price of £28.6 million. In addition, the Group recognised a fair value of £4.2 million of deferred consideration attributed to a holdback amount, of which £3.0 million is payable one year after the Acquisition Date and £1.5 million is payable within 18-months of the Acquisition Date.

The contingent consideration ultimately may be settled with cash, equity or a combination of both cash and equity, based upon a number of conditions specified in the Purchase Agreement. The factors that will determine the portion of the contingent consideration that ultimately must be settled in cash include (1) whether the Group completes an IPO prior to the third anniversary of the Acquisition Date, (2) the timing of any future IPO event that may occur and (3) the weighted average trading price of the Group's Class A ordinary shares (including in the form of American Depositary Shares) during the initial 30-day period immediately following any IPO event. During the 3-year period immediately following the Acquisition Date, the Group will pay cash in an amount equal to approximately one third of the contingent consideration, plus a supplemental cash amount, on each anniversary date that passes prior to the consummation of an IPO. Upon consummation of an IPO, equity becomes the initial means of settlement of any portion of the contingent consideration not previously settled in

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**ACQUISITION OF SUBSIDIARIES (CONTINUED)**

cash upon the passage of an anniversary of the Acquisition Date. The maximum number of shares issuable upon the occurrence of an IPO is 1,125,035 shares, dependent on the timing of the occurrence of an IPO. However, the Group may be required to supplement the equity issuance with additional cash consideration, based on the average trading price of the Group's Class A ordinary shares (including in the form of American Depositary Shares) during the 30-day period immediately following the IPO. The total cash to be paid will not exceed £12.1 million under any circumstances.

In accordance with IFRS 13 "Fair Value Measurement," the Group measures its contingent consideration liability recognised in connection with the acquisition of Velocity Partners at fair value (the "contingent equity consideration"). Since the IPO happened on 27 July 2018, the fair value of the contingent consideration has increased because the closing price achieved on IPO was higher than the price valuation used at 30 June 2018. This was accounted for as a non-adjusting post balance sheet event.

The tax refund consideration of £1.2 million represents the amounts due to the former equity holders of Velocity Partners if we receive certain future tax refunds. As part of Velocity Partner's closing balance sheet as of the acquisition date, Velocity Partners has recorded a \$0.5 million tax receivable for a Washington State tax refund for the periods from 2010-2013 and \$1.1 million value-added tax receivable in Argentina, recorded in other receivables. In the instance Velocity Partners receives proceeds under either of these tax refunds, they are owed to the seller as part of the terms of the Equity Purchase Agreement.

The Company's preliminary allocation of the total purchase consideration amongst the net assets acquired is as follows:

	<b>FAIR VALUE £'000</b>
Intangible asset - client relationship	15,214
Property, plant and equipment	932
Trade and other receivables	6,045
Cash and cash equivalents	2,342
Trade and other payables	(3,792)
Corporation tax payable	(39)
Deferred tax liability	(27)
<b>TOTAL NET ASSETS ACQUIRED</b>	<b>20,675</b>

Other than intangible assets, there were no differences between the fair values and the book values of net assets acquired at acquisition.

Intangible assets subject to valuation include customer relationships. Other immaterial intangibles assets that exist include the Velocity Partners trade name and a non-compete

**ACQUISITION OF SUBSIDIARIES (CONTINUED)**

agreement. The multi period excess earnings method ("MPEEM") was applied to determine the fair value of the customer relationship intangible asset. The fair value determined under this approach is a function of the following: (1) future revenues expected to be generated by these assets and the profitability of these assets; (2) identification of the contribution of other tangible and intangible assets to the cash flows of these assets to apply an appropriate capital charge against the cash flows; and (3) determination of the appropriate risk-adjusted discount rate to calculate the present value of the stream of anticipated cash flows.

An estimate was made by the Group regarding the amount of future revenues that could be attributed to Velocity Partners' customers that existed as of the acquisition date. This revenue projection was based on recurring revenue from existing customers prior to any customer attrition. As the estimate of fair value for the customer related asset is based on MPEEM, consideration was given to contributions to earnings from "contributory assets" other than customer relationships, in order to isolate the cash flows attributable to the customer related asset inclusive of other assets. The after-tax residual cash flows attributable to existing customers were adjusted for attrition and discounted to a present value. The fair value of the assembled workforce acquired is included in the amount initially recorded as goodwill.

**DEFERRED TAX**

The deferred tax liability at acquisition on the customer relationship was zero as the tax base at the date of acquisition was equal to the carrying value. Over time, a temporary difference will arise and applicable U.S. tax rates will be applied to arrive at the deferred tax balance.

**GOODWILL**

Goodwill arising from the acquisition has been recognised as follows:

	£'000
Consideration transferred	44,887
Fair value of identifiable net assets	(20,675)
<b>GOODWILL</b>	<b>24,212</b>

Goodwill relates to the benefit of expected synergies, future market development (including future growth potential from new clients) and the possibility of innovation and expansion by utilising a larger workforce. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

**REVENUE AND PROFIT OF VELOCITY PARTNERS FROM ACQUISITION DATE TO 30 JUNE 2018**

	£'000
Revenue	15,281
Profit	2,635



**ACQUISITION OF SUBSIDIARIES (CONTINUED)**
**REVENUE AND PROFIT OF VELOCITY PARTNERS FOR CURRENT REPORTING PERIOD (HAD THE ACQUISITION OCCURRED AT THE BEGINNING OF THE REPORTING PERIOD)**

	<b>£'000</b>
Revenue	30,383
Profit	4,327

**ACQUISITION RELATED COSTS**

	<b>£'000</b>
Legal and professional fees	1,233

**ACQUISITION OF ISDC**

On 2 September 2016, the Group acquired 100% of ISDC voting rights and obtained control of ISDC. ISDC conducts its operations in the Netherlands, Romania and Bulgaria. Following the acquisition, 286 employees of ISDC became part of the Group.

**CONSIDERATION TRANSFERRED**

The following table summarises the acquisition date fair values of each major class of consideration transferred:

	<b>£'000</b>
Cash	8,862
<b>TOTAL CONSIDERATION TRANSFERRED</b>	<b>8,862</b>

**ACQUISITION OF SUBSIDIARIES (CONTINUED)**
**IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED**

Assets acquired and liabilities assumed on the day of the acquisition were as follows:

	<b>FAIR VALUE £'000</b>
Client relationship	4,301
Property, plant and equipment	323
Trade and other receivables	1,739
Cash and cash equivalents	768
Trade and other payables	(648)
Other taxation and social security	(430)
Corporation tax payable	(17)
Borrowings	(196)
Other liabilities	(103)
Deferred tax liability	(1,075)
<b>TOTAL NET ASSETS ACQUIRED</b>	<b>4,662</b>

**MEASUREMENT OF FAIR VALUES**
**INTANGIBLE ASSETS**

The multi-period excess earnings method ("MEEM") was applied to determine the fair value of intangibles.

Excess earnings are determined from the projected financial statements through the difference between the after tax operating profit to the existing clients and the required cost of invested capital ("CAC") on all the other supporting assets (tangible and intangible). The value of the subject intangible asset corresponds to the present value of these excess earnings over the expected remaining useful life of the asset.

The CAC consists of a charge intended to ensure that the residual income stream only relates to the subject intangible asset to be valued, profits generated from sales to a client cannot be ascribed solely to the client itself. To generate sales, other assets (such as fixed assets, working capital and other intangible assets) all contribute to the performance of the acquired business.

Contributory assets charges are valued prior to the client relationships valuation so that the expected CAC on these assets can be computed and deducted from the flows considered.

**ACQUISITION OF SUBSIDIARIES (CONTINUED)**

Intangible assets subject to valuation include client relationships. Client relationships were not accounted for by the acquired business, as it developed them internally and charged the related costs to expense.

