ENDAVA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

COMPANY REGISTRATION NUMBER 5722669

endava

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endava

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The Directors present their Strategic, Directors' Remuneration and Directors' Reports on and the audited financial statements of Endava Plc (the "Group") for the year ended 30 June 2019.

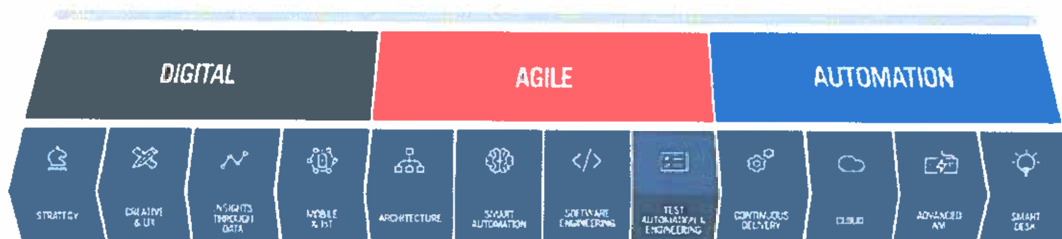
STRATEGIC REPORT

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 proprietory 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 to 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.

Our Business Performance

Revenues grew 32.3% year on year. Our revenue composition by industry sector is as follows:

Revenue by industry sector	Fiscal Year Ended June 30,				Fiscal Year Ended June 30,	
	2019		2018		2019	2018
	(in millions)				%	
Payments and Financial Services	£	152.2	£	123.7	52.9%	56.8%
TMT		78.9		61.1	27.4%	28.1%
Other		56.9		32.8	19.8%	15.1%
Total	£	287.9	£	217.6	100.0%	100.0%

In terms of geographic composition (defined as where our projects are delivered to), revenue is split as follows:

Revenue by geography	Fiscal Year Ended June 30,				Fiscal Year Ended June 30,	
	2019		2018		2019	2018
	(in millions)				%	
North America	£	79.2	£	45.6	27.5%	21.0%
Europe		79.2		73.4	27.5%	33.7%
United Kingdom		129.5		98.6	45.0%	45.3%
Total	£	287.9	£	217.6	100.0%	100.0%

Revenue for 2019 was £287.9 million, an increase of £70.3 million, or 32.3%, over 2018. In constant currency terms, revenue grew by 31.1% over 2018. We achieved significant growth in revenue across all sectors. Revenue from clients in the Payments and Financial Services vertical increased by £28.5 million, or 23.0%, to £152.2 million in 2019 from £123.7 million in 2018. Revenue from clients in the TMT vertical increased by £17.8 million, or 29.1%, to £78.9 million in 2019 from £61.1 million in 2018. Revenue from clients in our Other vertical also grew significantly, increasing by £24.0 million, or 73.1%, to £56.9 million in 2019 from £32.8 million in 2018. Revenue also grew across all geographies. Revenue from clients based in Europe increased by £5.7 million, or 7.8%, to £79.2 million in 2019 from £73.4 million in 2018. Revenue from clients based in the United Kingdom increased by £30.9 million, or 31.4%, to £129.5 million in 2019 from £98.6 million in 2018. Revenue from clients based in North America increased by £33.6 million, or 73.8%, to £79.2 million in 2019 from £45.6 million in 2018. Revenue from our top 10 clients in 2019 increased by £18.3 million, or 20.3%, to £108.7 million compared to £90.4 million in revenue from our top 10 clients in 2018.

Profit before tax grew 22.1% year on year. This was mainly driven by strong revenue growth and gross margin improvement partly offset by higher selling, general and administrative expenses due to increased support functions costs involved with public company running costs.

Net current assets increased to £82.7 million as at 30 June 2019 compared to net current liabilities position as at 30 June 2018. This was driven by higher closing cash and cash equivalents balance arising from IPO proceeds and cash generated from operations. The Group also had lower current liabilities as at 30 June 2019 due to settlement of Velocity Partner acquisition related balances during the current year and the revolving credit facility balance in 2018 was fully settled in 2019.

Our People

We had 5,754 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 – North Macedonia, Moldova and Serbia and four countries in Latin America – Argentina, Colombia, Uruguay and Venezuela.

Employees by geography	Fiscal Year Ended June 30,		Fiscal Year Ended June 30,	
	2019	2018	2019 (%)	2018 (%)
Western Europe	254	232	4.4%	4.8%
Central Europe - EU Countries	3,062	2,578	53.2%	53.5%
Sub-total: EU Countries (Western & Central Europe)	3,316	2,810	57.6%	58.3%
Central Europe - Non-EU Countries	1,583	1,279	27.5%	26.5%
Latin America	780	665	13.6%	13.8%
North America	75	65	1.3%	1.3%
Total	**5,754**	**4,819**	**100.0%**	**100.0%**

We believe that our people are our most important asset. We grew our average operational headcount by 23.9% in 2019. 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. Endava University and "Pass It On" are key elements of our training and development framework. Endava University provides classroom based training and "Pass It On" uses apprenticeship and open sharing so that our people can grow by way of collective experiences and knowledge. Our employees also have career coaches to customize their integration into their respective teams and to help visualize their development and future. Through Endava Labs and regular hackathons, our teams are encouraged to express their creativity in using next-generation technologies to build innovative solutions. We believe that we have built an organization deeply committed to helping people succeed and that our culture fosters our core values of openness, thoughtfulness and adaptability.

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 65% men, 35% women. At 30 June FY18 the split was similar at 66% men and 34% 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.

	Fiscal Year Ended June 30,			
	2019		2018	
	(pounds in millions)			
Revenue growth rate at constant currency		31.1%		37.2%
Average number of employees involved in delivery of our services		4,902		3,957
Revenue concentration		37.7%		41.5%
Number of large clients		63		46
Adjusted profit before taxes margin		18.0%		15.4%
Adjusted free cash flow	£	29.8	£	28.7

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.

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.

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.

	Fiscal Year Ended June 30,	
Top Ten Client Revenue %	2019	2018
Top Client	9.8%	10.8%
Top 2nd - 10th	27.9%	30.7%
Total Top Ten Revenue	**37.7%**	**41.5%**

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.

Number of clients with Revenue >£1m	Fiscal Year Ended June 30,	
	2019	2018
Over £5 Million	15	8
£2 - £5 Million	26	22
£1 - £2 Million	22	16
Total number of clients >£1million	**63**	**46**

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 to 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, amortization of acquired intangible assets, realized and unrealized foreign currency exchange gains and losses, initial public offering expenses incurred, Sarbanes-Oxley compliance readiness expenses, fair value movement of contingent consideration, secondary offering expenses incurred and stamp duty on transfer of shares (all of which are non-cash other than realized foreign currency exchange gains and losses, initial public offering expenses, Sarbanes-Oxley compliance readiness expenses, secondary offering expenses incurred and stamp duty on transfer of shares), as a percentage of our total revenue. We do not consider these excluded items to be indicative of our core operating performance.

Adjusted Free Cash Flow

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

	Fiscal Year Ended June 30,	
	2019	2018
	(pounds in thousands)	
Net cash provided by (used in) operating activities	35,348	33,984
Grant received	1,784	147
Purchases of non-current assets (tangible and intangible)	(7,326)	(5,404)
Adjusted free cash flow	**29,806**	**28,727**
Free cash flow % revenue	**10.4%**	**13.2%**

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 may not be able to sustain our revenue growth rate in the future.

We have experienced rapid revenue growth in recent periods. Our revenue increased by 32.3% to £287.9 million in the fiscal year ended June 30, 2019, which was a further increase on the 36.5% increase from £159.4 million in the fiscal year ended June 30, 2017 to £217.6 million in the fiscal year ended June 30, 2018. We may not be able to sustain revenue growth consistent with our recent history or at all. You should not consider our revenue growth in recent periods as indicative of our future performance. As we grow our business, we expect our revenue growth rates to slow in future periods due to a number of factors, which may include slowing demand for our services, increasing competition, decreasing growth of our overall market, our inability to engage and retain a sufficient number of IT professionals or otherwise scale our business, prevailing wages in the markets in which we operate or our failure, for any reason, to capitalize on growth opportunities.

We are dependent on our largest clients.

Historically, a significant percentage of our revenue has come from our existing client base. For example, during the fiscal year ended June 30, 2019, 93.4% of our revenue came from clients from whom we generated revenue during the prior fiscal year. However, the volume of work performed for a specific client is likely to vary from year to year, especially since we generally do not have long-term commitments from our clients and are often not our clients' exclusive technology services provider. A major client in one year may not provide the same level of revenue for us in any subsequent year. Further, one or more of our significant clients could get acquired and there can be no assurance that the acquirer would choose to use our services in respect of such client to the same degree as previously, if at all. In particular, some of our clients are owned by private equity firms and are therefore inherently more likely to be sold at some point in the future.

In addition, the services we provide to our clients, and the revenue and income from those services, may decline or vary as the type and quantity of services we provide changes over time. In addition, our reliance on any individual client for a significant portion of our revenue may give that client a certain degree of pricing leverage against us when negotiating contracts and terms of service. In order to successfully perform and market our services, we must establish and maintain multi-year close relationships with our clients and develop a thorough understanding of their businesses. Our ability to maintain these close relationships is essential to the growth and profitability of our business. If we fail to maintain these relationships and successfully obtain new engagements from our existing clients, we may not achieve our revenue growth and other financial goals.

During the fiscal years ended June 30, 2019, 2018 and 2017, our 10 largest clients accounted for 37.7%, 41.5% and 49.1%of our revenue, respectively. Our largest client for the fiscal years ended June 30, 2019, 2018 and 2017, Worldpay (UK) Limited, or, together with Worldpay Group Limited and its consolidated subsidiaries, Worldpay, accounted for 9.8%, 10.8% and 13.0% of our revenue, respectively. We are party to two principal agreements with Worldpay: a master services agreement and a build and operate agreement, the latter of which was terminated on August 31, 2019. Under the master services agreement, Worldpay committed to spend an aggregate of £55.7 million, after giving effect to certain discounts, with us during the period from January 1, 2017 to December 31, 2021, with annual discounted commitments ranging from £9.7 million to £12.2 million. Either we or Worldpay may terminate the master services agreement for cause (including material breach by the other party) and Worldpay may terminate the master services agreement if we undergo a change of control or due to regulatory requirements. In addition, Worldpay may terminate the master services agreement for convenience subject to six months prior notice no earlier than July 1, 2021 and payment of 30% of the minimum undiscounted commitment amount for the 12-month period following termination.

Under the build and operate agreement, we created and staffed a captive Romanian subsidiary for Worldpay. Worldpay issued us orders to hire personnel to the captive Romanian subsidiary, and we billed Worldpay for the cost of such personnel throughout the term of the build and operate agreement. We also entered into an option and transfer agreement on November 22, 2016, pursuant to which Worldpay had an option to acquire the captive Romanian subsidiary from us. On June 1, 2019, we entered into a sale and purchase agreement with Worldpay pursuant to which we agreed to sell the captive to Worldpay and to terminate the option and transfer agreement. The captive Romanian subsidiary contributed approximately 3.2% of our total revenue and 32.6% of our total number of employees working on various projects for Worldpay in the fiscal year ended June 30, 2019. Additionally, on August 31, 2019, when the transaction was completed and the build and operate agreement was terminated, the captive Romanian subsidiary employed approximately 146 people. As Worldpay has exercised its option under the option and transfer agreement to acquire the captive Romanian subsidiary, we will no longer receive revenue or incur associated cost from this captive subsidiary. In addition, the exercise of this option may increase the likelihood that Worldpay would cease engaging us for new projects, which could affect our revenue, business, results of operations and financial condition and the market price of our ADSs. In August 2019, Worldpay was acquired by Fidelity National Information Services, Inc. There can be no assurance that our relationship will not be adversely affected as a result of the contemplated merger.

We generally do not have long-term commitments from our clients, and our clients may terminate engagements before completion or choose not to enter into new engagements with us.

Our clients are generally not obligated for any long-term commitments to us. Our clients can terminate many of our master services agreements and work orders with or without cause, in some cases subject only to 15 days' prior notice in the case of termination without cause. Although a substantial majority of our revenue is typically generated from clients who also contributed to our revenue during the prior year, our engagements with our clients are typically for projects that are singular in nature. In addition, large and complex projects may involve multiple engagements or stages, and a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. Therefore, we must seek to obtain new engagements when our current engagements are successfully completed or are terminated as well as maintain relationships with existing clients and secure new clients to maintain and expand our business.

Even if we successfully deliver on contracted services and maintain close relationships with our clients, a number of factors outside of our control could cause the loss of or reduction in business or revenue from our existing clients. These factors include, among other things:

- the business or financial condition of that client or the economy generally;
- a change in strategic priorities by that client, resulting in a reduced level of spending on technology services;
- changes in the personnel at our clients who are responsible for procurement of information technology, or IT, services or with whom we primarily interact;
- a demand for price reductions by that client;
- mergers, acquisitions or significant corporate restructurings involving that client; and
- a decision by that client to move work in-house or to one or several of our competitors.

The loss or diminution in business from any of our major clients could have a material adverse effect on our revenue and results of operations. The ability of our clients to terminate agreements makes our future revenue uncertain. We may not be able to replace any client that elects to terminate or not renew its contract with us, which could materially adversely affect our revenue and thus our results of operations. Further, terminations or delays in engagements may make it difficult to plan our project resource requirements.

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, 2019, we increased our headcount by 935 employees, or 19.4%. 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, North 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 constituted 52.9% and 27.4%, 56.8% and 28.1%, and 57.1% and 30.5% of our revenue, respectively, for the fiscal years ended June 30, 2019, 2018, and 2017, respectively. 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.

Recent acquisitions and potential future acquisitions could prove difficult to integrate, disrupt our business, dilute shareholder value and strain our resources.

We have completed five acquisitions (including the acquisition of Velocity Partners LLC, or Velocity Partners, in December 2017) during the previous five fiscal years. In the future, we may acquire additional businesses that we believe could complement or expand our business. Integrating the operations of acquired businesses successfully or otherwise realizing any of the anticipated benefits of acquisitions, including anticipated cost savings and additional revenue opportunities, involves a number of potential challenges. The failure to meet these integration challenges could seriously harm our financial condition and results of operations. Realizing the benefits of acquisitions depends in part on the integration of operations and personnel. These integration activities are complex and time-consuming, and we may encounter unexpected difficulties or incur unexpected costs, including:

- our inability to achieve the operating synergies anticipated in the acquisitions;
- diversion of management attention from ongoing business concerns to integration matters;
- consolidating and rationalizing information technology platforms and administrative infrastructures;
- complexities associated with managing the geographic separation of the combined businesses and consolidating multiple physical locations;
- retaining IT professionals and other key employees and achieving minimal unplanned attrition;
- integrating personnel from different corporate cultures while maintaining focus on providing consistent, high quality service;
- demonstrating to our clients and to clients of acquired businesses that the acquisition will not result in adverse changes in client service standards or business focus;
- possible cash flow interruption or loss of revenue as a result of transitional matters; and
- inability to generate sufficient revenue to offset acquisition costs.

Acquired businesses may have liabilities or adverse operating issues that we fail to discover through due diligence prior to the acquisition. In particular, to the extent that prior owners of any acquired businesses or properties failed to comply with or otherwise violated applicable laws or regulations, or failed to fulfill their contractual obligations to clients, we, as the successor owner, may be financially responsible for these violations and failures and may suffer financial or reputational harm or otherwise be adversely affected. Similarly, our acquisition targets may not have as robust internal controls over financial reporting as would be expected of a public company. Acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairment in the future that could harm our financial results. We may also become subject to new regulations as a result of an acquisition, including if we acquire a business serving clients in a regulated industry or acquire a business with clients or operations in a country in which we do not already operate. In addition, if we finance acquisitions by issuing convertible debt or equity securities, our existing shareholders may be diluted, which could affect the market price of our ADSs. As a result, if we fail to properly evaluate acquisitions or investments, we may not achieve the anticipated benefits of any such acquisitions, and we may incur costs in excess of what we anticipate. Acquisitions frequently involve benefits related to the integration of operations of the acquired business. The failure to

successfully integrate the operations or otherwise to realize any of the anticipated benefits of the acquisition could seriously harm our results of operations.

We are focused on growing our client base in North America and may not be successful.

We are focused on geographic expansion, particularly in North America. In fiscal years 2019, 2018 and 2017, 27.5%, 21.0% and 16.1793% of our revenue, respectively, came from clients in North America. From fiscal year 2018 to fiscal year 2019, our revenue from clients in North America increased by 73.8% and from fiscal year 2017 to fiscal year 2018, our revenue from clients in North America increased by 75.8%. We have made significant investments to expand in North America, including our acquisition of Velocity Partners in December 2017, which increased our sales presence in North America and added nearshore delivery capacity in Latin America. However, our ability to add new clients will depend on a number of factors, including the market perception of our services, our ability to successfully add nearshore delivery center capacity and pricing, competition and overall economic conditions. If we are unable to retain existing clients and attract new clients in North America, we may be unable to grow our revenue and our business and results of operations could be adversely affected.

We may be unable to effectively manage our rapid growth or achieve anticipated growth, which could place significant strain on our management personnel, systems and resources.

We have experienced rapid growth and significantly expanded our business over the past several years, both organically and through acquisitions. We intend to continue to grow our business in the foreseeable future and to pursue existing and potential market opportunities. We have also increased the size and complexity of the projects that we undertake for our clients and hope to continue being engaged for larger and more complex projects in the future. As we add new delivery sites, introduce new services or enter into new markets, we may face new market, technological and operational risks and challenges with which we are unfamiliar, and we may not be able to mitigate these risks and challenges to successfully grow those services or markets. We may not be able to achieve our anticipated growth or successfully execute large and complex projects, which could materially adversely affect our revenue, results of operations, business and prospects.

Our future growth depends on us successfully recruiting, hiring and training IT professionals, expanding our delivery capabilities, adding effective sales staff and management personnel, adding service offerings, maintaining existing clients and winning new business. Effective management of these and other growth initiatives will require us to continue to improve our infrastructure, execution standards and ability to expand services. As our company grows, and we are required to add more employees and infrastructure to support our growth, we may find it increasingly difficult to maintain our corporate culture. If we fail to maintain a culture that fosters career development, innovation, creativity and teamwork, we could experience difficulty in hiring and retaining IT professionals. Failure to manage growth effectively could have a material adverse effect on the quality of the execution of our engagements, our ability to attract and retain IT professionals and our business, results of operations and financial condition.

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 six 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 IPO 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 or sales in registered offerings may be our employees' only means of generating liquidity from their ownership of our securities.

Forecasts of our market may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, there can be no assurance that our business will grow at similar rates, or at all.

Growth forecasts included in this Annual Report and Financial Statements for the year ended June 30, 2019, or this Annual Report, relating to our market opportunity and the expected growth in the market for our services are subject to significant uncertainty and are based on assumptions and estimates which may prove to be inaccurate. Even if these markets meet our size estimates and experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many risks and uncertainties, including our success in implementing our business strategy. Accordingly, the forecasts of market growth included in this Annual Report should not be taken as indicative of our future growth.

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.

Our sales of services, operating results or profitability may experience significant variability and our past results may not be indicative of our future performance.

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance.

Factors that are likely to cause these variations include:

- the number, timing, scope and contractual terms of projects in which we are engaged;
- delays in project commencement or staffing delays due to difficulty in assigning appropriately skilled or experienced professionals;
- the accuracy of estimates on the resources, time and fees required to complete projects and costs incurred in the performance of each project;
- inability to retain employees or maintain employee utilization levels;
- changes in pricing in response to client demand and competitive pressures;
- the business decisions of our clients regarding the use of our services or spending on technology;
- the ability to further grow sales of services from existing clients;
- seasonal trends and the budget and work cycles of our clients;
- delays or difficulties in expanding our operational facilities or infrastructure;
- our ability to estimate costs under fixed price or managed service contracts;
- employee wage levels and increases in compensation costs;
- unanticipated contract or project terminations;
- the timing of collection of accounts receivable;
- our ability to manage risk through our contracts;
- the continuing financial stability of our clients;
- changes in our effective tax rate;
- fluctuations in currency exchange rates; and
- general economic conditions.