**GOODWILL**

Goodwill arising from the acquisition has been recognised as follows:

	<b>£'000</b>
Consideration transferred	8,862
Fair value of identifiable net assets	(4,662)
<b>GOODWILL</b>	<b>4,200</b>

Goodwill relates to the benefit of expected synergies, future market development and the assembled workforce. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. Acquisition of subsidiaries (continued)

**REVENUE AND PROFIT OF ISDC GROUP FROM ACQUISITION DATE TO 30 JUNE 2017**

	<b>£'000</b>
Revenue	10,338
Profit	1,398

**REVENUE AND PROFIT OF ISDC FOR 2017 REPORTING PERIOD (HAD THE ACQUISITION OCCURRED AT THE BEGINNING OF THE REPORTING PERIOD)**

	<b>£'000</b>
Revenue	12,262
Profit	1,589

**ACQUISITION RELATED COSTS**

	<b>£'000</b>
Legal and professional fees	550

## 16. INTANGIBLE ASSETS

GROUP 2018	CLIENT RELATIONSHIP £'000	SOFTWARE AND LICENCES £'000	NON- COMPETE AGREEMENT £'000	TOTAL £'000
<b>COST</b>				
<b>At 1 July 2017</b>	<b>17,603</b>	<b>1,819</b>	<b>137</b>	<b>19,559</b>
Additions	-	1,827	-	1,827
On acquisition of subsidiary / business	15,214	22	-	15,236
Disposals	-	(13)	-	(13)
Effect of foreign exchange translations	745	3	(3)	745
<b>AT 30 JUNE 2018</b>	<b>33,562</b>	<b>3,658</b>	<b>134</b>	<b>37,354</b>
<b>AMORTISATION</b>				
<b>At 1 July 2017</b>	<b>3,058</b>	<b>397</b>	<b>75</b>	<b>3,530</b>
Charge for the year	2,611	257	44	2,912
Impairment	-	19	-	19
Disposals	-	(13)	-	(13)
Effect of foreign exchange translations	117	2	-	119
<b>AT 30 JUNE 2018</b>	<b>5,786</b>	<b>662</b>	<b>119</b>	<b>6,567</b>
<b>NET BOOK VALUE</b>				
<b>AT 30 JUNE 2018</b>	<b>27,776</b>	<b>2,996</b>	<b>15</b>	<b>30,787</b>

**INTANGIBLE ASSETS (CONTINUED)**

GROUP 2017	CLIENT RELATIONSHIP £'000	SOFTWARE AND LICENCES £'000	NON- COMPETE AGREEMENT £'000	TOTAL £'000
<b>COST</b>				
<b>At 1 July 2016</b>	<b>12,200</b>	<b>391</b>	<b>133</b>	<b>12,724</b>
Additions	-	1,364	-	1,364
On acquisition of subsidiary / business	4,301	-	-	4,301
Reclassification	-	61	-	61
Disposals	-	(22)	-	(22)
Effect of foreign exchange translations	1,102	25	4	1,131
<b>AT 30 JUNE 2017</b>	<b>17,603</b>	<b>1,819</b>	<b>137</b>	<b>19,559</b>
<b>AMORTISATION</b>				
<b>At 1 July 2016</b>	<b>1,244</b>	<b>220</b>	<b>29</b>	<b>1,493</b>
Charge for the year	1,668	99	47	1,814
Reclassification	-	58	-	58
Disposals	-	(3)	-	(3)
Effect of foreign exchange translations	146	23	(1)	168
<b>AT 30 JUNE 2017</b>	<b>3,058</b>	<b>397</b>	<b>75</b>	<b>3,530</b>
<b>NET BOOK VALUE</b>				
<b>AT 30 JUNE 2017</b>	<b>14,545</b>	<b>1,422</b>	<b>62</b>	<b>16,029</b>

The reclassifications of fixed assets in 2017 arose as a result of the Group aligning asset classifications across all Group Entities as part of the migration of fixed asset registers onto a single platform.

## 17. PROPERTY, PLANT AND EQUIPMENT

GROUP 2018	COMPUTERS & EQUIPMENT £'000	FIXTURES & FITTINGS £'000	MOTOR VEHICLES £'000	FIXED ASSETS IN PROGRESS £'000	TOTAL £'000
<b>COST</b>					
At 1 July 2017	10,698	6,901	21	-	17,620
Additions	2,111	1,381	-	164	3,656
On acquisition of subsidiary / business	417	492	-	-	909
Disposals	(798)	(555)	-	-	(1,353)
Effect of foreign exchange translations	(73)	(48)	(1)	-	(122)
<b>AT 30 JUNE 2018</b>	<b>12,355</b>	<b>8,171</b>	<b>20</b>	<b>164</b>	<b>20,710</b>
<b>DEPRECIATION</b>					
At 1 July 2017	7,151	2,963	20	-	10,134
Charge for the year	2,095	1,243	-	-	3,338
On disposals	(734)	(545)	-	-	(1,279)
Effect of foreign exchange translations	(35)	(32)	-	-	(67)
<b>AT 30 JUNE 2018</b>	<b>8,477</b>	<b>3,629</b>	<b>20</b>	<b>-</b>	<b>12,126</b>
<b>NET BOOK VALUE</b>					
<b>AT 30 JUNE 2018</b>	<b>3,878</b>	<b>4,542</b>	<b>-</b>	<b>164</b>	<b>8,584</b>

**PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

GROUP 2017	COMPUTERS & EQUIPMENT £'000	FIXTURES & FITTINGS £'000	MOTOR VEHICLES £'000	FIXED ASSETS IN PROGRESS £'000	TOTAL £'000
<b>COST</b>					
<b>At 1 July 2016</b>	<b>9,350</b>	<b>3,249</b>	<b>19</b>	<b>381</b>	<b>12,999</b>
Additions	2,423	2,585	-	-	5,008
On acquisition of subsidiary / business	232	90	1	-	323
Reclassification	(1,333)	1,272	-	-	(61)
Disposals	(334)	(816)	-	-	(1,150)
Transfers	-	381	-	(381)	-
Effect of foreign exchange translations	360	140	1	-	501
<b>AT 30 JUNE 2017</b>	<b>10,698</b>	<b>6,901</b>	<b>21</b>	<b>-</b>	<b>17,620</b>
<b>DEPRECIATION</b>					
<b>At 1 July 2016</b>	<b>6,388</b>	<b>1,857</b>	<b>19</b>	<b>-</b>	<b>8,264</b>
Charge for the year	1,653	879	-	-	2,532
Reclassification	(866)	808	-	-	(58)
On disposals	(233)	(683)	-	-	(916)
Effect of foreign exchange translations	209	102	1	-	312
<b>AT 30 JUNE 2017</b>	<b>7,151</b>	<b>2,963</b>	<b>20</b>	<b>-</b>	<b>10,134</b>
<b>NET BOOK VALUE</b>					
<b>AT 30 JUNE 2017</b>	<b>3,547</b>	<b>3,938</b>	<b>1</b>	<b>-</b>	<b>7,486</b>

The reclassifications of fixed assets in 2017 arose as a result of the Group aligning asset classifications across all Group Entities as part of the migration of fixed asset registers onto a single platform.

**18. SIGNIFICANT SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS**
*Significant shareholdings*

At 30 June 2018, the Group held 20% or more of the share capital of the following entities:

Subsidiary	Country of incorporation	Class of shares held	Percentage of shares held	Principal activity
Endava plc	UK	Ordinary	100%	Holding company
Endava (UK) Limited	UK	Ordinary	100%	Provision of IT services
Endava (Managed Services) Limited*	UK	Ordinary	100%	Provision of IT services
ICS Endava SRL	Moldova	Ordinary	100%	Provision of IT services
Endava Romania SRL	Romania	Ordinary	100%	Provision of IT services
Endava (US) LLC**	US	Ordinary	100%	Provision of IT services
Endava (Ireland) Limited	Ireland	Ordinary	100%	Provision of IT services
Endava GmbH	Germany	Ordinary	100%	Provision of IT services
Endava DOOEL Skopje	Macedonia	Ordinary	100%	Provision of IT services
Endava Inc.	US	Ordinary	100%	Provision of IT services
Endava d.o.o. Beograd	Serbia	Ordinary	100%	Provision of IT Services
Endava Technology SRL	Romania	Ordinary	99%	Provision of IT Services
Endava Holding B.V.	The Netherlands	Ordinary	99.8%	Holding Company
Endava B.V.	The Netherlands	Ordinary	99.8%	Provision of IT services
Endava EOOD	Bulgaria	Ordinary	99.8%	Provision of IT services
Endava S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Endava ApS	Denmark	Ordinary	100%	Provision of IT Services
Velocity Partners LLC***	US	Ordinary	100%	Provision of IT Services
Velocity Partners Holding Inc	US	Ordinary	100%	Provision of IT Services
Nearshore Ventures LLC	US	Ordinary	100%	Provision of IT Services
Velocity Partners Vnz S.C.A.	Venezuela	Ordinary	100%	Provision of IT Services
Velocity Partners Argentina SRL	Argentina	Ordinary	100%	Provision of IT Services