As a result of these factors, our operating results may from time to time fall below our estimates or the expectations of public market analysts and investors.

We operate in a rapidly evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to be successful.

The technology services industry is competitive and continuously evolving, subject to rapidly changing demands and constant technological developments. As a result, success and performance metrics are difficult to predict and measure in our industry. Because services and technologies are rapidly evolving and each company within the industry can vary greatly in terms of the services it provides, its business model, and its results of operations, it can be difficult to predict how any company's services, including ours, will be received in the market.

Neither our past financial performance nor the past financial performance of any other company in the technology services industry is indicative of how our company will fare financially in the future. Our future profits may vary substantially from those of other companies and those we have achieved in the past, making an investment in our company risky and speculative. If our clients' demand for our services declines as a result of economic conditions, market factors or shifts in the technology industry, our business would suffer and our results of operations and financial condition would be adversely affected.

We have in the past experienced, and may in the future experience, a long selling and implementation cycle with respect to certain projects that require us to make significant resource commitments prior to realizing revenue for our services.

We have experienced, and may in the future experience, a long selling cycle with respect to certain projects that require significant investment of human resources and time by both our clients and us. Before committing to use our services, potential clients may require us to expend substantial time and resources educating them on the value of our services and our ability to meet their requirements. Therefore, our selling cycle is subject to many risks and delays over which we have little or no control, including our clients' decision to choose alternatives to our services (such as other technology and IT service providers or in-house resources) and the timing of our clients' budget cycles and approval processes. If our sales cycle unexpectedly lengthens for one or more projects, it would negatively affect the timing of our revenue and hinder our revenue growth. For certain clients, we may begin work and incur costs prior to executing the contract. A delay in our ability to obtain a signed agreement or other persuasive evidence of an arrangement, or to complete certain contract requirements in a particular quarter, could reduce our revenue in that quarter or render us entirely unable to collect payment for work already performed.

Implementing our services also involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may experience delays in obtaining internal approvals or delays associated with technology, thereby further delaying the implementation process. Our current and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources. Any significant failure to generate revenue or delays in recognizing revenue after incurring costs related to our sales or services process could materially adversely affect our business.

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 or the computer systems of our clients 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.

Regulatory, legislative or self-regulatory/standard developments regarding privacy and data security matters could adversely affect our ability to conduct our business.

We, along with a significant number of our clients, are subject to laws, rules, regulations and industry standards related to data privacy and cyber security, and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data. For example, the European Union General Data Protection Regulation, or GDPR, came into force in May 2018 and contains numerous requirements and changes from existing EU law, including more robust obligations on data processors and data controllers and heavier documentation requirements for data protection compliance programs. Specifically, the GDPR introduced numerous privacy-related changes for companies operating in the EU, including greater control over personal data by data subjects (e.g., the "right to be forgotten"), increased data portability for EU consumers, data breach notification requirements and increased fines. In particular, under the GDPR, fines of up to €20 million or up to 4% of the annual global revenue of the noncompliant company, whichever is greater, could be imposed for violations of certain of the GDPR's requirements. The GDPR requirements apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information.

We are required to comply with the GDPR as a "Data Controller" and a "Data Processor." In the United States, the rules and regulations to which we may be subject include those promulgated under the authority of the Federal Trade Commission, the Gramm Leach Bliley Act and state cybersecurity and breach notification laws, as well as regulator enforcement positions and expectations. Globally, governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, regulations, and standards covering user privacy, data security, technologies such as cookies that are used to collect, store and/or process data, marketing online, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices, and the collection (including the collection of information), use, processing, transfer, storage and/or disclosure of data associated with unique individual internet users. New regulation or legislative actions regarding data privacy and security (together with applicable industry standards) may increase the costs of doing business and could have a material adverse impact on our operations and cash flows.

While we have taken steps to mitigate the impact of the GDPR on us, the efficacy and longevity of these mechanisms remains uncertain. Potential or actual legal proceedings could lead to one or both of these mechanisms being declared invalid. Further, despite our ongoing efforts to bring practices into compliance, we may not be successful either due to various factors within our control, such as limited financial or human resources, or other factors outside our control. It is also possible that local data protection authorities may have different interpretations of the GDPR, leading to potential inconsistencies amongst various EU member states.

Additionally, on June 23, 2016, the United Kingdom held a referendum in which a majority of the eligible members of the electorate voted for the United Kingdom to leave the EU. The United Kingdom's withdrawal from the EU is commonly referred to as Brexit. Brexit is expected to occur on October 31, 2019. While the Data Protection Act of 2018, which "implements" and complements the GDPR has achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it is still unclear whether transfer of data from the EEA to the United Kingdom will remain lawful under GDPR. We may incur liabilities, expenses, costs, and other operational losses under GDPR after Brexit and applicable EU Member States and the United Kingdom privacy laws in connection with any measures we take to comply with them.

Additionally, California enacted legislation that has been dubbed the first "GDPR-like" law in the United States. Known as the California Consumer Privacy Act, or CCPA, it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased

privacy and security obligations on entities handling personal data of consumers or households. When it goes into effect on January 1, 2020, the CCPA will require covered companies to provide new disclosures to California consumers, provide such consumers new ways to opt-out of certain sales of personal information, and allow for a new cause of action for data breaches. Legislators have stated that amendments will be proposed to the CCPA before it goes into effect, but it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. As currently written, the CCPA could impact our business activities depending on how it is interpreted.

Any failure or perceived failure (including as a result of deficiencies in our policies, procedures, or measures relating to privacy, data protection, marketing, or client communications) by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions, litigation, fines and penalties or adverse publicity, and could cause our clients and partners to lose trust in us, which could have an adverse effect on our reputation and business. We expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy, data protection, marketing, consumer communications and information security in the United States, the European Union and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business. Future laws, regulations, standards and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new services and maintain and grow our client base and increase revenue.

Our client relationships, revenue, results of operations and financial condition may be adversely affected if we experience disruptions in our internet infrastructure, telecommunications or IT systems.

Disruptions in telecommunications, system failures, internet infrastructure or computer attacks could damage our reputation and harm our ability to deliver services to our clients, which could result in client dissatisfaction and a loss of business and related reduction of our revenue. We may not be able to consistently maintain active voice and data communications between our various global operations and with our clients due to disruptions in telecommunication networks and power supply, system failures or computer virus attacks. Any significant failure in our ability to communicate could result in a disruption in business, which could hinder our performance and our ability to complete projects on time. Such failure to perform on client contracts could have a material adverse effect on our revenue, business, results of operations and financial condition and the market price of our ADSs.

Our business operations and financial condition could be adversely affected by negative publicity about offshore outsourcing or anti-outsourcing legislation in the countries in which our clients operate.

Concerns that offshore outsourcing has resulted in a loss of jobs and sensitive technologies and information to foreign countries have led to negative publicity concerning outsourcing in some countries. Many organizations and public figures in the United States and Europe have publicly expressed concern about a perceived association between offshore outsourcing IT service providers and the loss of jobs in their home countries. Current or prospective clients may elect to perform services that we offer, or may be discouraged from transferring these services to offshore providers such as ourselves, to avoid any negative perceptions that may be associated with using an offshore provider or for data privacy and security concerns. As a result, our ability to compete effectively with competitors that operate primarily out of facilities located in these countries could be harmed.

Legislation enacted in certain European jurisdictions and any future legislation in Europe or any other country in which we have clients that restricts the performance of services from an offshore

location could also materially adversely affect our business, financial condition and results of operations. For example, legislation enacted in the United Kingdom, based on the 1977 EC Acquired Rights Directive, has been adopted in some form by many European Union countries, and provides that if a company outsources all or part of its business to an IT services provider or changes its current IT services provider, the affected employees of the company or of the previous IT services provider are entitled to become employees of the new IT services provider, generally on the same terms and conditions as their original employment. In addition, dismissals of employees who were employed by the company or the previous IT services provider immediately prior to that transfer are automatically considered unfair dismissals that entitle such employees to compensation. As a result, in order to avoid unfair dismissal claims, we may have to offer, and become liable for, voluntary redundancy payments to the employees of our clients who outsource business to us in the United Kingdom and other European Union countries who have adopted similar laws. This legislation could materially affect our ability to obtain new business from companies in the United Kingdom and European Union and to provide outsourced services to companies in the United Kingdom and European Union in a cost-effective manner.

Certain of our clients require solutions that ensure security given the nature of the content being distributed and associated applicable regulatory requirements. In particular, our U.S. healthcare industry clients may rely on our solutions to protect information in compliance with the requirements of the Health Insurance Portability and Accountability Act of 1996, the 2009 Health Information Technology for Economic and Clinical Health Act, the Final Omnibus Rule of January 25, 2013, and related regulations, which are collectively referred to as HIPAA, and which impose privacy and data security standards that protect individually identifiable health information by limiting the uses and disclosures of individually identifiable health information and requiring that certain data security standards be implemented to protect this information. As a “business associate” to “covered entities” that are subject to HIPAA, such as certain healthcare providers, health plans and healthcare clearinghouses, we also have our own compliance obligations directly under HIPAA and pursuant to the business associate agreements that we are required to enter into with our clients that are HIPAA-covered entities and any vendors we engage that access, use, transmit or store individually identifiable health information in connection with our business operations. Compliance efforts can be expensive and burdensome, and if we fail to comply with our obligations under HIPAA, our required business associate agreements or applicable state data privacy laws and regulations, we could be subject to regulatory investigations and orders, significant fines and penalties, mitigation and breach notification expenses, private litigation and contractual damages, corrective action plans and related regulatory oversight and reputational harm.

Governments and industry organizations may also adopt new laws, regulations or requirements, or make changes to existing laws or regulations, that could impact the demand for, or value of, our services. If we are unable to adapt the solutions we deliver to our clients to changing legal and regulatory standards or other requirements in a timely manner, or if our solutions fail to allow our clients to comply with applicable laws and regulations, our clients may lose confidence in our services and could switch to services offered by our competitors, or threaten or bring legal actions against us.

We may not receive sufficient intellectual property rights from our employees and contractors to comply with our obligations to our clients and we may not be able to prevent unauthorized use of our intellectual property.

Our contracts generally require, and our clients typically expect, that we will assign to them all intellectual property rights associated with the deliverables that we create in connection with our engagements. In order to assign these rights to our clients, we must ensure that our employees and contractors validly assign to us all intellectual property rights that they have in such deliverables. Our policy is to require employees and independent contractors to sign

assignment of inventions agreements with us upon commencement of employment or engagement, but there can be no assurance that we will be able to enforce our rights under such agreements. Given that we operate in a variety of jurisdictions with different and evolving legal regimes, particularly in Central Europe and Latin America, we face increased uncertainty regarding whether such agreements will be found to be valid and enforceable by competent courts and whether we will be able to avail ourselves of the remedies provided for by applicable law.

Our success also depends in part on certain methodologies, practices, tools and technical expertise our company utilizes in designing, developing, implementing and maintaining applications and other proprietary intellectual property rights. In order to protect our intellectual property rights, we rely upon a combination of nondisclosure and other contractual arrangements as well as trade secret, copyright and trademark laws. We consider proprietary trade secrets and confidential know-how to be important to our business. However, trade secrets and confidential know-how are difficult to maintain as confidential. To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. We also seek to preserve the integrity and confidentiality of our data, trade secrets and know-how by maintaining physical security of our premises and physical and electronic security of our information technology systems. Monitoring unauthorized uses and disclosures is difficult, and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. We cannot guarantee that our trade secrets and other proprietary and confidential information will not be disclosed or that competitors will not otherwise gain access to our trade secrets. Current or former employees, consultants, contractors and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party illegally obtained and used trade secrets and/or confidential know-how is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. Furthermore, if a competitor lawfully obtained or independently developed any of our trade secrets, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. If the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

We have registered the “Endava” name and logo in the United Kingdom, the United States and certain other countries. We have pending applications for the “Endava” name and logo in other countries; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights. Our trademarks may also be subject to misappropriation in jurisdictions in which they are not registered.

We may be subject to claims by third parties asserting that companies we have acquired, our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

We could be subject to claims by third parties that companies we have acquired, our employees or we have misappropriated their intellectual property. Our employees may misappropriate intellectual property from their former employers. Many of our employees were previously employed at our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information of others in their work for us, we may be subject to claims that we or these employees have used or disclosed confidential information or intellectual property, including trade secrets

or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims. In addition, we are subject to additional risks as a result of our recent acquisitions and any future acquisitions we may complete. The developers of the technology that we have acquired or may acquire may not have appropriately created, maintained or enforced intellectual property rights in such technology. Indemnification and other rights under acquisition documents may be limited in term and scope and may therefore provide little or no protection from these risks.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party. Even if we successfully prosecute or defend against such claims, litigation could result in substantial costs and distract management.

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 use third-party software, hardware and software-as-a-service, or SaaS, technologies from third parties that may be difficult to replace or that may cause errors or defects in, or failures of, the services or solutions we provide.

We rely on software and hardware from various third parties to deliver our services and solutions, as well as hosted SaaS applications from third parties. If any of these software, hardware or SaaS applications become unavailable due to extended outages, interruptions or because they are no longer available on commercially reasonable terms, it could result in delays in the provisioning of our services until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could increase our expenses or otherwise harm our business. In addition, any errors or defects in or failures of this third-party software, hardware or SaaS applications could result in errors or defects in or failures of our services and solutions, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our clients or third-party providers that could harm our reputation and increase our operating costs.

We incorporate third-party open source software into our client deliverables and our failure to comply with the terms of the underlying open source software licenses could adversely impact our clients and create potential liability.

Our client deliverables often contain software licensed by third parties under so-called "open source" licenses, including the GNU General Public License, or GPL, the GNU Lesser General Public License, or LGPL, the BSD License, the Apache License and others. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that such open source software infringes the claimants' intellectual property rights. Our clients could be subject to suits by third parties claiming that what we believe to be licensed open source software infringes such third parties' intellectual property rights, and we are generally required to indemnify our clients against such claims. Use of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. In addition, certain open source licenses require that source code for software programs that are subject to the license be made available to the public and that any modifications or derivative works to such open source software continue to be licensed under the same terms.

Although we monitor our use of open source software in an effort both to comply with the terms of the applicable open source licenses and to avoid subjecting our client deliverables to conditions we do not intend, the terms of many open source licenses have not been interpreted by courts in relevant jurisdictions, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our clients' ability to use the software that we develop for them and operate their businesses as they intend. The terms of certain open source licenses may require us or our clients to release the source code of the software we develop for our clients and to make such software available under the applicable open source licenses. In the event that portions of client deliverables are determined to be subject to an open source license, we or our clients could be required to publicly release the affected portions of source code or re-engineer all, or a portion of, the applicable software. Disclosing our proprietary source code could allow our clients' competitors to create similar products with lower development effort and time and ultimately could result in a loss of sales for our clients. Any of these events could create liability for us to our clients and damage our

reputation, which could have a material adverse effect on our revenue, business, results of operations and financial condition and the market price of our ADSs.

Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our services, and could have a negative impact on our business.

The future success of our business depends upon the continued use of the internet as a primary medium for commerce, communication and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Changes in these laws or regulations could adversely affect the demand for our services or require us to modify our solutions in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, resulting in reductions in the demand for technology services such as ours.

In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its acceptance as a business tool have been adversely affected by "ransomware," "viruses," "worms," "malware," "phishing attacks," "data breaches" and similar malicious programs, behavior, and events, and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these or any other issues, demand for our services and solutions could suffer.

From time to time, some of our employees spend significant amounts of time at our clients' facilities, often in foreign jurisdictions, which expose us to certain risks.

Some of our projects require a portion of the work to be undertaken at our clients' facilities, which are often located outside our employees' country of residence. The ability of our employees to work in locations around the world may depend on their ability to obtain the required visas and work permits, and this process can be lengthy and difficult. Immigration laws are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. In addition, we may become subject to taxation in jurisdictions where we would not otherwise be so subject as a result of the amount of time that our employees spend in any such jurisdiction in any given year. While we seek to monitor the number of days that our employees spend in each country to avoid subjecting ourselves to any such taxation, there can be no assurance that we will be successful in these efforts.

We also incur risks relating to our employees and contractors working at our clients' facilities, including, but not limited to: claims of misconduct, negligence or intentional malfeasance on the part of our employees. Some or all of these claims may lead to litigation and these matters may cause us to incur negative publicity with respect to these alleged problems. It is not possible to predict the outcome of these lawsuits or any other proceeding, and our insurance may not cover all claims that may be asserted against us.

Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by manmade problems such as terrorism.

A significant natural disaster, such as an earthquake, fire or a flood, or a significant power outage could have a material adverse impact on our business, operating results and financial condition.

In the event we are hindered by any of the events discussed above, our ability to provide our services to clients could be delayed.

In addition, our facilities are vulnerable to damage or interruption from human error, intentional bad acts, pandemics, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. The occurrence of a natural disaster, power failure or an act of terrorism, vandalism or other misconduct could result in lengthy interruptions in provision of our services and failure to comply with our obligations to our clients. The occurrence of any of the foregoing events could damage our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business, that may result from interruptions in the provision of our services to clients as a result of system failures.

All of the aforementioned risks may be exacerbated if our disaster recovery plan proves to be inadequate. To the extent that any of the above results in delayed or reduced sales or increase our cost of sales, our business, financial condition and results of operations could be adversely affected.

Any debt we incur may affect our ability to operate our business and secure additional financing in the future.

In December 2017, we entered into a secured Multicurrency Revolving Facility Agreement, or the Facility Agreement, with HSBC Bank PLC, as arranger, HSBC Bank PLC, as security agent, certain subsidiaries party thereto and the financial institutions listed therein. The Facility Agreement provides for a £50.0 million primary revolving credit facility, $12.1 million of line of credit capacity and €9.5 million of guarantee capacity, which we collectively refer to as the Facility. The Facility Agreement also provides for an incremental facility, which may not exceed £40.0 million. We repaid all amounts outstanding under the Facility Agreement in connection with our IPO in July 2018; however, we may draw down from the Facility in the future.

The Facility is secured by substantially all of our assets and requires us and any debt instruments we may enter into in the future may require us, to comply with various covenants that limit our ability to, among other things:

- dispose of assets;
- complete mergers or acquisitions;
- incur or guarantee indebtedness;
- sell or encumber certain assets;
- pay dividends or make other distributions to holders of our shares;
- make specified investments;
- engage in different lines of business; and
- engage in certain transactions with affiliates.

Under the terms of the Facility Agreement, we are required to comply with net leverage ratio and interest coverage covenants. Our ability to meet these ratios and covenants can be affected by events beyond our control and we may not meet these ratios and covenants. To the extent we draw down on the Facility, a failure by us to comply with the ratios or covenants contained in the Facility Agreement could result in an event of default, which could adversely affect our ability to respond to changes in our business and manage our operations. Upon the occurrence

of an event of default, including the occurrence of a material adverse change, the lenders could elect to declare any amounts outstanding to be due and payable and exercise other remedies as set forth in the Facility Agreement. If any indebtedness under our Facility were to be accelerated, our future financial condition could be materially adversely affected.

We may also incur additional indebtedness under different agreements in the future. The instruments governing such indebtedness could contain provisions that are as, or more, restrictive than our existing debt instruments. If we are unable to repay, refinance or restructure our indebtedness when payment is due, the lenders could proceed against any collateral granted to them to secure such indebtedness or force us into bankruptcy or liquidation.

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.

We have significant fixed costs related to lease facilities.

We have made and continue to make significant contractual commitments related to our leased facilities. Our operating lease expense related to land and buildings for the 2019 fiscal year was £9.9 million, and we are contractually committed to £10.9 million in such lease expenses for the 2020 fiscal year. These expenses will have a significant impact on our fixed costs, and if we are unable to grow our business and revenue proportionately, our operating results may be negatively affected.

Our ability to expand our business and procure new contracts or enter into beneficial business arrangements could be affected to the extent we enter into agreements with clients containing non-competition clauses.

We are a party to a small number of agreements with clients that restrict our ability to perform similar services for such clients' competitors. We may in the future enter into agreements with clients that restrict our ability to accept assignments from, or render similar services to, those clients' customers, require us to obtain our clients' prior written consent to provide services to their customers or restrict our ability to compete with our clients, or bid for or accept any assignment for which those clients are bidding or negotiating. These restrictions may hamper our ability to compete for and provide services to other clients in a specific industry in which we have expertise and could materially adversely affect our business, financial condition and results of operations.