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**RELATED PARTY TRANSACTIONS (CONTINUED)**

Subsidiary	Country of incorporation	Class of shares held	Percentage of shares held	Principal activity
Velocity Partners Colombia S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Velocity Partners Uruguay SRL	Uruguay	Ordinary	100%	Provision of IT Services
Endava Limited Guernsey Employee Benefit Trust	UK	Ordinary	100%	Employee Benefit Trust

\* Held by Endava (UK) Limited

\*\* Held by Endava (Managed Services) Limited

\*\*\* Held by Endava Inc

**DORMANT ENTITIES**

Endava (Romania) Limited	UK	Ordinary	100%
Green Mango Software Services Ltd	UK	Ordinary	100%
Testing 4 Finance Ltd	UK	Ordinary	100%
Alpheus Limited	UK	Ordinary	100%

*Related Party Transactions*

At 30 June 2018, the executive officers and directors owned 14,952,285 £0.02 ordinary shares (2017: 15,150,285 £0.02 ordinary shares) and held awards over a further 1,206,220 £0.02 ordinary shares (2017: 1,187,470 £0.02 ordinary shares). Other than the transactions with executive officers and directors disclosed above, no other related party transactions have been identified.

*Ultimate Parent*

Endava plc is the ultimate parent entity of the Group and it is considered that there is no ultimate controlling party.

**19. TRADE AND OTHER RECEIVABLES**

	2018 £'000	2017 £'000
Trade receivables	26,005	30,236
Prepayments	4,259	2,095
Accrued income	17,147	5,367
Research and development tax credit	2,088	2,933
Grant receivable	816	-
Other debtors	2,037	863
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>52,352</b>	<b>41,494</b>

Trade receivables are non-interest-bearing and are generally on 30-90 day terms depending on the geographical territory in which sales are generated. The carrying value of trade and other receivables also represents their fair value.

	2018 £'000	2017 £'000
Trade receivables - gross	26,431	30,401
Provision for impairment	(426)	(165)
<b>TRADE RECEIVABLES - NET</b>	<b>26,005</b>	<b>30,236</b>

**20. TRADE AND OTHER PAYABLES**

	2018 £'000	2017 £'000
Trade payables	4,504	3,722
Other taxation and social security	3,219	4,336
Other liabilities	1,177	3,869
Accruals	28,932	10,827
Deferred income	2,411	1,604
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>40,243</b>	<b>24,358</b>

**21. FINANCIAL ASSETS AND LIABILITIES**
**CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The accounting policies provide a description of each category of financial assets and financial liabilities.

The fair values of financial assets and liabilities are included at the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the end of the reporting period.

The carrying amounts of cash and cash equivalents, finance leases, bank loans, trade and other receivables and trade and other payables is a close approximation of their fair values.

Where financial assets and financial liabilities are measured at fair value, their measurement should be classified into the following hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following financial assets and financial liabilities were classified within level 3:

<b>FINANCIAL ASSETS</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Trade and other receivables	52,352	41,494
Cash and cash equivalents	15,048	23,571
<b>TOTAL FINANCIAL ASSETS</b>	<b>67,400</b>	<b>65,065</b>

<b>FINANCIAL LIABILITIES</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Non-current borrowings	20	63
Current borrowings	19,744	29,402
Trade and other payables	40,243	24,358
Contingent consideration	12,510	-
Deferred consideration	4,401	-
Other liabilities	277	253
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>77,195</b>	<b>54,076</b>

**Endava plc**

## FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

## FAIR VALUE MOVEMENT OF CONTINGENT CONSIDERATION

	£'000
<b>FAIR VALUE AT 1 JULY 2017</b>	
<b>At 1 July 2017</b>	-
Arising on acquisition of Velocity Partners	10,933
Movement in fair value recognised in finance cost	126
Foreign exchange recognised in other comprehensive income	255
<b>FAIR VALUE AT 30 JUNE 2018</b>	<b>11,314</b>

The valuation technique used, significant unobservable inputs and inter-relationship between significant unobservable inputs are shown below:

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Scenario based discounted cash flow: the valuation model considers the present value of the expected future payments in several probability weighted scenarios, discounted at risk adjusted discount rate.	Expected future cash flows (30 June 2018 - total maximum of £12.1million, minimum of £nil over 3 years)	The estimated fair value would increase (decrease) if: the expected cash flows were higher (lower); or
	Fair value of ordinary shares (30 June 2018 - \$12.79)	the fair value of ordinary shares was higher (lower); or
	Discount rate (30 June 2018 - 3%)	the risk-adjusted discount rate were lower (higher)

**22. LOANS AND BORROWINGS**

Terms and conditions of outstanding loans as of 30 June 2018 and 2017 are as follows:

TYPE	NOMINAL INTEREST P.A.	YEAR OF MATURITY	AMOUNT 2018 £'000	AMOUNT 2017 £'000
Revolving credit facility	LIBOR/ EURIBOR + variable margin (0.80% -1,40%)	2020	19,700	29,288
Technology loan	8%	2017	-	26
Finance lease liabilities	3.5% -10%	2015-2020	64	151
<b>TOTAL LOANS AND BORROWINGS</b>			<b>19,764</b>	<b>29,465</b>

The multicurrency revolving credit facility with HSBC has an unlimited multilateral guarantee to secure all liabilities of Endava plc, Endava (UK) Limited, Endava Inc, Endava Holding B.V. and Endava Romania SRL through various security arrangements, including debentures, share and equity pledges and mortgage agreements.

The technology loan and finance lease with Lombard are unsecured loans and leases.

Short term / Long term loans balances are presented below:

	2018 £'000			2017 £'000		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Revolving credit facility	19,700	-	19,700	29,288	-	29,288
Technology loan	-	-	-	26	-	26
Finance lease liabilities	44	20	64	88	63	151
<b>TOTAL</b>	<b>19,744</b>	<b>20</b>	<b>19,764</b>	<b>29,402</b>	<b>63</b>	<b>29,465</b>

The Group has a secured bank revolving credit facility with a carrying amount of £19,700,00 at 30 June 2018 (2017: £ 29,288,000). Commitment fees are charged on the undrawn balance of the facility.

The facility contains interest cover and net leverage financial covenants. The covenants are tested on a quarterly basis based on trailing twelve months results. At 30 June 2018 and 30 June 2017, the Group complied with these financial covenants.

**LOANS AND BORROWINGS (CONTINUED)****GUARANTEES****PARENT COMPANY**

Parent Company Guarantee with Trinity Mirror Shared Services Limited guaranteeing the performance of Endava Managed Services (Terminated 26 July 2018);

Parent Company Guarantee with United Business Center Cluj One SRL guaranteeing the payment obligations and other liabilities of Endava Romania SRL under the lease for the Cluj office;

Parent Company Guarantee with Riviera Office SRL guaranteeing the payment obligations and other liabilities of Endava Romania SRL under the lease for the Cluj office;

Parent Company Guarantee with Iulius Mall Cluj SRL guaranteeing the payment obligations and other liabilities of Endava Romania SRL under the lease for the Cluj temporary office;

Parent Company Guarantee with S.C Palas 4 S.R.L and Palas 2 guaranteeing the payment obligations and other liabilities of Endava Romania SRL under the lease for the Iasi office;

Composite Company Unlimited Multilateral Guarantee in favour of HSBC, in place to support the revolving credit facility ("RCF");

Company guarantee and indemnity to Endava (Managed Services) Limited in favour of Lombard Technology Services Limited;

Letter of Comfort – Corporate Guarantee for AFI 3 – Lease agreement no. 3 guaranteeing the payment obligations and other liabilities of Endava Romania SRL under the lease for the AFI 3 office;

Parent Company Guarantee with United Business Center 1 SRL and United Business Center 3 SRL guaranteeing the payment obligations and other liabilities of Endava Romania SRL under the lease for the Timisoara office;

Letter of Comfort – Corporate Guarantee for AFI 4&5 – Lease agreement no. 48 guaranteeing the payment obligations and other liabilities of Endava Romania SRL under the lease for the AFI 4&5 office;

Composite Company Limited Multilateral Guarantee dated 02 November 2006 given by Endava Plc, Endava (Projects) Limited, Endava (Managed Services) Limited, Endava (UK) Limited, Endava (Solutions) Limited (wound up), Endava (Romania) Limited to HSBC;

Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future dated 04 June 2015 to HSBC.

**LOANS AND BORROWINGS (CONTINUED)****SUBSIDIARIES****Endava Romania SRL**

Class guarantee facility of €9,000,000 in favour of Romanian Ministry of Finance;  
Bank guarantee of €109,214 for United Business Centre Cluj (Cluj office);  
Bank guarantee of €570,391 for AFI Bucharest office;  
Bank guarantee of €100,000 for SC Palas SRL Iasi office;  
Bank guarantee of €110,075 for Merce Real Invest (PBC Cluj office);  
Bank guarantee of €25,049 for Iulius Mall Cluj-Napoca (Cluj office);  
Composite Company Unlimited Multilateral Guarantee in place to support the RCF facility.

**Endava DOOEL Skopje**

Bank guarantee of €167,511 (Skopje office);  
Corporate Guarantee with the government of the Republic of Macedonia guaranteeing the fulfillment of the obligations of Endava DOOEL Skopje under the contract for granting state aid.

**Endava d.o.o. Beograd**

Bank guarantee of €441,839 in favour of Demo Invest doo Beograd (Belgrade office);

**Endava (UK) Limited**

Parent Company Guarantee with Worldpay under the umbrella agreement dated 22 November 2016, guaranteeing payments for Endava Technology for the term of the BOA until exercise and completion of the option to transfer or 6 years after the termination of the BOA;

Composite Company Unlimited Multilateral Guarantee in place to support the RCF facility;

Composite Company Limited Multilateral Guarantee dated 02 November 2006 given by Endava Plc, Endava (Projects) Limited, Endava (Managed Services) Limited, Endava (UK) Limited, Endava (Solutions) Limited (wound up), Endava (Romania) Limited to HSBC;

Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future dated 24 July 2014 to HSBC;

Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future dated 04 June 2015 to HSBC.

**Endava EOOD Bulgaria**

Bank guarantee of €87,734 (Sofia office).

**Endava Inc.**

Bank guarantee of \$37,712 for 441 Lexington Avenue (New York office);  
Bank guarantee of \$174,794 for MEPT 757 Lexington Avenue (New York office);

**LOANS AND BORROWINGS (CONTINUED)**

Letter of Comfort for Velocity Partners of \$6,000,000 related to the acquisition of Velocity Partners.

Composite Company Unlimited Multilateral Guarantee in place to support the RCF facility.

**Endava Holding B.V.**

Bank guarantee of €8,621 for Hilversum office;

Composite Company Unlimited Multilateral Guarantee in place to support the RCF facility.

**Endava (Managed Services) Limited**

Composite Company Limited Multilateral Guarantee dated 02 November 2006 given by Endava Plc, Endava (Projects) Limited, Endava (Managed Services) Limited, Endava (UK) Limited, Endava (Solutions) Limited (wound up), Endava (Romania) Limited to HSBC;

Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future dated 04 June 2015 to HSBC.

**23. COMMITMENTS UNDER FINANCE LEASES**

Future minimum finance lease payments at 30 June were as follows:

	2018 £'000	2017 £'000
Amounts payable within 1 year	44	88
Amounts payable 1 to 3 years	20	63
Amounts payable 3 to 5 years	-	-
Amounts payable in more than 5 years	-	-
<b>TOTAL</b>	<b>64</b>	<b>151</b>

**24. COMMITMENTS UNDER OPERATING LEASES**

At 30 June, the Group had annual commitments under non-cancellable operating leases as set out below.

<b>OFFICE BUILDINGS</b>	2018 £'000	2017 £'000
Amounts payable within 1 year	10,384	7,638
Amounts payable 1 to 3 years	19,011	13,374
Amounts payable 3 to 5 years	12,800	9,700
Amounts payable in more than 5 years	6,469	6,576
<b>TOTAL</b>	<b>48,664</b>	<b>37,288</b>



**25. SHARE CAPITAL**

<b>AUTHORIZED SHARE CAPITAL:</b>	<b>2018</b> £'000	<b>2017</b> £'000
60,000,000 Ordinary shares of £0.02 each	1,200	1,200

<b>ALLOTTED, CALLED UP AND FULLY PAID:</b>	<b>2018</b> NO.	<b>£'000</b>	<b>2017</b> NO.	<b>£'000</b>
Class A ordinary shares	4,703,980	94	4,703,980	94
Class B ordinary shares	28,822,625	576	28,822,625	576
Class C ordinary shares	16,277,540	326	16,277,540	326
<b>ORDINARY SHARES OF £0.02 EACH</b>	<b>49,804,145</b>	<b>996</b>	<b>49,804,145</b>	<b>996</b>

No new shares were issued in the years ended 30 June 2018 and 30 June 2017.

**26. DISTRIBUTIONS MADE**

During the year ended, the Company did not declare and pay any cash dividends (2017: £nil).

**27. SHARE OPTIONS**
**COMPANY SHARE OPTION PLAN**

A Company Share Option Plan ("CSOP") was adopted on 7 May 2014 and share options over ordinary shares have been issued under the CSOP plan to certain employees of the Group. Options can be exercised on the fifth anniversary of the date of grant, upon an acquisition of the Company, and upon certain conditions of ceasing employment. In addition, our Board has discretion to permit the exercise of options upon the admission of shares to a recognised stock exchange or at an earlier time and under such conditions as determined by the Board. The options expire on the tenth anniversary of the date of grant.

For the year ended 30 June 2018, there were no share options granted, exercised and expired and nil options forfeited (30 June 2017: 51,435). At 30 June 2018, 125,545 options remained outstanding (30 June 2017: 125,545) with an average exercise price of £0.82 per option and no options were exercisable. The weighted average remaining contractual life of the CSOPs is 6 years (30 June 2017: 7 years).

**JOINT SHARE OWNERSHIP PLAN**

Certain of the Group's employees have entered into a Joint Share Ownership Plan ("JSOP") with the Endava Limited Guernsey Employee Benefit Trust ("the EBT"), where the participants have a right to receive any increase in the value of shares above a threshold amount (i) upon a sale of the Company, (ii) following a listing on a recognized stock exchange, when the participant gives a specific notice to the EBT trustee and the Company in respect of the JSOP

**Endava plc**

## SHARE OPTIONS (CONTINUED)

Shares; (iii) upon the expiry of 25 years from the date of the applicable trust deed; or (iv) upon the participant leaving employment with the Group when the market value of the JSOP Shares is less than the threshold amount. The events referenced in clauses (i)-(iv) above are collectively referred to as "Trigger Events."

On the date of a Trigger Event, the EBT trustee has an option to acquire the beneficial interest belonging to the participant. If the EBT trustee exercises this option, the EBT trustee will then either transfer shares of a value equal to, or pay cash to the participant in an amount equal to, the value of the option, calculated according to the terms of the JSOP. The Group does not have a present obligation to settle in cash and has no history of cash settling options. Therefore, the settlement of the transactions will be accounted for in accordance with the requirements applying to equity-settled share-based compensation transactions, as set forth in IFRS 2. On and from the date of any Trigger Event, and if and for so long as the EBT trustee has not exercised the option referred to above, the EBT trustee will use reasonable endeavors to sell the JSOP Shares and distribute the net proceeds of sale between the EBT trustee and the participant in the proportions calculated according to the terms of the JSOP.

At 30 June 2018, the EBT held 4,703,980 shares (2017: 4,703,980), of which 3,440,465 (2017: 3,440,465) are allocated to employee JSOPs. If the applicable employee leaves employment with the Group prior to the occurrence of a Trigger Event, the value of the shares is capped at such shares' fair market value on the employee's last day of employment and no payment is made until a Trigger Event occurs. The JSOPs expire 25 years following the applicable date of issue. The weighted average remaining contractual life of the JSOPs is 19 years (30 June 2017: 20 years).