If our current insurance coverage is or becomes insufficient to protect against losses incurred, our business, results of operations and financial condition may be adversely affected.

We provide technology services that are integral to our clients' businesses. If we were to default in the provision of any contractually agreed-upon services, our clients could suffer significant damages and make claims against us for those damages. We currently carry £20.0 million in errors and omissions liability coverage for all of the services we provide, subject to lower sub-limits in certain cases. To the extent client damages are deemed recoverable against us in amounts substantially in excess of our insurance coverage, or if our claims for insurance coverage are denied by our insurance carriers for any reason, including reasons beyond our control, there could be a material adverse effect on our revenue, business, results of operations and financial condition.

The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

As a result of Brexit, and pursuant to Article 50 of the Treaty on European Union, the U.K. will cease to be an EU Member State either on the effective date of a withdrawal agreement (entry into such a withdrawal agreement will require approval of the U.K. Parliament, or Parliament) or, failing that, two years following the U.K's notification of its intention to leave the EU or, the Brexit Date, unless the European Council (together with the U.K.) unanimously decides to extend the two year period. On March 29, 2017, the U.K. formally notified the European Council of its intention to leave the EU. Brexit has continued to involve a process of lengthy negotiations between the U.K. and EU Member States to determine the future terms of the U.K's relationship with the EU. For example, in March 2018, the U.K. reached a provisional agreement or, the Withdrawal Agreement, with the EU on transitional arrangements following the U.K's exit (which are intended to enable the U.K. to remain within the EU single market and customs union for a transitional period through 2020), but this Withdrawal Agreement was not approved by Parliament (despite three votes being held to approve it). Given that no formal withdrawal arrangements have been agreed, there have been several extensions to the Brexit Date and the U.K. has yet to formally leave the EU. On April 11, 2019, the EU granted the U.K. a further extension to the Brexit Date until October 31, 2019.

The current U.K. Prime Minister, Boris Johnson, has stated that he is prepared to allow the U.K. to leave the EU with no formal withdrawal agreements in place, or a No-Deal Brexit, if no agreement is reached with the EU by October 31, 2019. On September 9, 2019, a bill (known as the "Benn-Bill") received royal assent, compelling the U.K. Prime Minister to request from the EU an extension to the Brexit Date to January 31, 2020, if no formal withdrawal agreement has been agreed with the EU by October 19, 2019. In order to circumvent the attempt by Parliament to block a No-Deal Brexit, the U.K. Government put forward a motion to hold a general election on October 15, 2019 (which, if reelected, would allow the current U.K. Prime Minister to repeal the legislation blocking a No-Deal Brexit). However, this motion was rejected by Parliament on September 4, 2019 and again on September 9, 2019. On September 10, 2019, Parliament was prorogued, or suspended, by order of the U.K. Government. The prorogation of Parliament until October 14, 2019 means that a general election will not be possible until late November 2019 at the earliest. The U.K. Government is currently examining ways in which to permit a No-Deal Brexit, notwithstanding the recently enacted legislation to prevent it.

Our principal executive offices are located in the United Kingdom. The lack of clarity over which EU laws and regulations will continue to be implemented in the U.K. after Brexit (in any form) (including financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws and

regulations, immigration laws and employment laws) may negatively impact foreign direct investment in the U.K., increase costs, depress economic activity and restrict access to capital.

The uncertainty concerning the U.K's legal, political and economic relationship with the EU after Brexit may be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) beyond the Brexit Date.

These developments, or the perception that any of them could occur, have had and may continue to have a significant adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. In particular, they could also lead to a period of considerable uncertainty in relation to the U.K. financial and banking markets, as well as on the regulatory process in Europe. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. These developments, or the perception that any of them could occur, may also have a significant effect on our ability to attract and retain employees, including IT professionals and other employees who are important for our business.

If the U.K. and the EU are unable to negotiate acceptable withdrawal terms or if other EU Member States pursue withdrawal, barrier-free access between the U.K. and other EU Member States or among the European Economic Area overall could be diminished or eliminated. The long-term effects of Brexit will depend on any agreements (or lack thereof) between the U.K. and the EU and, in particular, any arrangements for the U.K. to retain access to EU markets either during a transitional period or more permanently.

Such a withdrawal from the EU is unprecedented, and it is unclear how the U.K's access to the European single market for goods, capital, services and labor within the EU, or single market, and the wider commercial, legal and regulatory environment, will impact our U.K. operations and customers. Our U.K. operations service customers in the U.K. as well as in other countries in the EU and European Economic Area, or EEA, and these operations could be disrupted by Brexit, particularly if there is a change in the U.K's relationship to the single market. Additionally, there could be new restrictions on travel and immigration that result from Brexit that could impair the ability of our employees to travel as necessary in connection with their duties to us or obtain required immigration authorizations to work for us. The occurrence of any such event could subject us to additional costs and impair our ability to complete projects for our clients, which could adversely affect our operating results and financial condition.

We may also face new regulatory costs and challenges that could have an adverse effect on our operations. Depending on the terms of the U.K's withdrawal from the EU, the U.K. could lose the benefits of global trade agreements negotiated by the EU on behalf of its members, which may result in increased trade barriers that could make our doing business in the EU and the EEA more difficult. Even prior to any change to the U.K's relationship with the EU, the announcement of Brexit has created economic uncertainty surrounding the terms of Brexit and its consequences could adversely impact customer confidence, resulting in customers reducing their spending budgets on our solutions, which could adversely affect our business, revenue, financial condition, results of operations and could adversely affect the market price of our ADSs.

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, North 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 Brexit had a significant impact on our financial results for the fiscal year ended June 30, 2019. In the fiscal year ended June 30, 2019, 37.9% of our sales were denominated in the British Pound, 28.0% of our sales were denominated in U.S. dollars, 32.5% were denominated in Euros and the balance were in other currencies. Conversely, during the same time period, 68.0% 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. Brexit 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.

Our international operations involve risks that could increase our expenses, adversely affect our results of operations and require increased time and attention from our management.

As of June 30, 2019, we had 5,754 employees, approximately 53.2% of whom work in nearshore delivery centers in European Union countries. We have operations in a number of countries, including Argentina, Bulgaria, Colombia, Denmark, Germany, North Macedonia, Moldova, the Netherlands, Romania, Serbia, the United Kingdom, the United States, Uruguay and Venezuela, and we serve clients across Europe and North America. As a result, we may be subject to risks inherently associated with international operations. Our global operations expose us to numerous and sometimes conflicting legal, tax and regulatory requirements, and violations or unfavorable interpretation by the respective authorities of these regulations could harm our business. Risks associated with international operations include difficulties in enforcing contractual rights, potential difficulties in collecting accounts receivable, the burdens of

complying with a wide variety of foreign laws, repatriation of earnings or capital and the risk of asset seizures by foreign governments. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations. Such companies may have long-standing or well-established relationships with desired clients, which may put us at a competitive disadvantage. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. Our international expansion plans may not be successful and we may not be able to compete effectively in other countries. These factors could impede the success of our international expansion plans and limit our ability to compete effectively in other countries.

Our business, results of operations and financial condition may be adversely affected by the various conflicting legal and regulatory requirements imposed on us by the countries where we operate.

Since we maintain operations and provide services to clients throughout the world, we are subject to numerous, and sometimes conflicting, legal requirements on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, anti-bribery, whistle blowing, internal and disclosure control obligations, data protection and privacy and labor relations. Our failure to comply with these regulations in the conduct of our business could result in fines, penalties, criminal sanctions against us or our officers, disgorgement of profits, prohibitions on doing business, unfavorable publicity, adverse impact on our reputation and allegations by our clients that we have not performed our contractual obligations. Due to the varying degree of development of the legal systems of the countries in which we operate, local laws might be insufficient to defend us and preserve our rights.

We are also subject to risks relating to compliance with a variety of national and local laws including multiple tax regimes, labor laws, employee health safety and wages and benefits laws. We may, from time to time, be subject to litigation or administrative actions resulting from claims against us by current or former employees individually or as part of class actions, including claims of wrongful terminations, discrimination, misclassification or other violations of labor law or other alleged conduct. We may also, from time to time, be subject to litigation resulting from claims against us by third parties, including claims of breach of non-compete and confidentiality provisions of our employees' former employment agreements with such third parties. Our failure to comply with applicable regulatory requirements could have a material adverse effect on our revenue, business, results of operations and financial condition.

Many commercial laws and regulations in Central Europe and Latin America are relatively new and have been subject to limited interpretation. As a result, their application can be unpredictable. Government authorities have a high degree of discretion in certain countries in which we have operations and at times have exercised their discretion in ways that may be perceived as selective or arbitrary, and sometimes in a manner that is seen as being influenced by political or commercial considerations. These governments also have the power, in certain circumstances, to interfere with the performance of, nullify or terminate contracts. Selective or arbitrary actions have included withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used common defects in documentation as pretexts for court claims and other demands to invalidate and/or to void transactions, apparently for political purposes. In this environment, our competitors could receive preferential treatment from the government, potentially giving them a competitive advantage. Selective or arbitrary government action could materially adversely affect our business, financial condition and results of operations.

In addition, due to the current political uncertainty in the United Kingdom surrounding Brexit, there is an increased possibility of a general election in the near-term, and, accordingly, a

possible change in government. Any new government may choose to impose more stringent regulatory requirements on businesses in the United Kingdom, including by increasing direct or indirect taxes payable by corporations on revenue, profit or dividends. For example, the opposition labour party has proposed a set of policies that it would seek to implement if it won a general election, including requiring 10% of the shares in all UK companies with more than 250 employees to be owned by inclusive ownership funds. Any significant change in government policy in the United Kingdom could materially adversely affect our business, financial condition and results of operations, and/or have a material adverse effect on the Company's shareholders and ADS holders and may deter prospective investors from investing in our securities.

Changes and uncertainties in the tax system in the countries in which we have operations, could materially adversely affect our financial condition and results of operations.

We conduct business globally and file income tax returns in multiple jurisdictions. Our consolidated effective income tax rate could be materially adversely affected by several factors, including: changing tax laws, regulations and treaties, or the interpretation thereof; tax policy initiatives and reforms under consideration (such as those related to the Organization for Economic Co-Operation and Development's, or OECD, Base Erosion and Profit Shifting, or BEPS, Project, the European Commission's state aid investigations and other initiatives); the practices of tax authorities in jurisdictions in which we operate; the resolution of issues arising from tax audits or examinations and any related interest or penalties. Such changes may include (but are not limited to) the taxation of operating income, investment income, dividends received or (in the specific context of withholding tax) dividends paid.

In particular, there have been significant changes to the taxation systems in Central European countries in recent years as the authorities have gradually replaced or introduced new legislation regulating the application of major taxes such as corporate income tax, VAT, corporate property tax, personal income taxes and payroll taxes.

The U.S. government has also enacted comprehensive tax legislation that includes significant changes to the taxation of business entities. These changes include, among others, a permanent reduction to the U.S. federal corporate income tax rate. Notwithstanding the reduction in the corporate income tax rate, the overall impact of this tax reform is uncertain, and our business and financial condition could be adversely affected. This Annual Report does not discuss any such tax legislation or the manner in which it might affect holders of our ADSs.

We are unable to predict what tax reforms may be proposed or enacted in the future or what effect such changes would have on our business, but such changes, to the extent they are brought into tax legislation, regulations, policies or practices in jurisdictions in which we operate, could increase the estimated tax liability that we have expensed to date and paid or accrued on our balance sheets, and otherwise affect our financial position, future results of operations, cash flows in a particular period and overall or effective tax rates in the future in countries where we have operations, reduce post-tax returns to our shareholders and increase the complexity, burden and cost of tax compliance.

Tax authorities may disagree with our positions and conclusions regarding certain tax positions, or may apply existing rules in an arbitrary or unforeseen manner, resulting in unanticipated costs, taxes or non-realization of expected benefits.

A tax authority may disagree with tax positions that we have taken, which could result in increased tax liabilities. For example, Her Majesty's Revenue & Customs, or HMRC, the U.S. Internal Revenue Service or another tax authority could challenge our allocation of income by tax jurisdiction and the amounts paid between our affiliated companies pursuant to our intercompany arrangements and transfer pricing policies, including methodologies for valuing developed technology and amounts paid with respect to our intellectual property development. Similarly,

a tax authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable connection, often referred to as a "permanent establishment" under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions. In particular, tax authorities in Central European countries have been aggressive in their interpretation of tax laws and their many ambiguities, as well as in their enforcement and collection activities.

For example, a tax authority may take the position that material income tax liabilities, interest and penalties are payable by us, where there has been a technical violation of contradictory laws and regulations that are relatively new and have not been subject to extensive review or interpretation, in which case we expect that we might contest such assessment. High-profile companies can be particularly vulnerable to aggressive application of unclear requirements. Many companies must negotiate their tax bills with tax inspectors who may demand higher taxes than applicable law appears to provide. Contesting such an assessment may be lengthy and costly and if we were unsuccessful in disputing the assessment, the implications could increase our anticipated effective tax rate, where applicable.

We do not anticipate being treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the current taxable year, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to qualify as a PFIC, this could result in adverse U.S. tax consequences to certain U.S. holders.

Generally, if, for any taxable year, at least 75% of our gross income is passive income, or on average at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a PFIC for U.S. federal income tax purposes. For purposes of these tests, passive income generally includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. Our status as a PFIC depends on the composition of our income and the composition and value of our assets (for which purpose the total value of our assets may be determined in part by the market value of our ADSs representing Class A ordinary shares, which are subject to change) from time to time. If we are characterized as a PFIC, U.S. holders of our ADSs may suffer adverse U.S. tax consequences, including having gains realized on the sale of our ADSs treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on our ADSs by individuals who are U.S. holders, and having interest charges apply to distributions by us and the proceeds of sales of ADSs.

Although PFIC status is determined on an annual basis and generally cannot be determined until the end of the taxable year, based on the nature of our current and expected income and the current and expected value and composition of our assets, we believe we were not a PFIC for our 2019 tax year and we do not expect to be a PFIC for our current taxable year. However, our status as a PFIC is a fact-intensive determination made on an annual basis, and we cannot provide any assurances regarding our PFIC status for the current, prior or future taxable years.

Emerging markets are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt our business.

Central European and Latin American countries are generally considered to be emerging markets, which are subject to rapid change and greater legal, economic and political risks than more established markets. Financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Central Europe and Latin America and adversely affect the economy of the region. Political instability could result in a worsening overall economic situation, including capital flight and slowdown of investment

and business activity. Current and future changes in governments of the countries in which we have or develop operations, as well as major policy shifts or lack of consensus between various branches of the government and powerful economic groups, could lead to political instability and disrupt or reverse political, economic and regulatory reforms, which could materially adversely affect our business and operations in those countries. In addition, political and economic relations between certain of the countries in which we operate are complex, and recent conflicts have arisen between certain of their governments. Political, ethnic, religious, historical and other differences have, on occasion, given rise to tensions and, in certain cases, military conflicts among Central European or Latin American countries which can halt normal economic activity and disrupt the economies of neighboring regions. The emergence of new or escalated tensions in Central European or Latin American countries could further exacerbate tensions between such countries and the United Kingdom, the United States and the European Union, which may have a negative effect on their economy, our ability to develop or maintain our operations in those countries and our ability to attract and retain employees, any of which could materially adversely affect our business and operations.

In addition, banking and other financial systems in certain countries in which we have operations are less developed and regulated than in some more developed markets, and legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. Banks in these regions often do not meet the banking standards of more developed markets, and the transparency of the banking sector lags behind international standards. Furthermore, in certain countries in which we operate, bank deposits made by corporate entities generally either are not insured or are insured only to specified limits. As a result, the banking sector remains subject to periodic instability. Another banking crisis, or the bankruptcy or insolvency of banks through which we receive or with which we hold funds may result in the loss of our deposits or adversely affect our ability to complete banking transactions in certain countries in which we have operations, which could materially adversely affect our business and financial condition.

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.

We are subject to the U.K. Bribery Act, the U.S. Foreign Corrupt Practices Act and other anti-corruption laws, as well as export control laws, import and customs laws, trade and economic sanctions laws and other laws governing our operations.

Our operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010, or the Bribery Act, the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. §201, the U.S. Travel Act, and other anti-corruption laws that apply in countries where we do business. The Bribery Act, the FCPA and these other laws generally prohibit us and our employees and intermediaries from authorizing, promising, offering, or providing, directly or indirectly, improper or prohibited payments, or anything else of value, to government officials or other persons to obtain or retain business or gain some other business advantage. Under the Bribery Act, we may also be liable for failing

to prevent a person associated with us from committing a bribery offense. We operate in a number of jurisdictions that pose a high risk of potential Bribery Act or FCPA violations. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions and embargoes on certain countries and persons, anti-money laundering laws, import and customs requirements and currency exchange regulations, collectively referred to as the Trade Control laws. We may not be completely effective in ensuring our compliance with all such applicable laws, which could result in our being subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses. Likewise, any investigation of any potential violations of such laws by United Kingdom, United States or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

Our share price may be volatile or may decline regardless of our operating performance.

The trading price of our ADSs has fluctuated, and is likely to continue to fluctuate. Since our ADSs were sold at our IPO in July 2018 at a price of $20.00 per share, the price per ADS has ranged as low as $21.13 and as high as $43.93 through August 31, 2019. The trading price of our ADSs depends on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- variance in our financial performance from expectations of securities analysts;
- changes in the prices of our services;
- changes in our projected operating and actual financial results;
- changes in laws or regulations applicable to our business;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;
- our involvement in any litigation;
- our sale of our ADSs or other securities in the future;
- changes in senior management or key personnel;
- the trading volume of our ADSs;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory, political and market conditions.

Stock markets frequently experience price and volume fluctuations that affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our ADSs. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action

litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

An active public trading market for our ADSs may not be sustained.

Prior to the completion of our IPO, no public market existed for our securities. An active public trading market for our ADSs may not be sustained. The lack of an active market may impair your ability to sell your ADSs at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your ADSs. An inactive market may also impair our ability to raise capital to continue to fund operations by selling ADSs and may impair our ability to acquire other companies or technologies by using our ADSs as consideration.

We may invest or spend the remaining proceeds from our IPO in ways with which you may not agree or in ways which may not yield a return.

We anticipate that the remaining net proceeds from our IPO will be used for working capital and other general corporate purposes. We may also use a portion of the net proceeds to acquire complementary businesses, products or technologies. However, we do not have any agreements or commitments for any acquisitions at this time. Our management will have considerable discretion in the application of the remaining net proceeds, and you will not have the opportunity to assess whether the proceeds are being used effectively. The remaining net proceeds may be invested with a view towards long-term benefits for our shareholders and this may not increase our operating results or market value. The failure by our management to apply these funds effectively may adversely affect the return on your investment.

Future sales of our ADSs by existing shareholders could cause the market price of our ADSs to decline.

Sales of a substantial number of our ADSs in the public market by our existing shareholders, or the perception that these sales might occur, could depress the market price of our ADSs and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our ADSs.

As of June 30, 2019, we had 54,425,327 outstanding ordinary shares, which are not subject to lock-ups or selling restrictions. Our articles of association provide that (i) each holder of Class B ordinary shares may not dispose of (a) more than 25% of the Class B ordinary shares held by such holder as of July 26, 2018 in the 18-month period following July 26, 2018 (including by conversion to Class A ordinary shares), (b) more than 40% of the Class B ordinary shares held by such holder as of July 26, 2018 in the three-year period following July 26, 2018 (including by conversion to Class A ordinary shares) and (c) more than 60% of the Class B ordinary shares held by such holder as of July 26, 2018 in the five-year period following July 26, 2018 (including by conversion to Class A ordinary shares) and (ii) each holder of Class C ordinary shares may not dispose of more than 25% of the Class C ordinary shares held by such holder as of July 26, 2018 in the 18-month period following July 26, 2018 (including by conversion to Class A ordinary shares). Further, as previously disclosed, we may cause the Employee Benefit Trust to sell ADSs representing up to 500,000 Class A ordinary shares and to use the net proceeds from such sales to pay discretionary cash bonuses to our employees. We may also request that the Employee Benefit Trust sell all or part of any ADSs representing additional Class A ordinary shares held by the Employee Benefit Trust, which are (i) not needed to satisfy outstanding JSOP awards (currently approximately 485,000 shares) and (ii) remaining after satisfying certain LTIP awards, and use all or a portion of the net proceeds from such sales to pay discretionary cash bonuses to our employees and/or repay any other Employee Benefit Trust liabilities.