## LONG TERM INCENTIVE PLAN

A Company Long Term Incentive Plan ("LTIP") was adopted on 30 June 2015 under which options or conditional shares are intended to be awarded to certain employees of the Group. Under the LTIP, options or conditional shares can generally be banked over a five-year period subject to the achievement of annual Group performance targets. Once banked, the options become eligible to vest, with vesting occurring over a three-year period following a triggering event, which includes listing on a recognized stock exchange, a sale of the outstanding share capital of the Company or a sale of the assets of the business. The options and conditional shares expire on the earliest of the tenth anniversary of award or five years from the date of vesting.

For the year ended 30 June 2018, there were 35,500 options forfeited (30 June 2017: 167,250), no options exercised or expired (30 June 2017: nil) and 329,700 options granted (30 June 2017: 452,000). At 30 June 2018, 1,277,700 share options remained outstanding (30 June 2017: 983,500) with a nominal average exercise price and no options were exercisable. The weighted average remaining contractual life of the LTIPs is 7 years (30 June 2017: 8 years).

**SHARE OPTIONS (CONTINUED)**

In addition to the above share option schemes, 10,000 other options were granted on 7 September 2017 to a non-employee as compensation for services rendered with an average exercise price of £4.58 per option. The weighted average remaining contractual life of the options is 5 years (30 June 2017: n/a).

For the year ended 30 June 2018, the Group recognized £1,505,000 (2017: £854,000) of share-based payment charge in respect of the share option schemes (including, CSOP, JSOP and LTIP schemes).

Options granted in the period have been valued using a Black Scholes option pricing model using the following inputs:

	2018	2017
Exercise price	£0.02 - £4.58	£0.00 - £0.02
Risk free rate	0.30% - 0.37%	0.23%
Expected volatility	29.9% - 36.9%	43.7%
Expected dividends	-	-
Fair value of option	£0.63 - £7.14	3.50

**2018 EQUITY INCENTIVE PLAN**

On 16 April 2018, the Board adopted the 2018 Equity Incentive Plan ("EIP") and approved by the Company shareholders on 3 May 2018. The EIP allows for the grant of equity-based incentive awards to our employees and directors, who are also our employees.

The EIP provides for the grant of options, share appreciation rights, or SARs, restricted shares, restricted share units, or RSUs, performance restricted share units, or PSUs, and other share-based awards. All awards under the EIP will be set forth in award agreements, which will detail the terms and conditions of awards, including any applicable vesting and payment terms, change of control provisions and post-termination exercise limitations.

**2018 SHARES AVE PLAN**

On 16 April 2018, the Board adopted the 2018 Sharesave Plan ("Sharesave") and approved by the Company shareholders on 3 May 2018. The Sharesave is a U.K. tax advantaged share option plan and is intended to comply with the requirements of Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003. The Sharesave may be extended to award similar benefits to employees outside the U.K.

The Sharesave provides that the board may require employees to have completed a qualifying period of employment (of up to five years) before they may apply for the grant of an option to purchase Class A ordinary shares. Participation in the Sharesave requires employees to agree to make regular monthly contributions to an approved savings contract of three or five years (or such other period permitted by the governing legislation).

**SHARE OPTIONS (CONTINUED)**

No options to purchase Class A ordinary shares may be granted under the Sharesave more than 10 years after the Sharesave has been approved by shareholders.

Options granted under the Sharesave will normally be exercisable for a six-month period from the end of the relevant three or five year savings contract. Any options not exercised within the relevant exercise period will be forfeited.

At 30 June 2018, no share options were granted and outstanding under the EIP and Sharesave plans.

**28. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL**

<b>ADJUSTMENTS</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Depreciation, amortisation and impairment of non-financial assets	6,269	4,346
Foreign exchange loss	354	1,015
Interest income	(35)	(18)
Fair value movement of financial liabilities	229	-
Interest expense	573	408
(Gain)/loss on disposal of non-current assets	(5)	107
Share-based compensation	1,505	854
Income on contingent consideration	-	(180)
Research and development tax credit	(1,008)	(1,322)
Grant income	(1,633)	(1,691)
<b>TOTAL ADJUSTMENTS</b>	<b>6,249</b>	<b>3,519</b>
	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>NET CHANGES IN WORKING CAPITAL</b>		
Increase in trade and other receivables	(6,384)	(7,598)
Increase in trade and other payables	13,223	2,590
<b>TOTAL CHANGES IN WORKING CAPITAL</b>	<b>6,839</b>	<b>(5,008)</b>

**CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL (CONTINUED)**
**NON-CASH CHANGES ARISING FROM FINANCING ACTIVITIES**

<b>BORROWINGS</b>	<b>BEGINNING OF THE YEAR £'000</b>	<b>PROCEEDS FROM BORROWINGS £'000</b>	<b>REPAYMENT OF BORROWINGS £'000</b>	<b>NON-CASH FOREIGN EXCHANGE £'000</b>	<b>NON CASH OTHER £'000</b>	<b>END OF THE YEAR £'000</b>
2016	3,760	15,093	(3,364)	(46)	-	15,443
2017	15,443	17,007	(3,462)	276	201	29,465
2018	29,465	26,462	(36,768)	605	-	19,764

<b>GRANT RECEIVED</b>	<b>BEGINNING OF THE YEAR £'000</b>	<b>CASH RECEIVED £'000</b>	<b>GRANT INCOME £'000</b>	<b>NON-CASH FOREIGN EXCHANGE £'000</b>	<b>NON CASH OTHER £'000</b>	<b>END OF THE YEAR £'000</b>
2016	(1,128)	1,948	(1,048)	(304)	-	(532)
2017	(532)	2,924	(1,691)	(37)	-	664
2018	664	148	(1,633)	5	-	(816)

The grant receivables in 2016 and 2018 were presented in trade and other receivables and the grant payable in 2017 was presented in trade and other payables. Interest paid, dividends paid and purchase of own shares were all cash items.

**29. CAPITAL COMMITMENTS**

Amounts contracted but not provided in the financial statements amounted to £nil in the year ended 30 June 2018 (2017 - £nil).

**30. CONTINGENT LIABILITIES**

The Group and Company had no contingent liabilities at 30 June 2018 or 30 June 2017.

**31. FINANCIAL INSTRUMENT RISK**

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 21. The main types of risks are foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

**FINANCIAL INSTRUMENT RISK (CONTINUED)**
**FOREIGN CURRENCY SENSITIVITY**

The Group is exposed to translation and transaction foreign currency exchange risk. Several other currencies in addition to the presentation currency of Sterling are used, including Romanian Lei (RON), Euro (EUR) and US Dollars (USD).

The Group experiences currency exchange differences arising upon retranslation of monetary items (primarily short-term inter-company balances and borrowings), which are recognised as

an expense in the period the difference occurs. The Group endeavours to match the cash inflows and outflows in the various currencies; the Group typically invoices its clients in their local currency, and pays its local expenses in local currency as a means to mitigate this risk.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are translated into GBP at the closing rate:

<b>30 JUNE 2018</b>	<b>LONG TERM GBP</b>	<b>LONG TERM EUR</b>	<b>LONG TERM USD</b>	<b>SHORT TERM GBP</b>	<b>SHORT TERM EUR</b>	<b>SHORT TERM USD</b>	<b>SHORT TERM RON</b>	<b>SHORT TERM OTHERS</b>	<b>TOTAL</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>	-	-	-	37,853	5,485	10,485	8,603	4,974	<b>67,400</b>
<b>Financial liabilities</b>	(277)	(20)	(7,251)	(37,408)	(2,428)	(14,406)	(11,926)	(3,479)	<b>(77,195)</b>
<b>TOTAL</b>	<b>(277)</b>	<b>(20)</b>	<b>(7,251)</b>	<b>445</b>	<b>3,057</b>	<b>(3,921)</b>	<b>(3,323)</b>	<b>1,495</b>	<b>(9,795)</b>

The Group is also exposed to exchange differences arising from the translation of its subsidiaries' financial statements into the Group's presentation currency of Sterling with the corresponding exchange differences taken directly to equity.

The following tables illustrate the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the RON/Sterling exchange rate. The RON exposure impacts the majority of the Group's cost base. Therefore as the Sterling strengthens, subject to any prevailing hedge arrangements, the Group benefits from a cost improvement and vice versa.

During the year ended 30 June 2018, the Sterling/RON volatility ranged from the RON strengthening against Sterling by 3% to weakening by 5%.

**FINANCIAL INSTRUMENT RISK (CONTINUED)**

	GBP/RON: +3% PROFIT IMPACT £'000
<b>30 JUNE 2018</b>	(330)

	GBP/RON: -5% PROFIT IMPACT £'000
<b>30 JUNE 2018</b>	521

**FINANCIAL INSTRUMENT RISK (CONTINUED)**

	GBP/RON: +3% TOTAL EQUITY £'000
<b>30 JUNE 2018</b>	(283)

During the year ended 30 June 2017, the Sterling/RON volatility ranged from the RON strengthening against Sterling by 4% to weakening by 5%.

	GBP/RON: +4% PROFIT IMPACT £'000
<b>30 JUNE 2017</b>	(330)

	GBP/RON: -5% PROFIT IMPACT £'000
<b>30 JUNE 2017</b>	483

	GBP/RON: +4% TOTAL EQUITY £'000
<b>30 JUNE 2017</b>	(672)

**INTEREST RATE SENSITIVITY**

At 30 June 2018, the Group is exposed to changes in market interest rates through bank borrowings on its Revolving Credit Facility at variable interest rates.

**CREDIT RISK ANALYSIS**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, including trade receivables. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 30 June, as summarised below:

**FINANCIAL INSTRUMENT RISK (CONTINUED)**

	2018 £'000	2017 £'000
Cash and cash equivalents	15,048	23,571
Trade and other receivables	52,352	41,494
<b>TOTAL</b>	<b>67,400</b>	<b>65,065</b>

The Group monitors defaults of clients and other counterparties, identified either individually, or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on clients and other counterparties are obtained and used.

Management considers that all financial assets that are not impaired or past due at the end of the applicable reporting period are of good credit quality. Some of the unimpaired trade receivables are generally past due as of the end of the applicable reporting period. Information on financial assets past due but not impaired are as follows:

	2018 £'000	2017 £'000
Not more than 3 months	830	2,735
More than 3 months but not more than 6 months	586	61
More than 6 months but not more than 1 year	-	-
More than 1 year	-	-
<b>TOTAL</b>	<b>1,416</b>	<b>2,796</b>

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Group's trade receivables are from a large number of clients in various industries and geographical areas. Based on historical information about client default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**LIQUIDITY RISK ANALYSIS**

The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on a longer-term basis. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.



**FINANCIAL INSTRUMENT RISK (CONTINUED)**

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for all of the reporting periods presented.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

As at 30 June 2018, the Group's non-derivative financial liabilities had contractual maturities (including interest payments where applicable) as summarised below:

<b>30 JUNE 2018</b>	<b>CURRENT 0 – 6 MONTHS £'000</b>	<b>CURRENT 6 - 12 MONTHS £'000</b>	<b>NON- CURRENT 1 – 5 YEARS £'000</b>	<b>NON- CURRENT +5 YEARS £'000</b>
Bank loans	19,726	-	-	-
Finance lease obligations	23	21	20	-
Trade and other payables	40,243	-	-	-
Deferred consideration	3,031	1,515	-	-
Contingent consideration	3,984	1,196	7,967	-
Other liabilities	-	-	277	-
<b>TOTAL</b>	<b>67,007</b>	<b>2,732</b>	<b>8,264</b>	<b>-</b>

There were no forward foreign currency options in place at 30 June 2018.

As at 30 June 2017, the Group's non-derivative financial liabilities had contractual maturities (including interest payments where applicable) as summarised below:

<b>30 JUNE 2017</b>	<b>CURRENT 0 – 6 MONTHS £'000</b>	<b>CURRENT 6 - 12 MONTHS £'000</b>	<b>NON- CURRENT 1 – 5 YEARS £'000</b>	<b>NON- CURRENT +5 YEARS £'000</b>
Bank loans	29,314	-	-	-
Finance lease obligations	63	25	63	-
Trade and other payables	24,358	-	-	-
Other liabilities	-	-	253	-
<b>TOTAL</b>	<b>53,735</b>	<b>25</b>	<b>316</b>	<b>-</b>

### 32. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus loan, less cash and cash equivalents as presented on the consolidated balance sheet. The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets.

### 33. SUBSEQUENT EVENTS

On 6 July 2018, Endava Limited was re-registered as a public limited company and its name changed from Endava Limited to Endava plc.

On 6 July 2018, the Company completed a five for one share split of each class of ordinary shares.

On 27 July 2018, the Group closed the initial public offering of 7,291,000 American Depositary Shares ("ADSs") each representing one Class A ordinary share of Endava, at a price to the public of \$20.00 per share, of which 3,228,995 ADSs were offered by Endava and 4,062,005 ADSs were offered by existing shareholders of Endava. The ADSs were admitted for trading on The New York Stock Exchange on the same date under the ticker symbol "DAVA".

On 6 August 2018, the Group repaid all debt outstanding (\$26 million) from the three year secured Multicurrency Revolving Facility Agreement with HSBC Bank plc.

The Argentine peso devalued significantly during the first half of 2018. Based on statistics published after year-end 30 June 2018, the three-year cumulative rate of inflation for consumer prices and wholesale prices reached a level greater than 100%. On this basis the Group believes that Argentina should be considered a hyperinflationary economy. The Group is in the process of assessing the effect of inflation on the profits generated by operations in Argentina and fair value measurements of Argentine assets and liabilities.

**COMPANY BALANCE SHEET**  
**As at 30 June**

	NOTE	2018 £'000	2017 £'000
<b>ASSETS – NON CURRENT</b>			
Investments	3	49,989	36,180
Deferred tax assets	4	23	4
Other assets – non-current	13	25,918	14
<b>TOTAL</b>		<b>75,930</b>	<b>36,198</b>
<b>ASSETS - CURRENT</b>			
Trade and other receivables	5	10,552	23,728
Corporation tax receivable	12	1,384	657
Cash and cash equivalents		380	153
<b>TOTAL</b>		<b>12,316</b>	<b>24,538</b>
<b>TOTAL ASSETS</b>		<b>88,246</b>	<b>60,736</b>
<b>LIABILITIES – CURRENT</b>			
Borrowings	9	19,700	26,288
Trade and other payables	6	22,493	22,262
<b>TOTAL</b>		<b>42,193</b>	<b>48,550</b>
<b>EQUITY</b>			
Share capital	8	996	996
Share premium		2,678	2,678
Merger relief reserve		4,430	4,430
Retained Earnings		37,788	3,921
Other reserves		161	161
<b>TOTAL EQUITY</b>		<b>46,053</b>	<b>12,186</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>88,246</b>	<b>60,736</b>

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 22 October 2018 and are signed on their behalf by:



**JE Cotterell, Director**



**MS Thurston, Director**

**COMPANY STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June

	SHARE CAPITAL £'000	SHARE PREMIUM £'000	MERGER RELIEF RESERVE £'000	RETAINED EARNINGS £'000	CAPITAL REDEMPTION RESERVE £'000	TOTAL £'000
<b>BALANCE AT 30 JUNE 2016</b>	<b>996</b>	<b>2,678</b>	<b>4,430</b>	<b>3,228</b>	<b>161</b>	<b>11,493</b>
Equity-settled share-based payment transactions	-	-	-	773	-	773
<b>TRANSACTION WITH OWNERS</b>	-	-	-	773	-	773
Loss for the year	-	-	-	(80)	-	(80)
<b>Total comprehensive income for the year</b>	-	-	-	<b>(80)</b>	-	<b>(80)</b>
<b>BALANCE AT 30 JUNE 2017</b>	<b>996</b>	<b>2,678</b>	<b>4,430</b>	<b>3,921</b>	<b>161</b>	<b>12,186</b>
Equity-settled share-based payment transactions	-	-	-	1,123	-	1,123
<b>TRANSACTION WITH OWNERS</b>	-	-	-	1,123	-	1,123
Profit for the year	-	-	-	32,744	-	32,744
<b>Total comprehensive income for the year</b>	-	-	-	<b>32,744</b>	-	<b>32,744</b>
<b>BALANCE AT 30 JUNE 2018</b>	<b>996</b>	<b>2,678</b>	<b>4,430</b>	<b>37,788</b>	<b>161</b>	<b>46,053</b>

The accompanying notes form an integral part of these financial statements.