In addition, as of June 30, 2019 there were outstanding 3,464,000 Class A ordinary shares issuable by us upon exercise of outstanding share options or the vesting of restricted share unites, or RSUs. We have registered all of the ADSs representing Class A ordinary shares issuable upon exercise of outstanding options or the vesting of RSUs, and upon exercise of settlement of any options or other equity incentives we may grant in the future, for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance as permitted by any applicable vesting requirements, subject to restrictions on sales of our shares by affiliates.

Shareholder protections found in provisions under the U.K. City Code on Takeovers and Mergers, or the Takeover Code, will not apply if our place of management and control is considered to change to outside the United Kingdom.

The Takeover Code applies to all offers for public limited companies incorporated in England and Wales which have their registered offices in the United Kingdom and which are considered by the Panel on Takeovers and Mergers, or the Takeover Panel, to have their place of central management and control in the United Kingdom.

On July 6, 2018, we re-registered as a public limited company incorporated in England and Wales. Our place of central management and control is, and is expected to continue to be, in the United Kingdom. Accordingly, we are subject to the Takeover Code and, as a result, our shareholders are entitled to the benefit of the various protections provided under the Takeover Code. The Takeover Code provides a framework within which takeovers of companies are regulated and conducted. If, at the time of a takeover offer, the Takeover Panel determines that we do not have our place of central management and control in the United Kingdom, then the Takeover Code would not apply to us and our shareholders would not be entitled to the benefit of the various protections that the Takeover Code affords. In particular, the rules regarding mandatory takeover bids described below would not apply. The following is a brief summary of some of the most important rules of the Takeover Code:

- When any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares already held by that person and an interest in shares held or acquired by persons acting in concert with him or her) carry 30% or more of the voting rights of a company that is subject to the Takeover Code, that person is generally required to make a mandatory offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

- When any person who, together with persons acting in concert with him or her, is interested in shares representing not less than 30% but does not hold more than 50% of the voting rights of a company that is subject to the Takeover Code, and such person, or any person acting in concert with him or her, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he or she is interested, then such person is generally required to make a mandatory offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

- A mandatory offer triggered in the circumstances described in the two paragraphs above must be in cash (or be accompanied by a cash alternative) and at not less than the highest price paid within the preceding 12 months to acquire any interest in shares in the company by the person required to make the offer or any person acting in concert with him or her.

- In relation to a voluntary offer (i.e. any offer which is not a mandatory offer), when interests in shares representing 10% or more of the shares of a class have been acquired for

cash by an offeror (i.e., a bidder) and any person acting in concert with it in the offer period and the previous 12 months, the offer must be in cash or include a cash alternative for all shareholders of that class at not less than the highest price paid for any interest in shares of that class by the offeror and by any person acting in concert with it in that period. Further, if an offeror acquires for cash any interest in shares during the offer period, a cash alternative must be made available at not less than the highest price paid for any interest in the shares of that class.

- If the offeror or any person acting in concert with it acquires an interest in shares in the offeree company (i.e., the target) at a price higher than the value of the offer, the offer must be increased to not less than the highest price paid for the interest in shares so acquired.
- The offeree company must obtain competent advice as to whether the terms of any offer are fair and reasonable and the substance of such advice must be made known to all the shareholders, together with the opinion of the board of directors of the offeree company.
- Special deals with favorable conditions for selected shareholders are not permitted.
- All shareholders must be given the same information.
- Each document published in connection with an offer by or on behalf of the offeror or offeree must state that the directors of the offeror or the offeree, as the case may be, accept responsibility for the information contained therein.
- Profit forecasts, quantified financial benefits statements and asset valuations must be made to specified standards and must be reported on by professional advisers.
- Misleading, inaccurate or unsubstantiated statements made in documents or to the media must be publicly corrected immediately.
- Actions during the course of an offer by the offeree company, which might frustrate the offer, are generally prohibited unless shareholders approve these plans.
- Stringent and detailed requirements are laid down for the disclosure of dealings in relevant securities during an offer.

Employee representatives or employees of both the offeror and the offeree company and the trustees of the offeree company's pension scheme must be informed about an offer. In addition, the offeree company's employee representatives and pension scheme trustees have the right to have a separate opinion on the effects of the offer on employment and pension scheme(s), respectively, appended to the offeree board of directors' circular or published on a website.

The three class structure of our ordinary shares has the effect of concentrating voting control for the foreseeable future, which will limit your ability to influence corporate matters.

Our Class B ordinary shares have 10 votes per share, and our Class A ordinary shares, which are the shares underlying the ADSs, and Class C ordinary shares each have one vote per share. Given the greater number of votes per share attributed to our Class B ordinary shares, holders of Class B ordinary shares collectively beneficially hold shares representing approximately 89.2% of the voting rights of our outstanding share capital as of August 31, 2019. Further, John Cotterell, our Chief Executive Officer, beneficially holds Class B ordinary shares representing approximately 36.3% of the voting rights of our outstanding share capital as of August 31, 2019. Consequently, Mr. Cotterell will continue to be able to have a significant

influence on corporate matters submitted to a vote of shareholders. Notwithstanding this concentration of control, we do not currently qualify as a "controlled company" under New York Stock Exchange listing rules.

This concentrated control will limit your ability to influence corporate matters for the foreseeable future. This concentrated control could also discourage a potential investor from acquiring our ADSs due to the limited voting power of the Class A ordinary shares underlying the ADSs relative to the Class B ordinary shares and might harm the market price of our ADSs. In addition, Mr. Cotterell has the ability to control the management and major strategic investments of our company as a result of his position as our Chief Executive Officer. As a member of our board of directors, Mr. Cotterell owes statutory and fiduciary duties to us and must act in good faith and in a manner that he considers would be most likely to promote the success of our company for the benefit of our shareholders as a whole. As a shareholder, Mr. Cotterell is entitled to vote his shares in his own interests, which may not always be in the interests of our shareholders generally.

Future transfers by other holders of Class B ordinary shares and Class C ordinary shares will generally result in those shares converting on a one-to-one basis to Class A ordinary shares, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of our Class B ordinary shares into Class A ordinary shares will have the effect, over time, of increasing the relative voting power of those holders of Class B ordinary shares who retain their shares in the long-term.

We cannot predict the impact our three class share structure may have on our ADS price or our business.

We cannot predict whether our three class share structure, combined with the concentrated control of our shareholders who held our ordinary shares prior to the completion of our IPO, including our executive officers, employees and directors and their affiliates, will result in a lower or more volatile market price of our ADSs or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. In July 2017, FTSE Russell announced that it plans to require new constituents of its indexes to have greater than 5% of the company's voting rights in the hands of public shareholders, and S&P Dow Jones announced that it will no longer admit companies with multiple-class share structures to certain of its indexes. Because of our three class structure, we will likely be excluded from these indexes and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our ADSs less attractive to other investors. As a result, the market price of our ADSs could be adversely affected.

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under English law. The rights of holders of ordinary shares and, therefore, certain of the rights of holders of our ADSs, are governed by English law, including the provisions of the Companies Act 2006, or the Companies Act, and by our Articles of Association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations.

Holders of our ADSs have fewer rights than our shareholders and must act through the depositary to exercise their rights.

Holders of our ADSs do not have the same rights as our shareholders and may only exercise their voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement. Holders of the ADSs have appointed the depositary or its

nominee as their representative to exercise the voting rights attaching to the Class A ordinary shares represented by the ADSs. When a general meeting is convened, if you hold ADSs, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw the Class A ordinary shares underlying your ADSs to allow you to vote directly with respect to any specific matter. We will make all commercially reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. Furthermore, the depositary will not be liable for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you request. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Holders of our ADSs may face limitations on transfer and withdrawal of underlying Class A ordinary shares.

Our ADSs, which may be evidenced by ADRs, are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may refuse to deliver, transfer or register transfers of your ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason subject to your right to cancel your ADSs and withdraw the underlying Class A ordinary shares. Temporary delays in the cancellation of your ADSs and withdrawal of the underlying Class A ordinary shares may arise because the depositary has closed its transfer books or we have closed our transfer books, the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on our Class A ordinary shares. In addition, you may not be able to cancel your ADSs and withdraw the underlying Class A ordinary shares when you owe money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of Class A ordinary shares or other deposited securities.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that holders and beneficial owners of ADSs irrevocably waive the right to a trial by jury in any legal proceeding arising out of or relating to the deposit agreement or the ADSs, including in respect of claims under federal securities laws, against us or the depositary to the fullest extent permitted by applicable law. If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. To our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court. However, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York, which govern the deposit agreement, by a court of the State of New York or a federal court, which have non-exclusive jurisdiction over matters arising under the deposit agreement, applying such law. In determining whether to enforce a jury trial waiver provision, New York courts and federal courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or

counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim (as opposed to a contract dispute), none of which we believe are applicable in the case of the deposit agreement or the ADSs. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any provision of the federal securities laws. If you or any other holder or beneficial owner of ADSs brings a claim against us or the depositary in connection with such matters, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depositary. If a lawsuit is brought against us and/or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff (s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims, and the venue of the hearing.

Claims of U.S. civil liabilities may not be enforceable against us.

We are incorporated under English law. Substantially all of our assets are located outside the United States. The majority of our senior management and board of directors reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments obtained in U.S. courts against them or us, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws.

The United States and the United Kingdom do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in the United Kingdom. In addition, uncertainty exists as to whether U.K. courts would entertain original actions brought in the United Kingdom against us or our directors or senior management predicated upon the securities laws of the United States or any state in the United States. Any final and conclusive monetary judgment for a definite sum obtained against us in U.S. courts would be treated by the courts of the United Kingdom as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary, provided that certain requirements are met. Whether these requirements are met in respect of a judgment based upon the civil liability provisions of the U.S. securities laws, including whether the award of monetary damages under such laws would constitute a penalty, is an issue for the court making such decision. If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the English court discretion to prescribe the manner of enforcement.

As a result, U.S. investors may not be able to enforce against us or our senior management, board of directors or certain experts named herein who are residents of the United Kingdom or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than U.S. public companies.

We are a "foreign private issuer," as defined in the SEC rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to companies organized within the United States. For example, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, that regulate disclosure obligations

and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Further, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies. Accordingly, there may be less publicly available information concerning our company than there is for U.S. public companies.

As a foreign private issuer, we file annual reports on Form 20-F within four months of the close of each fiscal year ended June 30 and reports on Form 6-K relating to certain material events promptly after we publicly announce these events. However, because of the above exemptions for foreign private issuers, our shareholders are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

While we are a foreign private issuer, we are not subject to certain New York Stock Exchange corporate governance listing standards applicable to U.S. listed companies.

We are entitled to rely on a provision in the New York Stock Exchange's corporate governance listing standards that allows us to follow English corporate law and the Companies Act with regard to certain aspects of corporate governance. This allows us to follow certain corporate governance practices that differ in significant respects from the corporate governance requirements applicable to U.S. companies listed on the New York Stock Exchange.

For example, we are exempt from New York Stock Exchange regulations that require a listed U.S. company to (1) have a majority of the board of directors consist of independent directors, (2) require regularly scheduled executive sessions with only independent directors each year and (3) have a remuneration committee or a nominations or corporate governance committee consisting entirely of independent directors.

In accordance with our New York Stock Exchange listing, our audit committee is required to comply with the provisions of Section 301 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and Rule 10A-3 of the Exchange Act, both of which are also applicable to New York Stock Exchange-listed U.S. companies. Because we are a foreign private issuer, however, our audit committee is not subject to additional New York Stock Exchange requirements applicable to listed U.S. companies, including an affirmative determination that all members of the audit committee are "independent," using more stringent criteria than those applicable to us as a foreign private issuer. Furthermore, the New York Stock Exchange's corporate governance listing standards require listed U.S. companies to, among other things, seek shareholder approval for the implementation of certain equity compensation plans and issuances of ordinary shares, which we are not required to follow as a foreign private issuer.

We may lose our foreign private issuer status, which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

As a foreign private issuer, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. We may no longer be a foreign private issuer as of December 31, 2019 (the end of our second fiscal quarter in the fiscal year after our IPO), which would require us to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers as of January 1, 2020. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares must be either directly or indirectly owned of record

by non-residents of the United States or (b)(1) a majority of our executive officers or directors cannot be U.S. citizens or residents, (2) more than 50 percent of our assets must be located outside the United States and (3) our business must be administered principally outside the United States. If we lose our status as a foreign private issuer, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers and will require that we prepare our financial statements in accordance with U.S. Generally Accepted Accounting Principles. We may also be required to make changes in our corporate governance practices in accordance with various SEC and rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer will be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time consuming and costly.

We are an "emerging growth company" and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our ADSs less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, and, to the extent that we no longer qualify as a foreign private issuer pursuant to which standards we are not required to provide detailed compensation disclosures or file proxy statements, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and our ADS price may be more volatile.

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.

As a public company, we are 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 ended June 30, 2019. This assessment is required 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.

Although we have not identified any material weaknesses in our internal control over financial reporting for the fiscal year ended June 30, 2019, we may do so in the future. If we identify one or more material weaknesses in our internal control over financial reporting in the future, 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 in the future 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 markets.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our ADSs depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts or the content that they publish about us. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our ADSs or change their opinion of our ADSs, our ADS price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our ADS price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our ADSs.

We currently intend to retain any future earnings to finance the growth and development of the business and, therefore, we do not anticipate that we will pay any cash dividends on our ordinary shares, including on the Class A ordinary shares underlying our ADSs, in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will be dependent upon our future financial condition, results of operations and capital requirements, general business conditions and other relevant factors as determined by our board of directors. Accordingly, investors must rely on sales of their ADSs after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Greenhouse Gas ("GHG") Emissions

Endava's most significant emissions arise from the use of electricity. We have limited use of gas for heating as our lease portfolio relates to property leases of offices and delivery centres.

GHG emissions (tonnes of CO2 equivalent)

	For the year ended 30 June 2019
Total Scope 1 emissions	20
Total Scope 2 emissions - Location based	3,230
Total gross Scope 1 and Scope 2 emissions - Location based	3,250
Intensity measurement (tonnes CO2e per £m sales)	11.3

Methodology

Endava has reported greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013 (the "Regulations")). The reporting followed the 2013 UK Government environmental reporting guidance (Chapter 2) and used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). The reporting period is 1 July 2018 to 30 June 2019, and this is the first period of reporting. Endava is reporting on only its location based Scope 2 footprint, and emissions are calculated using either The Department for Business Environment Innovation and Skills (BEIS) or International Energy Association (IEA) emission factors. Endava reports its emissions data using an operational control approach to define the organisational boundary which meets the requirements of the Regulations in respect of those emissions for which it is responsible. This includes all subsidiaries 100% owned by Endava. Endava has reported on all emission sources for which we deem ourselves responsible. Properties under operational control have been included in Scope 1 and 2 emissions.

Energy data was obtained for the 11 largest office locations (giving a 88% coverage of Endava's floorspace) and then extrapolated across the remaining office locations based on floorspace. Where energy data was not available for all months of the year, the available data was extrapolated up to cover a period of 12 months / data from the previous financial year was used to approximate the missing data for the current year. Emissions from diesel backup generators or fugitive emissions from air conditioning systems have been excluded based on them being immaterial.

Outlook

Endava has had a strong year, showing revenue growth across all Geographies and Industry Sectors. 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. We believe Endava is well positioned, through its increased geographic spread, to deal with uncertainties that may arise from Brexit.

On behalf of the board

J E COTTERELL
CHIEF EXECUTIVE OFFICER

30 September 2019

DIRECTORS' REMUNERATION REPORT

Dear shareholder,

Following the Company's IPO and listing on the NYSE in July 2018, on behalf of the Remuneration Committee I am pleased to present the first Directors' Remuneration Report for the year ended 30 June 2019. The report is presented in two sections - the first sets out the Directors' Remuneration Policy, which is subject to a binding vote at this year's AGM; the second is the Annual Report on Remuneration, which will be subject to an advisory vote.

Background and our approach to remuneration

Endava is a high-growth technology business with nearly 20 years of experience of working with some of the world's leading finance, insurance, telecommunications, media, technology, and retail companies. As an international company with a truly global reach, Endava must compete for both business and talent across multiple markets, including the UK and the US. It is important that our remuneration policies and practices allow us to attract and retain individuals of sufficient calibre from the UK, the US and other markets, to ensure that the Company has the strong leadership required for its continued future success.

At IPO, the Committee put in place a remuneration policy that reflects Endava's high-growth technology business and geographic reach across the UK and US markets, with a low weighting on the cash elements of pay (salary and annual bonus), and a significant weighting on longer-term deferred equity. The vast majority of Executive Directors' pay is at risk, and is delivered in shares which remain intrinsically linked to the success of the Company and the sustainable creation of shareholder value. Base salaries are currently positioned below typical UK market levels for a company of our size, balanced by a higher weighting placed on equity awards. The Committee believes that this model and the targeted market positioning are appropriate for the Company as a high-growth technology business with global reach.

The Directors' Remuneration Policy

During the year, the Remuneration Committee carried out a full review of the Directors' Remuneration Policy. As part of this process, we consulted with our largest shareholders in order to take account of their views. Our existing remuneration policy has proved effective and well-aligned with the Company's performance, and the Committee is of the view that it remains appropriate for Endava.

Therefore, the broad structure of the policy will remain unchanged, save for the introduction of certain best-practice features such as a share ownership requirement, intended to increase alignment between Executive Directors and our shareholders. Both our Founder-CEO and CFO currently hold a significant number of shares and will continue to do so, ensuring their alignment with shareholders' interests.

The remuneration of the broader workforce is a key consideration in setting Executive Director policy. The policy states that salary increases will, under normal circumstances, be aligned with those offered to the workforce, and pension contributions (other than a legacy provision provided to the CEO), are also aligned. Furthermore, the performance conditions in place for the annual bonus and EIP awards are aligned with those applying to all other participants, ensuring reward is delivered on a consistent basis to all eligible employees.

The policy is set out in full on pages 52 to 59. If approved, it is currently intended that this policy will apply from AGM for a period of three years.

Our performance in 2018/19

Information in relation to company performance including revenue growth and profitability is disclosed in the 'Our performance' and 'Key performance indicators' section of the strategic report.

The annual bonus for 2018/19 was based on Adjusted PBT, with a revenue underpin of £264m also applying. Adjusted PBT for the year was £52.5m, which exceeded the maximum target of £43.5m. Accordingly, 100% of the bonus was payable, reflecting the strong performance of the Company during the year.

Performance share awards were made under the EIP at IPO to the Executive Directors and other employees, subject to the same PBT performance condition as described above. 100% of this award is therefore eligible to vest. Subject to continued employment, EIP awards will vest in four equal tranches in October 2019 and the three following years.

Awards were also granted to Executive and Non-Executive Directors in 2015 under the Company's legacy LTIP. These awards were also subject to PBT performance conditions which were met in full.

In considering the above payouts, the Remuneration Committee assessed whether the payouts reflected the underlying performance of the Company and concluded that no discretionary adjustments were required.

Executive Director remuneration for 2019/20

No increases were made to Executive Directors' base salaries for the 2020 financial year. For comparison, the average increase offered to our UK workforce was 2.9%.

The CEO and CFO will be eligible for a maximum bonus of 86% and 62% of salary respectively. Performance will be based on Adjusted PBT for 2020, and as in previous years, a revenue threshold will need to be met in order for any bonus to be payable. The Board has developed a demanding and comprehensive strategic plan for the coming years, and the Remuneration Committee sets targets annually in support of this plan, taking account of the Company's budget for the year, market consensus, and other factors. Full disclosure of the performance targets will be provided in next year's annual report.

As part of the policy review, the Committee considered how performance is measured for EIP awards. Endava's position as a rapid-growth technology company means that predictable, accurate and meaningful longer-term forecasting is not always possible because of the high-growth nature of the business. As such, the Committee believes that Endava's current one-year performance model remains the most robust and appropriate, and is consistent with the remuneration practices and model of a number of similarly high-growth companies in the technology and life science sectors.

EIP awards were therefore made in July 2019 in alignment with the proposed remuneration policy, which will vest in four equal tranches after one to four years, subject to the satisfaction of the PBT and revenue conditions described for the annual bonus plan above.

Summary

The views of our shareholders on remuneration are an important factor in the Committee decision-making. Having recently engaged with our largest shareholders, I am confident that the approach outlined is aligned with the interests of shareholders. I hope that you find the information in this report helpful and I look forward to your support on the remuneration resolutions at the forthcoming AGM.

Mike Kinton,

Remuneration Committee Chair
30 September 2019

This report complies with the provisions of the Companies Act 2006, the Large and Medium-sized Companies and Groups Regulations (Accounts and Reports) (Amendment) Regulations 2013 and The Companies (Miscellaneous Reporting) Regulations 2018.

The following report is set out in two parts:

- The Directors' Remuneration Policy (pages 52 to 59). This section describes the policy under which remuneration is delivered, which is subject to approval through a binding vote at the Company's AGM. If approved, the policy will take effect from that date.
- The Annual Report on Remuneration (pages 60 to 67). This section describes how the remuneration policy has been implemented during the year ended 30 June 2019 and how we intend to apply it for the coming year, and it is subject to an advisory vote at this year's AGM.

Part 1 - Directors' Remuneration Policy

The following section of this report describes the formal remuneration policy applying to the Company's Executive and Non-Executive Directors. This policy will be put to a binding shareholder vote at the 2019 AGM, and if approved, will become effective from that date. It is intended that the policy will remain in place for a period of three years, unless the Remuneration Committee determines that it is necessary to seek approval for an amended policy prior to this date.

Remuneration policy table - Executive Directors

Base salary	
Purpose and link to strategy	Provides a core level of reward for the completion of executives' duties. Set at a level such that the total value of remuneration allows us to attract and retain employees of a sufficient calibre to drive the Company's success, taking into account the global nature of the business and the key talent markets (including the UK and US) in which we must compete.
Maximum opportunity	There is no maximum salary limit. When considering salary levels, the Committee will consider the specific nature and responsibilities of the role at Endava, the capabilities and experience of the individual, as well as pay levels in relevant talent markets.
Operation	Salaries are typically reviewed annually, with any increases normally taking effect from 1 July. When awarding salary increases, the Committee will consider the level of increase proposed for the wider workforce, as well as employee pay conditions more broadly and inflation. Where there has been a change in the role or, if the individual is new to the role increases could be higher.
Performance framework	n/a
Pension	
Purpose and link to strategy	Provide employees with long-term savings for their future.
Maximum opportunity	Current Executive Directors are eligible for contributions to a defined contribution scheme (or equivalent cash payments in lieu) of up to 15% of base salary. Any new Executive Directors will be eligible for a maximum pension contribution (or cash equivalent) up to the level offered to other employees of the Company.
Operation	Payments are made directly to a nominated pension scheme or, where payments are made in cash, delivered monthly through payroll.
Performance framework	n/a
Other benefits	
Purpose and link to strategy	Provision of benefits in line with the Executives' local market and those offered to the wider workforce.
Maximum opportunity	There is no defined maximum value for benefits, but the Committee will consider the aggregate value of any such benefits when determining what should be offered.

Operation	Executive directors are eligible to a range of benefits, including a car allowance, private healthcare, health insurance and any other benefit deemed appropriate by the Committee. In most cases these benefits will be offered on similar terms as to other employees of the Company. Where an Executive is required to relocate, the Committee may make reasonable reimbursements for the cost of relocation or provide allowances and other related benefits as appropriate for the particular circumstances. Any reasonable business-related expenses may be reimbursed, including any taxes payable thereon if determined to be a taxable benefit. Executive Directors may also participate in the Company's sharesave scheme (and any other all-employee share plan) on the same terms as all other employees in the relevant jurisdiction.
Performance framework	n/a
Annual bonus plan	
Purpose and link to strategy	To focus attention on the achievement of short-term corporate objectives and incentivise successful delivery of the Company's business plan. Create a tangible link between annual performance and individual pay opportunity.
Maximum opportunity	Executive Directors are eligible for a maximum annual bonus of 120% of base salary per annum. The Committee will determine an appropriate award size each year within this parameter.
Operation	Bonuses are paid each year after the publication of the audited financial statements. Bonus payments are subject to the Company's clawback policy, which allows payments to be recouped under certain circumstances (see the notes to this table).
Performance framework	The Committee will determine one or more relevant performance metrics each year, which will align with the Company's short-term strategic objectives for the coming year. A majority of the bonus will be linked to quantitative financial metrics, although a minority may be linked to specific strategic and qualitative objectives. For each quantitative measure, the Committee will define a threshold target each year, bearing in mind the Company's budget, market consensus, and other internal and external factors. No bonus will be payable unless this threshold level of performance is achieved; 50% of the bonus is payable for threshold performance; while the maximum bonus will only become payable for significant outperformance of the target.
Equity Incentive Plan ('EIP')	
Purpose and link to strategy	To incentivise and reward for long-term, sustainable performance linked to corporate strategy and provide alignment with shareholders' interests.
Maximum opportunity	Executive Directors are eligible for performance share awards under the EIP to a maximum value of 600% of salary each year. The Committee will determine an appropriate award size each year within this parameter. Should awards of a different type be awarded, different maxima will apply such that awards are offered at a broadly equivalent fair value.

Operation	Performance share awards will be subject to performance measured over one financial year and will vest in equal tranches over a four-year period. Awards will be granted under the Company's omnibus plan under which awards of share options, restricted stock or performance share units ('PSUs') may be made. Although Executive Directors currently receive awards of PSUs only, the Committee reserves the right to make awards of other types should it feel that they would be better aligned with the Company's strategy at the time, or if appropriate to do so for a new incumbent (who may be recruited from the US market). All awards are subject to the Company's clawback policy, which allows payments to be recouped under certain circumstances (see the notes to this table).
Performance framework	Prior to each grant. the Committee will determine one or more relevant performance measures, reflecting the Company's strategic priorities at that time. A threshold target will be set each year, bearing in mind the Company's budget, market consensus, and other internal and external factors. No awards will vest unless this threshold level of performance is achieved; 50% will vest for threshold performance; while maximum vesting will only occur for significant outperformance of the target. Should awards of RSUs be made, a performance underpin would apply in addition to service conditions.
Shareholding requirements	
Purpose and link to strategy	Encourages Executives to hold a stake in the Company and provides ongoing alignment with shareholders' interests.
Maximum opportunity	Executive Directors must build and maintain shareholdings to the value of 200% of salary.
Operation	Executives are expected to meet the guideline within five years of
Performance framework	n/a

Remuneration policy table - Non-Executive Directors

Fees	
Purpose and link to strategy	Supports recruitment and retention of Non-Executive Directors with the required skills and experience to lead the Company.
Maximum opportunity	Aggregate fees are subject to the limit set out in the Articles of Association.
Operation	Non-Executive Directors receive a base fee for performance of their duties. The Company may also pay additional fees in recognition of any additional responsibilities, such as the chairmanship of Board committees. In addition, to ensure that remuneration is competitive relative to the US market, where such practices are typical, Non-Executive Directors may receive awards of restricted stock on an annual basis. Fees are reviewed on a regular basis with reference to pay levels in our relevant talent markets, taking into account the specific roles and responsibilities, as well as expected time commitment. The Company reserves the right to pay additional fees in any given year to reflect a material, but temporary, increase in time commitment during the period. Any reasonable business-related expenses may be reimbursed, including any taxes payable thereon if determined to be a taxable benefit.
Performance framework	n/a

Notes to the policy table

Choice of performance conditions and metrics

Our role as the remuneration committee includes the establishment of performance goals through short- and long-term incentive plans which are challenging but achievable through superior performance within the Company's risk appetite, thereby incentivising and rewarding success.

The Committee will determine appropriate performance measures and targets for the annual bonus and EIP at the start of each year, selected such that they provide alignment with the Company's business objectives for the coming period. Performance measures and targets may therefore vary year-on-year based on the Company's objectives at that time. When setting targets, the Committee will take into account internal measures such as budget, as well as external factors including consensus forecasts and general market conditions.

Details of all the outstanding share awards granted to Executive Directors, including the applicable performance criteria, are set out in the annual remuneration report.

Clawback and malus provisions

The Company has adopted a clawback policy which covers all incentive payments (including the annual bonus plan and EIP). Under this policy, the Company may recoup amounts paid if: there is a breach of any post-termination restriction; or if there is a required restatement of accounts due to the material non-compliance with any financial reporting requirement as a result of an Executive's misconduct. In the case of a required restatement, any incentive payments made during the three fiscal years preceding the restatement may be subject to clawback.

Recoupments may be made either through repayment of prior incentive payments; cancellation of outstanding incentive payments; reduction of any future incentive payments; or direct repayment.

Discretions retained by the Committee

The committee will operate the annual bonus plan and the EIP according to their respective rules and in accordance with the Listing Rules where relevant.

The committee retains discretion, consistent with market practice, over a number of areas relating to the operation and administration of these plans. This includes, but is not limited to, the following:

- The participants in such plans;
- The timing of any awards or payments;
- The size of any awards or payments and the vehicle with which they are delivered;
- The treatment of outstanding awards on a change of control;
- The treatment of leavers based on the rules of the plan and appropriate treatments described therein;
- Adjustments required in certain circumstances (such as a rights issue, corporate restructuring or payment of a special dividend);
- The selection of performance measures and targets applying each year; and
- Any adjustments to performance measures and targets to reflect an unforeseen change in circumstances that would have a material impact on the intended difficulty of the targets.

Any use of the above discretions would, where relevant, be explained in the annual report on remuneration and may, as appropriate, be the subject of consultation with Endava's major shareholders.

Executive Directors' service agreements and payments for loss of office

Executive Directors are employed under rolling service agreements, with a notice period of twelve months from either party. A copy of these contracts may be viewed at the Company's head office or may be requested from the Company Secretary at the annual general meeting.

At its discretion, the Company may terminate employment with immediate effect and make a payment in lieu of notice, comprising base salary only, for the notice period (or remainder thereof, should notice have been given). In the event of a breach of service agreement or other summary termination of employment, no such payments will be made.

Non-Executive Directors' letters of appointments

Non-Executive Directors serve under a letter of appointment, which is subject to a three month notice period from either party. All Directors are also subject to re-election each year by shareholders at the Company's annual general meeting. A copy of these letters may be viewed at the Company's head office, or may be requested from the Company Secretary at the annual general meeting.

Policy on external appointments

Executive Directors may, subject to approval from the Company, accept appropriate external Non-Executive Director appointments, so long as this commitment is not thought to interfere with the business of the Company or the individual's ability to carry out their duties. Any fees payable for such appointments may be retained by the individual.

Treatment of leavers

The default treatment of outstanding incentive awards on termination of employment is described in the relevant plan rules and related policy documents, but the Committee retains the discretion to adopt any treatment that it determines fair and appropriate given the circumstances applicable to individual leavers.

Plan		Bad leavers (all other reasons)
Annual bonus	No bonus is payable should employment be terminated, or notice given, prior to the payment date of any bonus award.	
EIP	Outstanding awards vest on their normal vesting dates, subject to pro-rating for the period of first year (the performance year) of the vesting period served, and the satisfaction of any applicable performance measures, measured over the normal performance period. All awards remain subject to the clawback provision and any other applicable conditions described within the plan rules. In case of death in service, awards will vest on the earlier of their normal vesting date and the first anniversary of death. If the relevant performance period has not been completed, the performance criteria will be applied on a pro rata basis. In the event of a participant's death following cessation but before awards have vested, vesting of outstanding awards may be accelerated such that it occurs no later than one year after death.	All outstanding unvested awards lapse on cessation, unless the Committee uses its discretion to apply a different treatment.

The Company may pay reasonable outplacement and legal fees where considered appropriate.

The Company may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

Recruitment remuneration policy

Base salary levels will be set in accordance with our remuneration policy, taking into account the experience and calibre of the individual and the relevant market rates at the time. Where it is appropriate to offer a lower salary initially, progressive increases (possibly above those of the wider workforce as a percentage of salary) may be offered to achieve the desired salary positioning over the following few years subject to individual performance and continued development in the role.

Benefits will be provided in line with those offered to other employees, with relocation expenses/ arrangements provided for if necessary.

Should it be appropriate to recruit a Director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment).

Pension contributions or a cash supplement up to the maximum level indicated in the policy table may be provided, although the committee retains the discretion to structure any arrangements as necessary to comply with the relevant legislation and market practice if an overseas director is appointed.

The aggregate ongoing (i.e. after the year of appointment) incentive opportunity offered to new recruits will be no higher than that offered under the annual bonus plan and the EIP policy to the existing Executive Directors. In the year of appointment, the annual bonus opportunity will be no higher than that offered to existing Executive Directors, prorated for the period of service.

Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that they joined.

The above policy applies to both an internal promotion to the board and an external hire.

In the case of an external hire, if it is necessary to buy out any incentive arrangements (which would be forfeited on leaving the previous employer), this may be provided for, taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using the Endava's existing share plans to the extent possible, although awards may also be granted outside of these plans if necessary and as permitted under relevant legislation. Any buyout awards made will not count towards the annual bonus and EIP maxima as described the remuneration policy.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the board appointment).

On the appointment of a new Chairman or Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual and the expected time commitments of the role.

Consideration of the views of shareholders and other stakeholders

When considering any issues relating to remuneration, the Committee takes into account typical market practice in the Company's relevant talent markets, as well as the views of its shareholders and any relevant shareholder body. The Committee welcomes any feedback on remuneration matters at the Company's annual general meeting each year and may additionally seek the views of its major shareholders prior to making any significant changes to the policy or its implementation.

The Company operates a coherent remuneration policy across the organisation. Annual bonuses for Executive Directors are subject to the same performance criteria as all other participants in the bonus scheme, and a significant number of our senior population also participate in the EIP, to encourage broad employee share ownership and alignment with the Company's success. Although the Committee does not consult with employees directly, it is appraised of any decisions relating to pay for the broader workforce and will consider pay conditions throughout the group when making decisions on Executive Directors' remuneration.

Legacy commitments

For the avoidance of doubt, any incentive awards or commitments made to any employee prior to their appointment to the Board, or the adoption of this policy, will remain in place and subject to any conditions agreed at that time. Through approval of this policy, approval is given to the Company to honour any such commitments. Details of any legacy payments made outside of this policy will be disclosed in the Annual Report on Remuneration as and when they arise.

Illustration of application of the policy

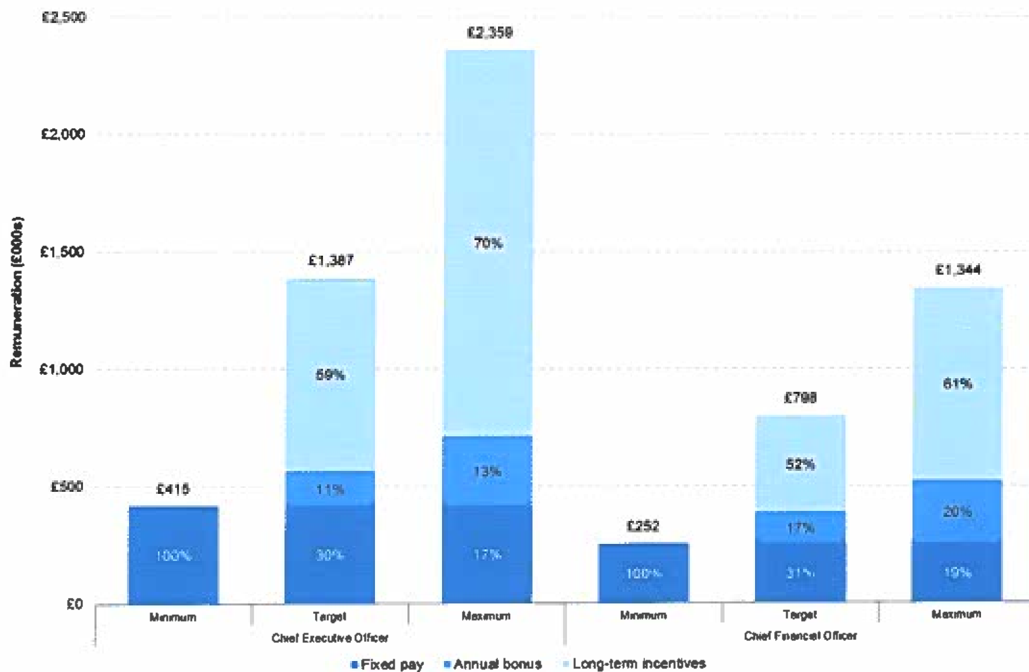
A significant proportion of remuneration at Endava is linked to performance. The charts below show how much each Executive Director could earn under different performance scenarios:

- Minimum - fixed pay only.
- Target (performance in line with expectations) - fixed pay, plus bonus and EIP payouts at threshold level (50% of maximum).
- Maximum (performance meets or exceeds maximum) - fixed pay, plus the maximum bonus payout and full vesting of any EIP awards, based on grant-date face value of awards granted in July 2019, converted to GBP using the exchange rate on the date of grant.

Fixed pay comprises:

- Salaries - salary effective at 1 July 2019;
- Benefits - an estimated value of all benefits receivable in the 2020 financial year;
- Pension - 15% and 7.5% of salary respectively for the CEO and CFO.

Values do not include the impact of any share price appreciation over the vesting period. The reporting regulations require the disclosure of maximum total pay including the impact of a 50% increase in share price over the vesting period for equity awards subject to multi-year performance measures. As performance under the EIP is measured over one financial year, the total value in this scenario is unchanged.



Part 2 - Annual Report on Remuneration

This part of the report describes how the remuneration policy has been implemented in the financial year ending 30 June 2019, and how it will be implemented for the coming financial year. Those tables that are subject to audit have been labelled as such.

Directors' remuneration for the year ended 30 June 2019 (audited)

The table below details remuneration paid or payable to the Directors during the financial year.

£000s		Salary and fees	Benefits[1]	Pension	Bonus	Multi-year variable[2,3,4,5]	Total
Executive							
John Cotterell	2019	350	13	47	258	2,420	3,088
	2018	280	15	34	294	—	623
Mark Thurston	2019	225	29	18	120	2,034	2,426
	2018	195	11	16	137	340	699
Non-Executive Directors							
Trevor Smith	2019	60	—	—	—	164	224
	2018	60				14	74
Andrew Allan	2019	55	—	—	—	164	219
	2018	55				14	69
Ben Druskin[6]	2019	55	—	—	—	164	219
	2018	45				14	59
Mike Kinton	2019	55	—	—	—	164	219
	2018	55				14	69
David Pattillo[6]	2019	62	—	—	—	164	226
	2018	57				14	71

1. The CEO and CFO receive a car allowance of £10,000 and £7,500 respectively, and also receive medical insurance, life assurance and income protection.
2. For the Executive Directors, including the value of EIP awards granted on 26 July 2018, of which 100% vested based on performance up to 30 June 2019. These awards will vest in four equal tranches as described below. For the purpose of this table, awards have been valued using a three-month average share price up to 30 June 2019 of £26.89; this figure will be restated next year based on the actual price at vesting.
3. For Mark Thurston and the Non-Executive Directors, including the value of RSU awards granted on 26 July 2018, as described below. Awards have been valued using the share price at grant (the IPO offer price) of £15.20.
4. For Mark Thurston and the Non-Executive Directors, the value of LTIP awards vesting based on performance up to 30 June 2019, as described below. Performance conditions were satisfied in full. For the purpose of this table, awards have been valued using a three-month average share price up to 30 June 2019 of £26.89; this figure will be restated next year based on the actual price at vesting.
5. For Mark Thurston and Non-Executive Directors, the value of LTIP awards vesting based on performance up to 30 June 2018, as described below. Performance conditions were

satisfied in full. For the purpose of this table, awards have been valued using the actual share price at vesting being 3 March 2019.