**COMPANY STATEMENT OF CASH FLOWS**  
**For the year ended 30 June**

	2018 £'000	2017 £'000
<b>OPERATING ACTIVITIES</b>		
Profit / (Loss) before tax	32,032	(438)
Adjustments (note 11)	(38,102)	(2,388)
Tax paid	(23)	(25)
Net changes in working capital (note 11)	14,484	(4,192)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>8,391</b>	<b>(7,043)</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received	38,136	1,152
Acquisition of subsidiaries, consideration in cash	-	(12,998)
Investments in subsidiaries	(12,686)	-
Loans to group companies	(25,904)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(454)</b>	<b>(11,846)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	29,462	19,414
Repayment of borrowings	(36,654)	(3,946)
Interest paid	(535)	(102)
<b>NET CASH (USED IN) / FROM INVESTING ACTIVITIES</b>	<b>(7,727)</b>	<b>15,366</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>210</b>	<b>(3,523)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>153</b>	<b>3,393</b>
<b>NET FOREIGN EXCHANGE DIFFERENCES</b>	<b>17</b>	<b>283</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>380</b>	<b>153</b>

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**For the year ended 30 June**
**1. SIGNIFICANT ACCOUNTING POLICIES**
**BASIS OF PREPARATION**

The Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and which were in effect at 30 June 2018.

The Company financial statements are presented in British Pound Sterling ("Sterling"), which is the Company's functional currency.

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

**INVESTMENTS**

Investments in subsidiary undertakings are stated at cost, less any provision for impairment.

**GOING CONCERN BASIS**

The Company operates as an investment company for the Endava Group, holding investments in subsidiaries financed by Group companies. As the Company is an intrinsic part of the Group's structure, the Directors have a reasonable expectation that Group companies will continue to support the Company through trading and cash generated from operations for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

**2. STATEMENT OF COMPREHENSIVE INCOME**

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. Endava Limited reported a profit for the year ended 30 June 2018 of £32.7m (2017: £0.08m loss).

**3. INVESTMENTS**

<b>COST AND NET BOOK VALUE</b>	<b>£'000</b>
<b>At 1 July 2017</b>	<b>36,180</b>
Additions	13,809
Disposals	-
<b>AT 30 JUNE 2018</b>	<b>49,989</b>

**INVESTMENTS (CONTINUED)**

During the year, the company made the following investments in its subsidiaries:

- Acquired 100 shares of Endava Inc. for \$10,600,000 (£7,932,000);
- Set up a new subsidiary in Copenhagen, Denmark and issued 50,000 shares for £6,000;
- Increased the investment in Endava Romania SRL by £4,748,000;
- £1,123,000 represents share-based compensation for equity awards granted to participants employed by its subsidiaries;

At 30 June 2018, the Company held interest in the share capital of the following entities:

Subsidiary	Country of incorporation	Class of shares held	Percentage of shares held	Principal activity
Endava plc	UK	Ordinary	100%	Holding company
Endava (UK) Limited	UK	Ordinary	100%	Provision of IT services
Endava (Managed Services) Limited*	UK	Ordinary	100%	Provision of IT services
ICS Endava SRL	Moldova	Ordinary	100%	Provision of IT services
Endava Romania SRL	Romania	Ordinary	100%	Provision of IT services
Endava (US) LLC**	US	Ordinary	100%	Provision of IT services
Endava (Ireland) Limited	Ireland	Ordinary	100%	Provision of IT services
Endava GmbH	Germany	Ordinary	100%	Provision of IT services
Endava DOOEL Skopje	Macedonia	Ordinary	100%	Provision of IT services
Endava Inc.	US	Ordinary	100%	Provision of IT services
Endava d.o.o. Beograd	Serbia	Ordinary	100%	Provision of IT Services
Endava Technology SRL	Romania	Ordinary	99%	Provision of IT Services
Endava Holding B.V.	The Netherlands	Ordinary	99.8%	Holding Company
Endava B.V.	The Netherlands	Ordinary	99.8%	Provision of IT services
Endava EOOD	Bulgaria	Ordinary	99.8%	Provision of IT services
Endava S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Endava ApS	Denmark	Ordinary	100%	Provision of IT Services
Velocity Partners LLC***	US	Ordinary	100%	Provision of IT Services
Velocity Partners Holding Inc	US	Ordinary	100%	Provision of IT Services
Nearshore Ventures LLC	US	Ordinary	100%	Provision of IT Services

Subsidiary	Country of incorporation	Class of shares held	Percentage of shares held	Principal activity
Velocity Partners Vnz S.C.A.	Venezuela	Ordinary	100%	Provision of IT Services
Velocity Partners Argentina SRL	Argentina	Ordinary	100%	Provision of IT Services
Velocity Partners Colombia S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Velocity Partners Uruguay SRL	Uruguay	Ordinary	100%	Provision of IT Services
Endava Limited Guernsey Employee Benefit Trust	UK	Ordinary	100%	Employee Benefit Trust

\* Held by Endava (UK) Limited

\*\* Held by Endava (Managed Services) Limited

\*\*\* Held by Endava Inc

#### DORMANT ENTITIES

Endava (Romania) Limited	UK	Ordinary	100%
Green Mango Software Services Ltd	UK	Ordinary	100%
Testing 4 Finance Ltd	UK	Ordinary	100%
Alpheus Limited	UK	Ordinary	100%

#### 4. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

DEFERRED TAX ASSET 2018	AT 1 JULY 2017 £'000	CREDIT / (CHARGE) TO PROFIT AND LOSS £'000	AT 30 JUNE 2018 £'000
Accelerated capital allowances	4	(1)	3
Other temporary differences	-	20	20
<b>TOTAL</b>	<b>4</b>	<b>19</b>	<b>23</b>



**DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

DEFERRED TAX ASSET 2017	AT 1 JULY 2016 £'000	CREDIT / (CHARGE) TO PROFIT AND LOSS £'000	AT 30 JUNE 2017 £'000
Accelerated capital allowances	5	(1)	4
Other temporary differences	110	(110)	-
<b>TOTAL</b>	<b>115</b>	<b>(111)</b>	<b>4</b>

All deferred tax movements arise from the origination and reversal of temporary differences. Deferred tax assets are recognised to the extent it is probable that taxable profits will be generated against which those assets can be utilised.

**5. TRADE AND OTHER RECEIVABLES**

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	10,061	23,452
Prepayments	330	268
Other debtors	161	8
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>10,552</b>	<b>23,728</b>

**6. TRADE AND OTHER PAYABLES – CURRENT**

	2018 £'000	2017 £'000
Trade payables	143	169
Amounts owed to group undertakings	15,504	19,009
Other taxation and social security	3,122	2,782
Accruals	3,724	302
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>22,493</b>	<b>22,262</b>

**7. FINANCIAL ASSETS AND LIABILITIES**
**CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The accounting policies provide a description of each category of financial assets and financial liabilities.

The fair values of financial assets and liabilities are included at the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the end of the reporting period.

**FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

The carrying amounts of cash and cash equivalents, bank loans, trade and other receivables and trade and other payables is a close approximation of their fair values. Where financial assets and financial liabilities are measured at fair value, their measurement should be classified into the following hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following financial assets and financial liabilities were classified within level 3:

FINANCIAL ASSETS	2018 £'000	2017 £'000
Trade and other receivables	10,552	23,728
Cash and cash equivalents	380	153
<b>TOTAL FINANCIAL ASSETS</b>	<b>10,392</b>	<b>23,881</b>

FINANCIAL LIABILITIES	2018 £'000	2017 £'000
Current borrowings	19,700	26,288
Trade and other payables	22,493	22,262
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>42,193</b>	<b>48,550</b>

**8. SHARE CAPITAL**

AUTHORIZED SHARE CAPITAL:	2018 £'000	2017 £'000
60,000,000 Ordinary shares of £0.02 each	1,200	1,200

ALLOTTED, CALLED UP AND FULLY PAID:	2018 NO.	£'000	2017 NO.	£'000
Class A ordinary shares	4,703,980	94	4,703,980	94
Class B ordinary shares	28,822,625	576	28,822,625	576
Class C ordinary shares	16,277,540	326	16,277,540	326
<b>TOTAL</b>	<b>49,804,145</b>	<b>996</b>	<b>49,804,145</b>	<b>996</b>

No new shares were issued in the year ended 30 June 2018 and 30 June 2017.