6. For the two Non-Executive Directors based in the US, annual fees have been converted to GBP using an agreed fix rate at employment date of 1:1.2795 for Ben Druskin and 1:2343 for David Pattillo.

Annual bonus earned for performance in the 2019 financial year (audited)

Annual bonuses for 2019 were subject to single performance measure with a revenue underpin, as described below. No bonus is payable unless a threshold level of performance was achieved, and furthermore no bonus was payable unless the Company achieved a threshold level of revenue of £264m. Payout levels are measured on a straight-line basis between threshold and maximum.

		Threshold	Maximum	Actual
Adjusted PBT for FY19	£m	£40.6	£43.5	£52.5
Payout	% of max	50%	100%	100%

Both the revenue threshold and maximum PBT target were achieved during the year, and accordingly 100% of the bonus was payable.

Details of share interests granted in the year (audited)

Awards of Performance Share Units (PSUs) were made under the EIP to the Executive Directors on 26 July 2018, which were subject to a performance measure as described below. If the performance condition is satisfied, awards vest in four equal tranches on 31 October 2019 and each year for three years thereafter.

Participant	Number of awards	Share price on date of grant[1]	Face value	Date of grant	Date of vesting
John Cotterell	90,000	£15.20	£1,367,677	26 July 2018	31 Oct 2019 to 31 Oct 2022
Mark Thurston	45,000	£15.20	£683,839	26 July 2018	31 Oct 2019 to 31 Oct 2022

1. Based on the offer price of $20, converted to GBP on the date of grant.

Executive Directors participate in the Company's Sharesave plan, and received the following awards in the year:

Participant	Number of awards	Share price on date of grant	Face value	Exercise price	Date of grant	Date of vesting
Mark Thurston	377	£17.82	£6,718	£19.07	23 October 2018	1 December 2021

The exercise price for these awards is £19.07, determined on the basis of a 15% discount on the five-day average closing share prices for the period 27 September 2018 to 3 October 2018, converted to GBP on a daily basis.

Awards of Restricted Share Units (RSUs) were made under the EIP to Mark Thurston and the Non-Executive Directors on 26 July 2018. Awards vest subject to the participant remaining in service to the Company, on 31 January 2019 for Mark Thurston, and on 31 October 2019 for the Non-Executive Directors.

Participant	Number of awards	Share price on date of grant[1]	Face value	Date of grant	Date of vesting
Mark Thurston	10,000	£15.20	£151,964	26 July 2018	31 Jan 2019
Trevor Smith	7,500	£15.20	£113,973	26 July 2018	31 Oct 2019
Andrew Allan	7,500	£15.20	£113,973	26 July 2018	31 Oct 2019
Ben Druskin	7,500	£15.20	£113,973	26 July 2018	31 Oct 2019
Mike Kinton	7,500	£15.20	£113,973	26 July 2018	31 Oct 2019
David Pattillo	7,500	£15.20	£113,973	26 July 2018	31 Oct 2019

1. Based on the offer price of $20, converted to GBP on the date of grant.

EIP and LTIP awards vesting based on performance to 30 June 2019 (audited)

PSU awards made on 26 July 2018 under the EIP were subject to a single performance measure with a revenue underpin measured over the 2019 financial year, as described below. No awards would vest unless a threshold level of PBT performance was achieved, and furthermore no awards would vest unless the Company achieved a threshold level of revenue of £264m. Vesting is measured on a straight-line basis between threshold and maximum.

		Threshold	Maximum	Actual
Adjusted PBT for FY19	£m	£40.6	£43.5	£52.5
Payout	% of max	50%	100%	100%

Both the revenue threshold and maximum PBT target were achieved during the year, and accordingly 100% of these awards will vest. The first tranche of the PSU awards will vest on 31 October 2019, with the remaining three tranches vesting on the 31 October in the three following years.

Awards made to Mark Thurston and the Non-Executive Directors under the Company's legacy LTIP in July 2015 were also eligible to vest during the year, based on PBT performance. The second tranche, accounting for 25% of the award, met its performance targets in full, while the third tranche remains subject to performance over the 2020 financial year.

Payments for loss of office and payments to past directors (audited)

No payments for loss of office or to past directors were made during the year.

Executive Directors' share awards outstanding at the financial year end (audited)

Award type	Held at IPO	Granted in year	Lapsed in year	Exercised in year	Held at 30 June 2019	Date of grant	Exercise price	Market price on exercise date[1]	Date from which exercisable	Date of expiry
John Cotterell										
JSOP	448,955	—	3,934	445,021	—	30 June 2011	—	£20.54	27 July 2018	30 June 2036
JSOP	63,935	—	996	62,939	—	27 November 2012	—	£20.54	27 July 2018	27 November 2037
JSOP	152,935	—	6,700	146,235	—	7 October 2013	—	£20.54	27 July 2018	7 October 2038
EIP PSU[1]	—	90,000	—	—	90,000	26 July 2018	—	—	2	26 July 2028
Mark Thurston										
LTIP	100,000	—	—	—	100,000	24 July 2015	—	—	4	26 July 2025
EIP PSU[2]	—	45,000	—	—	45,000	26 July 2018	—	—	3	26 July 2028
EIP RSU	—	10,000	—	10,000	-	26 July 2018	—	£21.52	31 Jan 2019	26 July 2028
Sharesave	—	377	—	—	377	23 October 2018	—	—	1 Dec 2021	1 June 2021

1. Converted to GBP using the prevailing exchange rate on the date of exercise.
2. These awards were subject to a PBT performance condition over the 2019 financial year as described earlier in this report. The performance condition was met in full and as such 100% of this award will be eligible to vest.
3. Awards vest in four equal tranches from 31 October 2019 to 31 October 2022.
4. 40% of these LTIP awards were based on PBT performance up to the 2019 financial year. Performance criteria were met in full, and accordingly these awards were exercised in July 2019. The final tranche of these awards will vest based on performance during the 2020 financial year and is eligible to vest on 26 July 2020.

Directors' current shareholdings and interests in shares (audited)

The table below provides details on the Director's current shareholdings as well as their interests in outstanding share awards as at 30 June 2019.

	Unconditionally-owned shares	Interests in share schemes						Percentage of salary applicable to share ownership requirement[1]
		EIP	LTIP	CSOP	JSOP	SAYE	Total	
Executive Directors								
John Cotterell [(6)]	9,872,797[2]	90,000	—	—	—	—	90,000	89,625%
Mark Thurston [(6)]	31,071	45,000	100,000[3]	—	—	377	145,377	857%
Non-Executive Directors								
Trevor Smith	63,373	7,500	3,750[4]	—	—	—	11,250	—
Andrew Allan	643,950[5]	7,500	3,750	—	—	—	11,250	—
Ben Druskin	36,875	7,500	3,750	—	—	—	11,250	—
Mike Kinton	1,777,793	7,500	3,750	—	—	—	11,250	—
David Pattillo	21,375	7,500	3,750	—	—	—	11,250	—

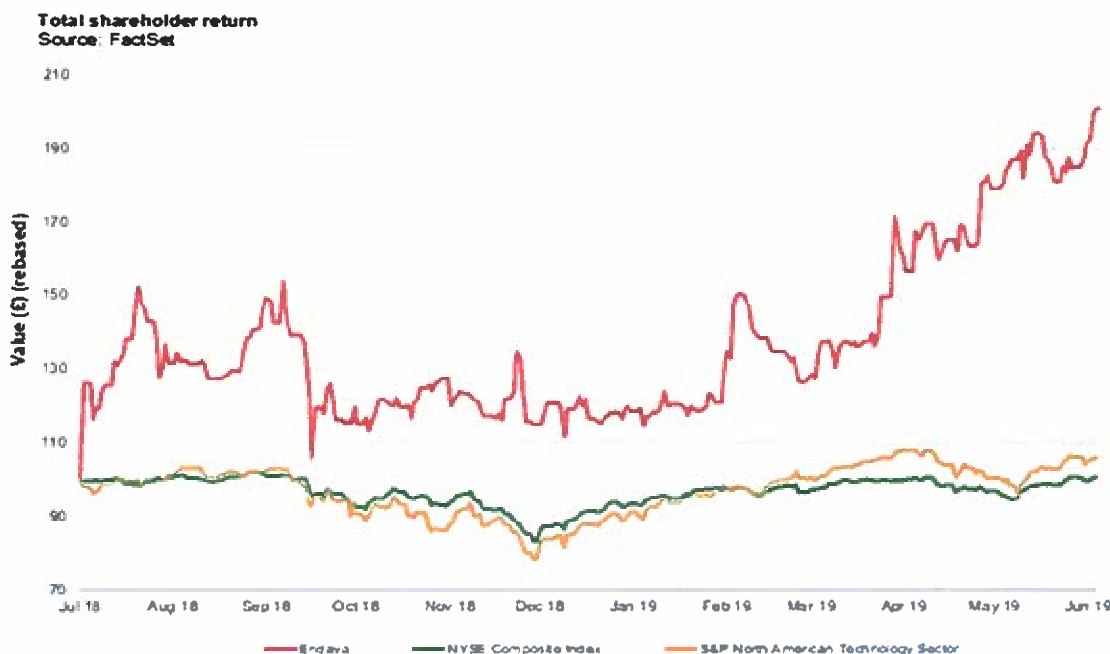
1. This value includes all unconditionally-owned shares, plus the value of outstanding tranches of prior EIP awards that are subject to service conditions only (on a net of tax basis), valued using the share price at the year-end of £31.62. Executive Directors are required to build and maintain a shareholding to the value of 200% of salary within five years of appointment.
2. Of which 2,000,000 shares are held in trust.
3. 25,000 LTIP awards were subsequently exercised on 30 July 2019 and 15,000 on 12 August 2019.
4. 2,500 LTIP awards were subsequently exercised on 11 September 2019.
5. Of which 101,250 shares are held by Andrew's spouse, Elaine Allan, and 65,000, 65,000 and 50,000 shares are held by Andrew's children, Nicholas Allan, Michael Allan and Lucy-Ann Livingston respectively.
6. John Cotterell and Mark Thurston were granted 55,788 and 27,894 PSUs under the EIP on 31 July 2019, which are not included in the table above.

External appointments

Neither Executive Director currently holds any external directorships at any other listed organisation.

Review of past performance

The chart below sets out the TSR performance of the Company since IPO relative to the NYSE Composite and S&P North America Technology Sector indices. These indices have been selected as they represent the broad market on which Endava is listed, and the sector in which we operate, respectively.



The chart shows the value, by 30 June 2019, of $100 invested in Endava on IPO, compared with the value of $100 invested in the NYSE Composite and S&P North American Technology Sector Indices on the same date.

The table below shows the total remuneration received by the Chief Executive Officer over the same period.

2019	
Single total figure of remuneration (£000s)	£3,094
Annual bonus (% of maximum)	100%
EIP payout (% of maximum)	100%
JSOP payout (% of maximum)	100%

Change in remuneration of the Chief Executive Officer

As this is the Company's first financial year since IPO, it is not possible to show directly comparable data for CEO and workforce pay levels prior to and post-IPO. However, full disclosure will be provided in the Company's next annual report.

Relative importance of spend on pay

The table below shows the total pay for all of the Company's employees compared to other key financial metrics.

		2019		2018	Percentage
Employee costs (£m)	£	189	£	139	36%
Dividends paid (£m)	£	—	£	—	n/a
Revenue (£m)	£	288	£	218	32%
Adjusted profit before tax (£m)	£	52.0	£	33.5	55%

Shareholder voting on remuneration matters at AGM

Endava held its first AGM as a listed company on 18 December 2018. However, as this related to the period prior to the IPO, no resolutions relating to remuneration matters were required to be brought to shareholders at this time.

At our second AGM, shareholders will be asked to approve the remuneration policy through a binding vote, and the annual report on remuneration through an advisory vote. Results of these two votes will be included in next year's annual report.

Membership of the Remuneration Committee and its advisors

The Remuneration Committee currently comprises three independent members: Mike Kinton (Chair), Trevor Smith and Andrew Allan. The CEO, CFO, HR Director and others are invited to attend Committee meetings as required to provide advice and assistance. John Cotterell was a member of the Committee until 31 October 2018 but he, nor any other member or invitee, does not take part in any discussions relating to his or her own remuneration.

The responsibilities and authority of the Remuneration Committee are described in the Remuneration Committee Charter, a copy of which can be found on the Company's website.

During the year the Remuneration Committee appointed Aon as independent advisor to the Committee, following a competitive tender process. Aon is a signatory to the Remuneration Consultants Group's Code of Conduct and provides advice in line with the provisions of that code. Aon does not provide any other services to the Company. The Committee is therefore satisfied that advice provided by Aon is independent and objective. Fees paid to Aon for services to the Committee during the year amounted to £41,200.

Implementation of the remuneration policy in the 2020 financial year

Fixed pay

No salary increase was offered to Executive Directors for the 2020 financial year. Salaries for the coming year, therefore, are:

	2020	2019	Percentage
John Cotterell	£350,000	£350,000	0%
Mark Thurston	£225,000	£225,000	0%

The CEO and CFO will continue to receive pension contributions (or cash payments in lieu) to the value of 15% and 7.5% of salary respectively. No changes will be made to the provision of other benefits.

Annual bonus

In line with the policy described in this report, the CEO and CFO will be eligible for a maximum annual bonus of £300,000 (86% of salary) and £140,000 (62% of salary) respectively for the 2020 financial year.

The bonus will be subject to an adjusted PBT performance measure. The Committee has set a challenging threshold target, for which 50% of the bonus will be payable. The maximum bonus will only be payable for significant outperformance of this target, and furthermore no bonus is payable unless a threshold level of revenue is achieved. Full disclosure of the performance targets will be provided in next year's annual report.

Long-term incentives

Awards of PSUs were made to Executive Directors on 31 July 2019 as set out in the table below. These awards will be subject to the same adjusted PBT performance measure and revenue underpin as the annual bonus (described above), and will vest in tranches over a four-year period.

Participant	Number of awards	Share price on date of grant[1]	Face value	Date of grant	Date of vesting
John Cotterell	55,788	£29.47	£1,644,101	31 July 2019	31 Oct 2020 to 31 Oct 2023
Mark Thurston	27,894	£29.47	£822,051	31 July 2019	31 Oct 2020 to 31 Oct 2023

1. Converted to GBP using the prevailing exchange rate on the date of grant.

Non-Executive Director fees

No changes are proposed to the fees payable to the Non-Executive Directors for the 2020 financial year.

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
S Connal (appointed 25 September 2019)

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 2019, the Group had net assets of £166.3m and net current liabilities of £82.7m. 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 34 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

30 September 2019

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 Company") for the year ended 30 June 2019 which comprise the Group statement of comprehensive income, Group balance sheet, Group statement of cash flows, Group statement of changes in equity, Company balance sheet, Company statement of changes in equity, Company 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 2019 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

Materiality: group financial statements as a whole	£1.44m (2018:£1.26m) 4.5% (2018: 4.3%) of normalised profit before tax	
Coverage	100% (2018:100%) of group profit before tax	
Key audit matters		**vs 2018**
Recurring risks	New: Revenue recognition	▲
	Parent Company: Recoverability of the company's investments in subsidiaries	◀▶

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
Revenue recognition (£287.9 million; 2018: £217.6 million) Refer to page 100 (accounting policy) and page 105 (financial disclosures).	**The risk - low risk/high value** Revenue recognition is not at a high risk of significant misstatement or subject to significant judgement. However, due to its 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 Group.	Our procedures included: **- Test of details:** - Reconciling revenue recognised in the year to cash received in bank statement or, where cash has not been received, to customer confirmation. - Obtaining direct confirmation of key contract terms from a sample of customers and compared them to signed customer contracts. - Selecting a sample of invoices recorded before and after year end and agreed them to the underlying timesheet records to assess whether the revenue is recognised in the correct period. - Selecting a sample of credit notes issued after year end and agreed them to their related invoices to assess whether revenue was recognised in the correct period. **Our results** - We found revenue recognised to be acceptable (2018: acceptable).

Parent Company: Recoverability of the Company's investments in subsidiaries: **(£58.4m; 2018 £49.9m)** Refer to Note 1 (accounting policy) and Note 3 (financial disclosures) to Parent Company Financial Statements	**The risk - low risk/ high value** The carrying amount of the parent Company's investments in subsidiaries represents 38.2% (2018: 56.6%) of the company's total assets. Their 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.	Our procedures included: - Test of detail: Comparing the carrying amount of 100% investments (2018: 100%) with the relevant subsidiaries' draft 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; - Assessing subsidiary audits: Assessing the work performed by the subsidiary audit teams on that sample of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets; - Comparing of valuations: For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a value-in-use model. Our results: We found the group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2018: acceptable)

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 £1.44 million (2018: £1.26 million), determined with reference to a benchmark of profit before tax, normalised to exclude the IPO costs as disclosed in note 6, of which it represents 4.5% (2018: 4.3%).

Materiality for the parent company financial statements as a whole was set at £1.3 million (2018: £1.1 million), determined with reference to a benchmark of company total assets (2018: total assets), of which it represents 0.8% (2018: 0.8%).

We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding £72,000 (2018: £63,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 2 (2018: 2) reporting components, we subjected 2 (2018: 2) to full scope audits for group purposes.

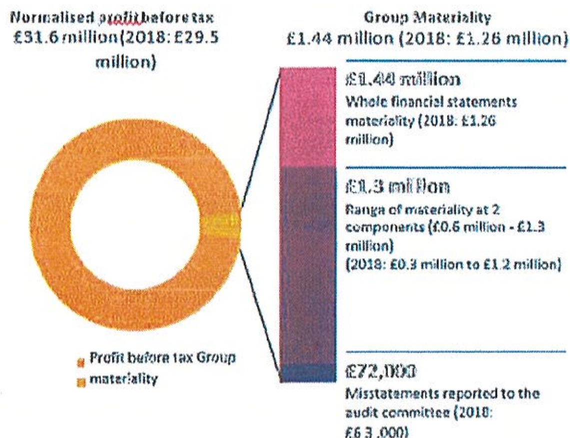
The Group team performed procedures on the items excluded from normalised group profit before tax and performed the audit of both components and the audit of the parent company using the materiality levels set out below.

The components within the scope of our work accounted for the percentages:

- Group revenue: 100% (2018: 100%)
- Group profit before tax: 100% (2018: 100%)
- Group total assets: 100% (2018: 100%)

The Group team approved the following component materialities, having regard to the mix of size and risk profile of the Group across the components:

- Endava Legacy £1.3 million (2018: £1.2 million)
- Velocity Partners £0.6 million (2018: £0.3 million)



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

4. We have nothing to report on going concern

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

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

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of a disorderly Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's 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, and we did not identify going concern as a key audit.

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.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly 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 and the part of the Directors' Remuneration Report to be audited 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 m ore fully in their statement set out on page 64, 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.

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

30 September 2019

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June

	Note	2019 £'000	2018 £'000
Revenue	5	**287,930**	**217,613**
Cost of sales			
Direct cost of sales		(174,152)	(132,775)
Allocated cost of sales		(14,951)	(12,668)
Total cost of sales		**(189,103)**	**(145,443)**
Gross profit		**98,827**	**72,170**
Selling, general and administrative expenses		(65,857)	(46,737)
Operating profit	6	**32,970**	**25,433**
Finance expense	9	(6,299)	(818)
Finance income	10	3,429	35
Net finance expense		(2,870)	(783)
Profit before tax		**30,100**	**24,650**
Tax on profit on ordinary activities	11	(6,093)	(5,675)
Profit for the year and profit attributable to the equity holders of the Company		**24,007**	**18,975**
Other comprehensive income	13		
Exchange differences on translating foreign operations		(5,987)	(409)
Total comprehensive income for the year attributable to the equity holders of the Company		**18,020**	**18,566**
Earnings per share (EPS):			
Basic EPS		£ 0.48	£ 0.42
Diluted EPS		£ 0.44	£ 0.38
Weighted average number of shares outstanding - basic		50,116,979	45,100,165
Weighted average number of shares outstanding - diluted		55,026,223	50,426,216

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

GROUP BALANCE SHEET
As at 30 June

	NOTE	2019 £'000	2018 £'000
Assets - Non current			
Goodwill	14	36,760	41,062
Intangible assets	16	28,910	30,787
Property, plant and equipment	17	10,579	8,584
Deferred tax assets	12	9,550	2,488
Total		**85,799**	**82,921**
Assets - Current			
Trade and other receivables	19	65,917	52,368
Corporation tax receivable		790	677
Cash and cash equivalents		70,172	15,048
Total		**136,879**	**68,093**
Total assets		**222,678**	**151,014**
Liabilities - Current			
Borrowings	22	21	19,744
Trade and other payables	20	48,502	40,243
Corporation tax payable		2,920	1,488
Contingent consideration	15	1,244	5,259
Deferred consideration	15	1,516	4,401
Total		**54,203**	**71,135**
Liabilities - Non-current			
Borrowings	22	—	20
Deferred tax liabilities	12	2,033	2,832
Contingent consideration	15	—	7,251
Other liabilities		113	277
Total		**2,146**	**10,380**
Equity			
Share capital	25	1,089	996
Share premium	28	17,271	2,678
Merger relief reserve		4,430	4,430
Retained earnings	28	146,963	59,260
Other reserves		(1,577)	4,410
Investment in own shares	28	(1,847)	(2,275)
Total		**166,329**	**69,499**
Total liabilities and equity		**222,678**	**151,014**

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

These financial statements were approved by the Board and authorised for issue on 30 September 2019 and are signed on their behalf by:

JE Cotterell, Director **MS Thurston, Director**

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 June

	2019 £'000	2018 £'000
Operating activities		
Profit for the year	**24,007**	**18,975**
Income tax charge	6,093	5,675
Adjustments (note 29)	21,390	6,249
Tax paid	(5,904)	(5,608)
UK research and development credit received	1,278	1,854
Net changes in working capital (note 29)	(11,516)	6,839
Net cash from operating activities	**35,348**	**33,984**
Investing activities		
Purchase of non-current assets (tangibles and intangibles)	(7,383)	(5,483)
Proceeds / (loss) from disposal of non-current assets	57	79
Acquisition of business / subsidiaries, consideration in cash	(3,201)	(28,765)
Cash and cash equivalents acquired with subsidiaries	—	2,342
Interest received	476	35
Net cash used in investing activities	**(10,051)**	**(31,792)**
Financing activities		
Proceeds from borrowings	3,500	26,462
Repayment of borrowings	(23,547)	(36,768)
Grant received	1,784	147
Interest paid	(343)	(573)
Net proceeds from initial public offering	44,828	—
Proceeds from exercise of options	133	—
Net cash used in financing activities	**26,355**	**(10,732)**
Net change in cash and cash equivalents	**51,652**	**(8,540)**
Cash and cash equivalents at the beginning of the year	**15,048**	**23,571**
Net foreign exchange differences	**3,472**	**17**
Cash and cash equivalents at the end of the year	**70,172**	**15,048**

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
Balance at 30 June 2016	996	2,678	4,430	(1,035)	20,425	161	2,138	29,793
Equity-settled share-based payment transactions	—	—	—	—	815	—	—	815
Shares purchased by the employee benefits trust	—	—	—	(1,240)	—	—	—	(1,240)
Transaction with owners	—	—	—	(1,240)	815	—	—	(425)
Profit for the year	—	—	—	—	16,832	—	—	16,832
Other comprehensive income	—	—	—	—	—	—	2,520	2,520
Total comprehensive income for the year	—	—	—	—	16,832	—	2,520	19,352
Balance at 30 June 2017	996	2,678	4,430	(2,275)	38,072	161	4,658	48,720
Equity-settled share-based payment transactions	—	—	—	—	2,213	—	—	2,213
Transaction with owners	—	—	—	—	2,213	—	—	2,213
Profit for the year	—	—	—	—	18,975	—	—	18,975
Other comprehensive income	—	—	—	—	—	—	(409)	(409)
Total comprehensive income for the year	—	—	—	—	18,975	—	(409)	18,566
Balance at 30 June 2018 as previously	996	2,678	4,430	(2,275)	59,260	161	4,249	69,499
Hyperinflation adjustment					65			65
Balance at 30 June 2018 as restated	996	2,678	4,430	(2,275)	59,325	161	4,249	69,564
Equity-settled share-based payment transactions	—	—	—	—	15,392	—	—	15,392
Cancellation of share premium	—	(48,614)	—	—	48,614	—	—	—
Issuance of new shares	65	45,936	—	—	—	—	—	46,001
Issue of shares related to acquisition	23	17,143	—	—	—			17,166
Exercise of options	5	128	—	428	(428)	—	—	133
Hyperinflation adjustment	—	—	—	—	53	—	—	53
Transaction with owners	93	14,593	—	428	63,631	—	—	78,745
Profit for the year	—	—	—	—	24,007	—	—	24,007
Other comprehensive income [1]	—	—	—	—	—	—	(5,987)	(5,987)
Total comprehensive income for the year	—	—	—	—	24,007	—	(5,987)	18,020
Balance at 30 June 2019	1,089	17,271	4,430	(1,847)	146,963	161	(1,738)	166,329

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

[1] See note 14 for additional details.

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 Group applied the requirements of IFRS 9 and IFRS 15 from 1 July 2018. There were other new standards, interpretations and amendments to existing standards also effective for the Group from 1 July 2018 but they do not have a material effect on the financial statements.

Due to the transition methods chosen by the Group in applying these standards. interpretations and amendments to existing standards, comparative information throughout these financial statements has not been restated to reflect the new requirements.

IFRS 9 – "Financial Instruments"

IFRS 9 Financial Instruments replaces the corresponding requirements of IAS 39 Financial Instruments: Recognition and Measurement. 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 using the simplified approach on 1 July 2018 did not have a material impact on the measurement, presentation or disclosure of financial assets and financial liabilities in the consolidated financial statements.

In addition, IFRS 9 introduces an 'expected loss' model for the assessment of impairment of financial assets. The 'incurred loss' model under IAS 39 required the Group to recognise impairment losses when there was objective evidence that an asset was impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. However, as permitted by IFRS 9, the Group applies the 'simplified approach' to trade receivable balances. Due to general quality and short-term nature of the trade receivables, there is no significant impact on introduction of 'simplified approach'.

i. Classification and measurement of financial assets and financial liabilities

The classification of financial assets under IFRS 9 is different from IAS 39. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	£ 65,917	£ 66,184
Cash and cash equivalents	Loans and receivables	Amortised cost	70,172	70,172
Total financial assets			**£ 136,089**	**£ 136,356**
Financial liabilities				
Current borrowings	Other financial liabilities	Other financial liabilities	£ 21	£ 21
Trade and other payables	Other financial liabilities	Other financial liabilities	48,502	48,371
Contingent consideration	Other financial liabilities	Other financial liabilities	1,244	1,244
Deferred consideration	Other financial liabilities	Other financial liabilities	1,516	1,516
Other liabilities	Other financial liabilities	Other financial liabilities	113	113
Total financial liabilities			**£ 51,396**	**£ 51,265**

ii. Impairment of financial assets

The effect of adopting IFRS 9 on the carrying amount of financial assets at 1 July 2018 relates solely to the new impairment requirements. The first time adoption of IFRS 9 did not result in any adjustment to opening retained earnings as the lifetime expected credit loss was close to 0 per cent taking into consideration the client default rates, historical bad debt allowance and no external factors that will lead us to believe that the outstanding balances with existing clients will not be collected as they fall due. Therefore, the loss allowance at 30 June 2018 under IAS 39 is the same at 1 July 2018 under IFRS 9.

iii. Hedge accounting

The Group did not apply hedge accounting under IAS 39 which is the same approach taken when IFRS 9 was implemented.

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 has adopted IFRS 15 effective 1 July 2018 on a modified retrospective basis. Under this transition method, the Group applied 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 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 recognises revenue as the contract progresses. For fixed price contracts, 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 involved additional disclosures but did not result in a material change to the 1 July 2018 opening balance sheet. There was also no material impact on the Consolidated Income Statement for the financial year.

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

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 of offices and delivery centres.

The Group have performed an assessment of the impact of IFRS 16 on its consolidated financial statements and related disclosures using the modified retrospective approach. Based on preliminary assessments, management expects to recognise a right-of-use asset and the corresponding financial liability to be in the range of £34 million to £42 million.

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 2019:

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration
- IFRIC 23 - Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation

- Amendments to IAS 28 - Investments in Associates and Joint Ventures - Long-term Interests 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
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material

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 2019.

2. BASIS OF PREPARATION

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

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.

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.

The key areas involving estimates and judgments that have the most significant effect on the amounts recognised in the Consolidated Financial Statements, are as follows:

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 30 June 2018, the Group held a financial liability measured at fair value of £11.3 million which was considered a major source of estimation uncertainty. During the year, the liability was settled through issuance of new shares, resulting in a fair value adjustment of £5.8 million. The valuation methodology, key assumptions and narrative sensitivity 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.

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 discretionary share incentive awards to certain of our employees and directors, as described in note 27, and all employees are eligible to participate annually in our Sharesave plan. 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 three to five years, subject to the terms of each plan. In certain cases, vesting in full occurs on a liquidity event involving our company. 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.

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.

(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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's cash and cash equivalents, trade and substantially all other receivables fall into this category of financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group don't hold any financial assets at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. The Group don't hold any financial assets designated at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows

that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income. The Group does not currently hold any financial assets at fair value through profit or loss.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category applies to Group's interest-bearing loans and borrowings.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognise

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:

Computers and equipment	3 - 5 years
Fixtures and fittings	5 years
Leasehold improvement fittings	Over the lease term
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 is relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as incurred.

(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).

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.

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 expensed 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.

15. REVENUE

The Group generates revenue primarily from the provision of its services and recognise revenue in accordance with IFRS 15 – "Revenue from Contracts with Customers." 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 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.

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 recognised when the performance obligations are satisfied and the control of the services is transferred to the customer, either over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Consideration from contracts with customers is allocated to the performance obligations identified based on their standalone selling price. The Group also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. 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.

16. 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.

17. FINANCE INCOME AND FINANCE EXPENSE

Finance expense consists 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 realised and unrealised foreign currency exchange gains and losses.

18. 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.

19. 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.

20. 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.

21. 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 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 28 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 together with Worldpay Group Limited and its consolidated subsidiaries, Worldpay, was our largest client for each of the last three years, contributing 9.8%, 10.8% and 13.0% of our total revenue in 2019, 2018 and 2017, 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:

	2019 £'000	2018 £'000
UK	26,436	27,209
North America	29,248	45,717
Europe	6,779	5,246
Other	13,786	2,261
TOTAL	**76,249**	**80,433**

5. REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers by geographical market, based on where the service is being delivered to:

	2019 £'000	2018 £'000
UK	129,513	98,571
North America	79,231	45,600
Europe	79,186	73,442
TOTAL	**287,930**	**217,613**

The Group's revenue by industry sector is as follows:

	2019 £'000	2018 £'000
Payments and Financial Services	152,179	123,675
TMT	78,888	61,095
Other	56,863	32,843
Total	**287,930**	**217,613**

The Group applies a practical expedient and does not disclose the value of unsatisfied performance obligations for contracts that have an original expected duration of one year or less and contracts for which it recognises revenues at the amount to which it has the right to invoice for services provided.

Revenue recognised this year relating to performance obligations that were satisfied, or partially satisfied, in previous years was not material.

6. OPERATING PROFIT

	2019 £'000	2018 £'000
OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING)		
Depreciation and impairment of owned property, plant & equipment	3,969	3,266
Depreciation of assets held under finance leases	34	72
Impairment of non-current assets (tangibles and intangibles)	—	19
Amortisation of intangible assets	3,897	2,912
Net loss/(gain) on disposal of property, plant and equipment	(23)	(5)
Research and development expenditure credit	(1,278)	(1,008)
Government grants	(819)	(1,633)
Share-based compensation	12,022	1,505
Initial public offering expenses	1,055	4,537
Sarbanes-Oxley compliance readiness expenses	1,440	106
Secondary offering expenses	1,009	—
Operating lease costs:		
Land and buildings	9,941	8,444

Initial public offering expenses include professional fees incurred in the Group's initial public offering of the Company's ordinary shares. Sarbanes-Oxley compliance readiness expense include professional fees incurred in the Group's compliance with Sarbanes Oxley Act of 2002. Secondary offering expenses include professional fees incurred in the Group's secondary 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:

	2019 £'000	2018 £'000
Audit of the financial statements	741	437
Subsidiary local statutory audits	95	85
Total audit fees	**836**	**522**
Initial public offering fees	—	655
Secondary offering expense	150	—
Other SEC filings review expenses	36	—
Total audit related fees	**186**	**655**
Total auditor's remuneration	**1,022**	**1,177**

7. PARTICULARS OF EMPLOYEES

AVERAGE NUMBER OF STAFF EMPLOYED BY THE GROUP DURING THE YEAR	2019 £'000	2018 £'000
Number of operational staff	4,902	3,957
Number of administrative staff	503	373
Number of management staff	7	7
TOTAL	**5,412**	**4,337**

AGGREGATE PAYROLL COSTS OF THE ABOVE WERE:	2019 £'000	2018 £'000
Wages and salaries	163,399	122,166
Social security and pension costs	13,767	15,336
Share option charge	12,022	1,505
TOTAL	**189,188**	**139,007**

8. KEY MANAGEMENT REMUNERATION

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

	2019 £'000	2018 £'000
Remuneration paid	1,281	1,204
Company contribution to pension scheme	65	50
Share-based compensation	1,164	107
TOTAL	**2,510**	**1,361**
EMOLUMENTS OF HIGHEST PAID DIRECTOR:		
Remuneration paid	620	589
Company contribution to pension scheme	47	34
Share-based compensation	501	25
TOTAL	**1,168**	**648**

There were 2 directors who were members of a pension scheme during the year (2018: 2).

The highest paid director exercised 654,195 options in the year (2018: nil; 2017: nil) and was granted 90,000 options under a long-term incentive plan (2018: nil; 2017: nil).

9. FINANCE EXPENSE

	2019 £'000	2018 £'000
Interest charge on bank borrowings	338	561
Interest charge on leases	3	8
Foreign exchange loss	—	17
Other interest charge	4	3
Fair value movement of financial liabilities	5,954	229
TOTAL	**6,299**	**818**

10. FINANCE INCOME

	2019 £'000	2018 £'000
Interest income on bank deposits	450	26
Other interest income	36	9
Foreign exchange gain	2,943	—
TOTAL	**3,429**	**35**

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

ANALYSIS OF CHARGE / (CREDIT) IN THE YEAR

	2019 £'000	2018 £'000
UK corporation tax based on the results for the year ended 30 June 2019 at 19% (2018 :19%)	4,636	1,977
Overseas tax	5,207	4,048
Current Tax	**9,843**	**6,025**
Deferred Tax	**(3,750)**	**(350)**
Total tax	**6,093**	**5,675**

The standard rate of corporation tax in the UK fell from 20% to19% 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 26 October 2015 and 6 September 2016 respectively.

RECONCILIATION OF THE TAX RATE ON GROUP PROFITS

	2019		2018	
	£'000	%	£'000	%
Profit on ordinary activities before taxation	**30,100**		**24,650**	
Profit on ordinary activities at UK statutory rate	5,719	19.0 %	4,684	19.0 %
Differences in overseas tax rates	(922)	(3.1)%	(359)	(1.5)%
Impact of share-based compensation	288	1.0 %	150	0.6 %
Utilisation of previously unrecognised tax losses	—	0.0 %	(2)	0.0 %
Other permanent differences	632	2.1 %	1,030	4.2 %
Adjustments related to prior periods	164	0.5 %	(73)	(0.3)%
Tax on unremitted earnings/Withholding tax on dividends	212	0.7 %	185	0.8 %
Impact of rate change on deferred tax	—	0.0 %	60	0.2
Total	**6,093**	**20.2 %**	**5,675**	**23.0 %**

The other permanent differences of £632,000 as of 30 June 2019 are mainly related to certain expenses of the initial public offering that are not expected to be tax deductible in any jurisdiction.

The other permanent differences of £1,030,000 as of 30 June 2018 are 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

	2019	2018
	£'000	£'000
Deferred tax - share-based compensation	(4,077)	(1,090)
Current tax - share-based compensation	(2,159)	—
Total credit to equity and statement of comprehensive income	**(6,236)**	**(1,090)**

UNREMITTED EARNINGS

The aggregate amount of unremitted profits at 30 June 2019 was approximately £29,000,000 (2018 - £21,000,000). 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 £609,000 has been provided on these profits as of 30 June 2019 (2018 - £385,000).

12. DEFERRED TAX ASSETS AND LIABILITIES

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

DEFERRED TAX 2019	AT 1 JULY 2018	EXCHANGE ADJUSTMENTS	CREDIT / (CHARGE) TO PROFIT AND LOSS	CREDIT TO EQUITY	AT 30 JUNE 2019
	£'000	£'000	£'000	£'000	£'000
Accelerated capital allowances	(87)	—	(43)	—	(130)
Tax losses	62	—	805	—	867
Share-based compensation	1,670	—	1,107	4,077	6,854
Intangible assets	(2,089)	39	1,610	—	(440)
Other temporary differences	100	(5)	271	—	366
Total	**(344)**	**34**	**3,750**	**4,077**	**7,517**

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

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:

	2019	2018
	£'000	£'000
Deferred tax assets	9,550	2,488
Deferred tax liabilities	(2,033)	(2,832)
Net deferred tax	**7,517**	**(344)**

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.

	2019	2018
	£'000	£'000
Profit for the period attributable to equity holders of the Company	24,007	18,975

	2019	2018
Weighted average number of shares outstanding	50,116.979	45,100.165

	2019	2018
Earnings per share - basic (£)	£ 0.48	£ 0.42

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.

	2019	2018
	£'000	£'000
Profit for the period attributable to equity holders of the Company	24,007	18,975
Fair value movement of financial liabilities	—	126
Profit for the year attributable to equity holders of the Company including impact of fair value adjustment of contingent consideration	**24,007**	**19,101**

	2019	2018
Weighted average number of shares outstanding	50,116.979	45,100.165
Diluted by: options in issue and contingent shares	4,909.244	5,326.051
Weighted average number of shares outstanding (diluted)	**55,026.223**	**50,426.216**
Earnings per share - diluted (£)	£ 0.44	£ 0.38

14. GOODWILL

2019	
Cost	**£'000**
At 1 July 2018	**41,062**
Effect of foreign exchange translations	(4,302)
At 30 June 2019	**36,760**

2018	
Cost	**£'000**
At 1 July 2017	**16,198**
Acquired through business combinations	24,212
Effect of foreign exchange translations	652
At 30 June 2018	**41,062**

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

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.

Following a review of the allocation of goodwill to foreign operations, the Directors have determined that goodwill of £24,212,000 which arose on the acquisition of Velocity Partners on 29 December 2017 should have been allocated differently. This element of goodwill was previously denominated in US Dollars and has now been allocated into functional currencies of the underlying foreign operations.

The re-denomination has given rise to a total reduction in the carrying value of Goodwill of £4,649,000 that has been recognised in the year-ended 30 June 2019. Had this allocation taken place at acquisition, a £3,155,000 decrease in the carrying value would have been recognised in the year-ended 30 June 2018. As this change has no impact on either the statement of comprehensive income nor the statement of cash flows and as the net prior-period impact of £3,155,000 is not material in the context of the overall value of goodwill or net assets, it is, in the judgement of the Directors, appropriate to affect the change in allocation in the current period.

This change in the carrying value of £4,649,000 is a part of the £4,302,000 reflected in the line "effect of foreign exchange translations" in the table above. An equal and opposite entry is a part of the £5,987,000 recognised as "exchange differences on translating foreign operations" in other comprehensive income, and subsequently the foreign exchange translation reserve in equity.

This adjustment has had no impact on the conclusion of the Group's annual impairment review.

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 2019, 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 2019 and 2018 are as follows:

	2019	2018
Growth rate	20%	20%
Discount rate	14.5%	15.7%
Terminal growth rate	1.5%	1.5%

Management's impairment assessment for 2019 and 2018 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 2019 and 30 June 2018, there were no indicators of impairment that suggested that the carrying amount of the Group's goodwill is not recoverable.