**SHARE CAPITAL (CONTINUED)**

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- Capital redemption reserve is created to maintain the statutory capital maintenance requirements of the Companies Act 2006;
- Merger relief reserve balance represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in a business combination; and
- Retained earnings include all current and prior period retained profits.

On 6 July 2018, the Company completed a five for one share split of each class of ordinary shares.

**9. LOANS AND BORROWINGS**

TYPE	NOMINAL INTEREST P.A.	YEAR OF MATURITY	2018 £'000	2017 £'000
Revolving credit facility	LIBOR/ EURIBOR + variable margin (0.8% -1.40%)	2020	19,700	26,288

The multicurrency revolving credit facility with HSBC has an unlimited multilateral guarantee to secure all liabilities of Endava plc, Endava (UK) Limited, Endava Inc, Endava Holding B.V. and Endava Romania SRL through various security arrangements, including debentures, share and equity pledges and mortgage agreements.

On 6 August 2018, the Company repaid all debt outstanding from the three-year secured Multicurrency Revolving Facility Agreement with HSBC Bank plc.

**10. RELATED PARTY TRANSACTIONS**

The following tables show the transactions between the Parent company and other entities within the Group.

<b>2018 ENDAVA PLC</b>	<b>SALES TO GROUP COMPANIES £'000</b>	<b>PURCHASES FROM GROUP COMPANIES £'000</b>
Endava (UK) Ltd	8,002	6,786
ICS Endava SRL	-	1,031
Endava (Romania) SRL	180	2,125
Endava GmbH	87	-
Endava DOOEL Skopje	-	53
Endava d.o.o. Beograd	689	358
Endava Inc	443	-
Endava B.V.	82	-
<b>TOTAL</b>	<b>9,483</b>	<b>10,353</b>

<b>2017 ENDAVA PLC</b>	<b>SALES TO GROUP COMPANIES £'000</b>	<b>PURCHASES FROM GROUP COMPANIES £'000</b>
Endava (UK) Ltd	5,622	5,164
ICS Endava SRL	-	586
Endava (Romania) SRL	326	3,027
Endava GmbH	64	-
Endava DOOEL Skopje	-	36
Endava d.o.o. Beograd	693	86
<b>TOTAL</b>	<b>6,705</b>	<b>8,899</b>

The following table shows the interest received/paid by the parent company from/to other entities within the Group.

<b>2018 ENDAVA PLC</b>	<b>INTEREST RECEIVED FROM GROUP COMPANIES £'000</b>	<b>INTEREST PAID TO GROUP COMPANIES £'000</b>
Endava Inc	378	-
Endava B.V.	-	25
Velocity Partners	-	10
<b>TOTAL</b>	<b>378</b>	<b>35</b>

**RELATED PARTY TRANSACTIONS (CONTINUED)**

<b>2017 ENDAVA PLC</b>	<b>INTEREST RECEIVED FROM GROUP COMPANIES £'000</b>	<b>INTEREST PAID TO GROUP COMPANIES £'000</b>
Endava B.V.	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

The following table shows the dividends received/paid by the parent company from/to other entities within the Group.

<b>2018 ENDAVA PLC</b>	<b>DIVIDENDS RECEIVED FROM GROUP COMPANIES £'000</b>	<b>DIVIDENDS PAID TO GROUP COMPANIES £'000</b>
Endava (UK) Limited	12,800	-
Endava Romania SRL	20,598	-
Endava Holding B.V.	4,738	-
<b>TOTAL</b>	<b>38,136</b>	<b>-</b>

<b>2017 ENDAVA PLC</b>	<b>DIVIDENDS RECEIVED FROM GROUP COMPANIES £'000</b>	<b>DIVIDENDS PAID TO GROUP COMPANIES £'000</b>
Endava d.o.o. Beograd	1,213	-
<b>TOTAL</b>	<b>1,213</b>	<b>-</b>

**RELATED PARTY TRANSACTIONS (CONTINUED)**

The following tables show the balances between the Parent company and other entities within the Group.

<b>2018 ENDAVA PLC</b>	<b>RECEIVABLES FROM GROUP COMPANIES £'000</b>	<b>PAYABLES TO GROUP COMPANIES £'000</b>
Endava (UK) Ltd	1,837	7,876
Endava (Managed Services) Ltd	4,712	-
ICS Endava SRL	256	396
Endava (Romania) SRL	1,075	2,042
Endava Technology SRL	43	-
Endava (US) LLC	-	7
Endava (Ireland) Limited	-	577
Endava GmbH	99	-
Endava DOOEL Skopje	75	6
Endava Inc.	857	-
Endava d.o.o. Beograd	840	266
Endava Limited Guernsey Employee Benefit Trust	101	219
Endava B.V.	87	-
Endava Holding B.V.	-	885
Endava EOOD	48	-
Endava S.A.S.	31	-
Velocity Partners	-	3,230
<b>TOTAL</b>	<b>10,061</b>	<b>15,504</b>

**RELATED PARTY TRANSACTIONS (CONTINUED)**

<b>2017 ENDAVA PLC</b>	<b>RECEIVABLES FROM GROUP COMPANIES £'000</b>	<b>PAYABLES TO GROUP COMPANIES £'000</b>
Endava (UK) Ltd	15,820	14,489
Endava (Managed Services) Ltd	3,554	-
ICS Endava SRL	-	529
Endava (Romania) SRL	301	3,242
Endava GmbH	173	-
Endava DOOEL Skopje	-	15
Endava Inc.	624	-
Endava (US) LLC	-	69
Endava d.o.o. Beograd	671	86
Endava (Ireland) Limited	-	579
Endava Ltd Guernsey Employee Benefit Trust	2,203	-
Endava SAS	106	-
<b>TOTAL</b>	<b>23,452</b>	<b>19,009</b>

**11. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL**

<b>ADJUSTMENTS</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Interest expense	535	119
Dividend income	(38,136)	(1,213)
Share based compensation	-	(1,572)
Foreign exchange (gain)/loss	(501)	458
Income on contingent consideration	-	(180)
<b>TOTAL ADJUSTMENTS</b>	<b>(38,102)</b>	<b>(2,388)</b>

<b>NET CHANGES IN WORKING CAPITAL</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Increase in trade and other receivables	14,253	(11,607)
Increase in trade and other payables	231	7,415
<b>TOTAL CHANGES IN WORKING CAPITAL</b>	<b>14,484</b>	<b>(4,192)</b>

**CASH FLOW ADJUSTMENTS AND WORKING CAPITAL (CONTINUED)**
**NON-CASH CHANGES ARISING FROM FINANCING ACTIVITIES**

<b>BORROWINGS</b>	<b>BEGINNING OF THE YEAR £'000</b>	<b>PROCEEDS FROM BORROWINGS £'000</b>	<b>REPAYMENT OF BORROWINGS £'000</b>	<b>NON-CASH FOREIGN EXCHANGE £'000</b>	<b>NON CASH OTHER £'000</b>	<b>END OF THE YEAR £'000</b>
2017	10,511	19,414	(3,946)	309	-	26,288
2018	26,288	29,462	(36,654)	604	-	19,700

**12. CORPORATION TAX RECEIVABLE**

The corporation tax receivable of £1,384,000 (2017: £657,000) relates to payments due from other UK companies in the group for losses surrendered for group relief.

**13. OTHER ASSETS – NON-CURRENT**

Other assets – non-current primarily relates to interest bearing intercompany loan of £23,489,000 (2017: nil) with Endava Inc., a 100% owned subsidiary undertaking. The intercompany loan is a 10-year loan which matures in December 2027 and bears interest at a rate of 12 month USD LIBOR plus variable margin (0.80%-1.40%).