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:

	£'000
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
TOTAL CONSIDERATION TRANSFERRED	**44,887**

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 was paid during 2019 and £1.5 million is payable within 18-months of the acquisition date.

The contingent consideration was settled with equity during 2019. The Group measured its contingent consideration liability 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 recognised in the statement of comprehensive income as a fair value adjustment.

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:

	FAIR VALUE £'000
Intangible asset - client relationship	15,214
Property, plant and equipment	932
Trade and other receivables	6,045
Cash and cash equivalents	2,341
Trade and other payables	(3,791)
Corporation tax payable	(39)
Deferred tax liability	(27)
TOTAL NET ASSETS ACQUIRED	**20,675**

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

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)
GOODWILL	**24,212**

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

REVENUE AND PROFIT OF VELOCITY PARTNERS FOR THE REPORTING PERIOD ENDED 30 JUNE 2018 (HAD THE ACQUISITION OCCURRED AT THE BEGINNING OF THE REPORTING PERIOD)

	£'000
Revenue	30,383
Profit	4,327

ACQUISITION RELATED COSTS

	£'000
Legal and professional fees	1,233

INTANGIBLE ASSETS

GROUP 2019	CLIENT RELATIONSHIP	SOFTWARE AND LICENCES	NON-COMPETE AGREEMENT	TOTAL
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2018	**33,562**	**3,658**	**134**	**37,354**
Additions	—	1,315	—	**1,315**
Disposals	—	(86)	—	**(86)**
Effect of foreign exchange translations	878	(2)	5	**881**
At 30 June 2019	**34,440**	**4,885**	**139**	**39,464**
Amortisation				
At 1 July 2018	**5,786**	**662**	**119**	**6,567**
Charge for the year	3,455	427	15	**3,897**
Disposals	—	(86)	—	**(86)**
Effect of foreign exchange translations	173	(2)	5	**176**
At 30 June 2019	**9,414**	**1,001**	**139**	**10,554**
Net book value				
At 30 June 2019	**25,026**	**3,884**	—	**28,910**

GROUP 2018	CLIENT RELATIONSHIP	SOFTWARE AND LICENCES	NON-COMPETE AGREEMEN	TOTAL
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2017	**17,603**	**1,819**	**137**	**19,559**
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**
At 30 June 2018	**33,562**	**3,658**	**134**	**37,354**
Amortisation				
At 1 July 2017	**3,058**	**397**	**75**	**3,530**
Charge for the year	2,611	257	44	**2,912**
Impairment	—	19	—	**19**
Disposals	—	(13)	—	**(13)**
Effect of foreign exchange translations	117	2	—	**119**
At 30 June 2018	**5,786**	**662**	**119**	**6,567**
Net book value				
At 30 June 2018	**27,776**	**2,996**	**15**	**30,787**

17. PROPERTY, PLANT AND EQUIPMENT

GROUP 2019	COMPUTERS & EQUIPMENT	FIXTURES& FITTINGS	MOTOR VEHICLES	FIXED ASSETS IN PROGRESS	TOTAL
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2018	**12,355**	**8,171**	**20**	**164**	**20,710**
Additions	2,856	2,055	—	1,157	**6,068**
Inflation adjustment	145	—	—	—	**145**
Disposals	(494)	(106)	(11)	—	**(611)**
Transfers	—	164	—	(164)	—
Effect of foreign exchange translations	(183)	(126)	—	—	**(309)**
At 30 June 2019	**14,679**	**10,158**	**9**	**1,157**	**26,003**
Depreciation					
At 1 July 2018	**8,477**	**3,629**	**20**	—	**12,126**
Charge for the year	2,460	1,543	—	—	**4,003**
Disposals	(477)	(89)	(11)	—	**(577)**
Effect of foreign exchange translations	(73)	(55)	—	—	**(128)**
At 30 June 2019	**10,387**	**5,028**	**9**	—	**15,424**
Net book value					
At 30 June 2019	**4,292**	**5,130**	—	**1,157**	**10,579**

GROUP 2018	COMPUTERS & EQUIPMENT £'000	FIXTURES & FITTINGS £'000	MOTOR VEHICLES £'000	FIXED ASSETS IN PROGRESS £'000	TOTAL £'000
Cost					
At 1 July 2017	**10,698**	**6,901**	**21**	**—**	**17,620**
Additions	2,111	1,381	—	164	**3,656**
Acquisition of subsidiary / business	417	492	—	—	**909**
Disposals	(798)	(555)	—	—	**(1,353)**
Effect of foreign exchange translations	(73)	(48)	(1)	—	**(122)**
At 30 June 2018	**12,355**	**8,171**	**20**	**164**	**20,710**
Depreciation					
At 1 July 2017	**7,151**	**2,963**	**20**	**—**	**10,134**
Charge for the year	2,095	1,243	—	—	**3,338**
Disposals	(734)	(545)	—	—	**(1,279)**
Effect of foreign exchange translations	(35)	(32)	—	—	**(67)**
At 30 June 2018	**8,477**	**3,629**	**20**	**—**	**12,126**
Net book value					
At 30 June 2018	**3,878**	**4,542**	**—**	**164**	**8,584**

18. SIGNIFICANT SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS

Significant shareholdings

At 30 June 2019, 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	North 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
Endava LLC***	US	Ordinary	100%	Provision of IT Services
Endava Holdings Inc	US	Ordinary	100%	Provision of IT Services
Endava Nearshore Ventures LLC	US	Ordinary	100%	Provision of IT Services
Endava Vnz S.C.A.	Venezuela	Ordinary	100%	Provision of IT Services
Endava Argentina SRL	Argentina	Ordinary	100%	Provision of IT Services
Endava Colombia S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Endava 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 2019, the executive officers and directors owned 13,452,077 £0.02 ordinary shares (2018: 14,952,285 £0.02 ordinary shares) and held awards over a further 389,607 £0.02 ordinary shares (2018: 1,206,220 £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

	2019 £'000	2018 £'000
Trade receivables	47,928	26,005
Prepayments	5,734	4,259
Accrued income	7,019	17,147
Research and development tax credit	2,088	2,088
Grant receivable	—	816
Other receivables	3,148	2,053
Total trade and other receivables	**65,917**	**52,368**

Trade receivables are non-interest-bearing and are generally on 30 to 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.

Trade receivables and accrued income represent client contract assets. Insignificant impairment losses were recognised on contract assets during the year. Other than business-as-usual movements there were no significant changes in contract assets during the year.

	2019 £'000	2018 £'000
Trade receivables - gross	48,365	26,431
Loss allowance	(437)	(426)
Trade receivables - net	**47,928**	**26,005**

20. TRADE AND OTHER PAYABLES

	2019	2018
	£'000	£'000
Trade payables	4,220	4,504
Other taxation and social security	5,634	3,219
Other liabilities	2,985	1,177
Accruals	33,326	28,932
Deferred income	2,337	2,411
Total trade and other payables	**48,502**	**40,243**

Deferred income represents client contract liabilities at year end where cash was received from clients but Endava is yet to perform the work. £2.4 million of the deferred income recognised at 1 July 2018 was recognised as revenue during the year. Other than business-as-usual movements there were no significant changes in deferred income balance during the year.

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:

FINANCIAL ASSETS	2019	2018
	£'000	£'000
Trade and other receivables	65,917	52,368
Total financial assets	**65,917**	**52,368**

FINANCIAL LIABILITIES

	2019 £'000	2018 £'000
Non-current borrowings	—	20
Current borrowings	21	19,744
Trade and other payables	48,502	40,243
Contingent consideration	1,244	12,510
Deferred consideration	1,516	4,401
Other liabilities	113	277
Total financial liabilities	**51,396**	**77,195**

FAIR VALUE MOVEMENT OF CONTINGENT CONSIDERATION

	2019 £'000
FAIR VALUE AT 1 JULY 2018	**11,314**
Movement in fair value recognised in finance cost	5,805
Settlement through issuance of shares	(17,054)
Foreign exchange recognised in other comprehensive income	(65)
FAIR VALUE AT 30 JUNE 2019	**—**

	2018 £'000
FAIR VALUE AT 1 JULY 2017	—
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
FAIR VALUE AT 30 JUNE 2018	**11,314**

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) Fair value of ordinary shares (30 June 2018 - $12.79) Discount rate (30 June 2018 - 3%)	The estimated fair value would increase (decrease) if: the expected cash flows were higher (lower); or the fair value of ordinary shares was higher (lower); or the risk-adjusted discount rate were lower (higher)

22. LOANS AND BORROWINGS

Terms and conditions of outstanding loans as of 30 June 2019 and 2018 are as follows:

TYPE	NOMINAL INTEREST P.A.	YEAR OF MATURITY	AMOUNT 2019 £'000	AMOUNT 2018 £'000
Revolving credit facility	LIBOR/ EURIBOR + variable margin (0.80% -1,40%)	2020	—	19,700
Finance lease liabilities	3.5% -10%	2015-2020	21	64
TOTAL LOANS AND BORROWINGS			**21**	**19,764**

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 finance lease is unsecured.

Short term / Long term loans balances are presented below:

	2019 £'000			2018 £'000		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Revolving credit facility	—	—	—	19,700	—	**19,700**
Finance lease liabilities	21	—	**21**	44	20	**64**
Total	**21**	**—**	**21**	**19,744**	**20**	**19,764**

The Group has a secured bank revolving credit facility with a carrying amount of £nil at 30 June 2019 (2018: £19,700,000). Commitment fees are charged on the undrawn balance of the facility.

The facility contains interest cover and net leverage financial convenants. The covenants are tested on a quarterly basis based on trailing twelve months results. At 30 June 2019 and 30 June 2018, the Group complied with these financial covenants.

Guarantees

The Group has provided the following guarantees at 30 June 2019:

Parent Company Guarantees

The parent company provided guarantees relating to certain leases entered into by Endava Romania SRL. A corporate guarantee with the government of the Republic of North Macedonia was also provided guaranteeing the fulfillment of the obligations of Endava DOOEL Skopje under the contract for granting state aid. In addition, the parent company provided unlimited multilateral guarantee under the revolving credit facility.

No claims are expected to arise from the above guarantees.

Subsidiaries

Endava Romania SRL provided a bank guarantees of €9,000,000 in favour of Romanian Ministry of Finance under the contract for granting state aid.

Endava Inc. provided a letter of credit of $2,000,000 in favour of Velocity Partners Legacy Inc. relating to the outstanding deferred consideration as at 30 June 2019.

Additionally, Endava Romania SRL, Endava DOOEL Skopje, Endava d.o.o. Beograd, Endava Inc, Endava B.V and Endava EOOD Bulgaria provided bank guarantees in relation to their leases of office space.

No claims are expected to arise from above guarantees.

23. COMMITMENTS UNDER FINANCE LEASES

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

	2019 £'000	2018 £'000
Amounts payable within 1 year	21	44
Amounts payable 1 to 3 years	—	20
Amounts payable 3 to 5 years	—	—
Amounts payable in more than 5 years	—	—
Total	**21**	**64**

24. COMMITMENTS UNDER OPERATING LEASES

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

Office Buildings	2019 £'000	2018 £'000
Amounts payable within 1 year	10,907	10,384
Amounts payable 1 to 3 years	19,868	19,011
Amounts payable 3 to 5 years	12,406	12,800
Amounts payable in more than 5 years	15,292	6,469
Total	**58,473**	**48,664**

25. SHARE CAPITAL

AUTHORIZED SHARE CAPITAL	2019 £'000	2018 £'000
60,000,000 Ordinary shares of £0.02 each	1,200	1,200

ALLOTED, CALLED UP AND FULLY PAID:	2019 No.	£'000	2018 No.	£'000
Class A ordinary shares	18,599,985	372	4,703,980	94
Class B ordinary shares	23,696,345	474	28,822,625	576
Class C ordinary shares	12,128,997	243	16,277,540	326
ORDINARY SHARES OF £0.02 EACH	**54,425,327**	**1,089**	**49,804,145**	**996**

The Company issued 4,621,182 new shares for the year ended 30 June 2019 (30 June 2018: nil) in relation to the IPO, settlement of contingent consideration and exercise of options.

Voting rights, dividends and return of capital

Our Class B ordinary shares have ten votes per share, and our Class A ordinary shares, which are the shares underlying the ADSs, and Class C ordinary shares each have one vote per share. Any dividend declared by the Company shall be paid on Class A ordinary shares, the class B ordinary shares and the class C ordinary shares pari passu as if they were all shares of the same class.

In the event of the liquidation, dissolution or winding up of the Company, the assets of the Company available for distribution to members shall be distributed amongst all holders of Class A ordinary shares, Class B ordinary shares and any Class C ordinary shares in proportion to the number of shares held irrespective of the amount paid or credited as paid on any share.

Restrictions

Class B ordinary shares

During the period of one hundred and eighty (180) days commencing on the IPO, no transfers of Class B ordinary shares were permitted other than to a person who is a permitted Class B ordinary transferee or pursuant to the IPO (which for the avoidance of doubt includes sales pursuant to any secondary offering or exercise of any over-allotment option in connection with the IPO).

No transfers of Class B ordinary shares shall be permitted (other than to a person who is a permitted Class B ordinary transferee):

(a) in excess of 25% of the Class B ordinary shareholders holding of Class B ordinary shares (determined as at the IPO) in the period commencing 180 days after the IPO and ending on the date falling 18 months after the IPO;

(b) in excess of 40% of the Class B ordinary shareholders holding of Class B ordinary shares (determined as at the IPO) in the period commencing 180 days after the IPO and ending on the date falling on the third anniversary of the IPO; and

(c) in excess of 60% of the Class B ordinary shareholders holding of Class B ordinary shares (determined as at the IPO) in the period commencing 180 days after the IPO and ending on the fifth anniversary of the IPO.

A Class B ordinary shareholder may, at any time after the fifth (5th) anniversary of the IPO, elect at any time to convert any of its Class B ordinary shares into Class A ordinary shares on a one-for-one basis by notice in writing to the Directors.

Class C ordinary shares

During the period of one hundred and eighty (180) days commencing on the IPO, no transfers of Class C ordinary shares were be permitted.

The Company and the managing underwriter acting in connection with the IPO executed prior to the IPO, no transfers of Class C ordinary shares shall be permitted (other than in accordance with Article 35.2) in excess of 25% of the Class C ordinary shareholders holding of Class C ordinary shares (determined as at the IPO) in the period commencing 180 days after the IPO and ending on the date falling 18 months after the IPO.

26. DISTRIBUTIONS MADE

During the year ended, the Company did not declare and pay any cash dividends (2018: £nil).

27. SHARE-BASED PAYMENTS

Description of share-based payment arrangements

The Group had the following share-based payment arrangements.

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.

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 recognised stock exchange, when the participant gives a specific notice to the EBT trustee and the Company in respect of the JSOP 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 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. 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 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.

The Trigger event - the listing on the New York Stock Exchange - happened on 27 July 2018. At 30 June 2019, the EBT held 1,906,462 shares (30 June 2018: 4,703,980), out of which 715,548 (30 June 2018: 3,440,645) are allocated to employee JSOPs. For the year ended 30 June 2019, 2,724,917 awards under the JSOP were exercised (2018: nil) settled by shares of the EBT and 72,601 options under LTIP were exercised (2018:nil) and settled by shares of the EBT.

The JSOPs expire 25 years following the applicable date of issue.

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 recognised 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.

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 are set forth in award agreements, which detail the terms and conditions of awards, including any applicable vesting and payment terms, change of control provisions and post-termination exercise limitations.

The EIP is administered by the board, which may delegate its duties and responsibilities to one or more committees of our directors and/or officers (referred to as the plan administrator below), subject to certain limitations imposed under the EIP, and other applicable laws and stock exchange rules. The plan administrator has the authority to take all actions and make all determinations under the EIP, to interpret the EIP and award agreements and to adopt, amend and repeal rules for the administration of the EIP as it deems advisable. The plan administrator also has the authority to determine which eligible service providers receive awards, grant awards, set the terms and conditions of all awards under the EIP, including any vesting and vesting acceleration provisions, subject to the conditions and limitations in the EIP.

The plan administrator may select performance criteria for an award to establish performance goals for a performance period. In connection with certain corporate transactions and events affecting our ordinary shares, including a change of control, another similar corporate transaction or event, another unusual or nonrecurring transaction or event affecting us or our financial statements or a change in any applicable laws or accounting principles, the plan administrator has broad discretion to take action under the EIP to prevent the dilution or enlargement of intended benefits, facilitate the transaction or event or give effect to the change in applicable laws or accounting principles. In the event of a change of control where the successor or acquirer entity does not agree to assume, continue or rollover the awards, the awards will vest in full effective immediately prior to the change of control.

During the year, Endava granted RSUs and PSUs only. RSUs and PSUs are contractual promises to deliver our Class A ordinary shares in the future, which may also remain forfeitable unless and until specified conditions are met. The plan administrator may provide that the delivery of the shares underlying RSUs will be deferred on a mandatory basis or at the election of the participant. The terms and conditions applicable to restricted shares, RSUs and PSUs will be determined by the plan administrator, subject to the conditions and limitations contained in the EIP.

2018 Sharesave 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 Provisions) Act 2003. The Sharesave was 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).

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.

Bonus Equity Payments

The acquisition of Velocity Partners in December 2017 also included bonus equity payments ("bonus payments") that are payable in future periods based on the continued service of certain employees of Velocity Partners. The bonus payments were accounted for outside of the business combination because the entitlement to bonus payments is automatically forfeited if employment terminates. They were fair valued as compensation for post business combination services under IFRS 2 and the compensation expense is recognised over a three-year vesting period.

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. All 10,000 options were exercised in the reporting period.

27.2. Movements during the year

The number and the weighted-average exercise prices of the share options under the above arrangements were as follows:

	CSOP	JSOP	LTIP	EIP	SAYE	Bonus Payments	Other
Options outstanding at 1 July 2018	**125,545**	**3,440,465**	**1,277,700**	—	—	**360,345**	**10,000**
Options granted during the year	—	—	—	875,044	594,028	—	—
Options exercised during the year	94,040	2,724,917	72,601	46,000	—	117,110	10,000
Options forfeited during the year	—	—	76,400	44,200	33,859	—	—
Options outstanding at 30 June 2019	**31,505**	**715,548**	**1,128,699**	**784,844**	**560,169**	**243,235**	—
Options outstanding at 1 July 2017	**125,545**	**3,440,465**	**983,500**	—	—	—	—
Options granted during the year	—	—	329,700	—	—	360,345	10,000
Options exercised during the year	—	—	—	—	—	—	—
Options forfeited during the year	—	—	35,500	—	—	—	—
Options outstanding at 30 June 2018	**125,545**	**3,440,465**	**1,277,700**	—	—	**360,345**	**10,000**
Weighted average exercise price 30 June 2019 - £	0.59	—	—	—	19.59	—	—
Weighted average exercise price 30 June 2018 - £	0.82	—	—	—	—	—	4.58
Weighted average contractual life 2019 - years	5	17	6	3	2	2	—
Weighted average contractual life 2018 - years	6	19	7	—	—	3	1

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

	2019	2018
Exercise price	£0.00 - £19.59	£0.02 - £4.58
Risk free rate	1.0%-2.91%	0.30%-0.37%
Expected volatility	30.0%-36.0%	29.9%-36.9%
Expected dividends	—	—
Fair value of option	£4.52-£29.54	£0.63-£7.14

For the year ended 30 June 2019, the Group recognised £12,022,000 (2018: £1,505,000) of share-based payment charge in respect of the above share option schemes.

28. MOVEMENTS IN EQUITY

Share capital and share premium

On 27 July 2018, the Group closed the initial public offering of 7,291,000 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. As a result, the share capital and share premium increased by £65,000 and £45,936,000, respectively.

For the year ended 30 June 2019, the Velocity Partners contingent consideration was settled through the issuance of 1,125,037 ordinary shares which resulted in the increase of share capital and share premium by £23,000 and £17,143,000, respectively.

New ordinary shares were also issued from the exercise of options which resulted in an increase in share capital and share premium of £5,000 and £128,000, respectively.

Share premium of £48,614,000 was canceled during the year and credited to the Group's distributable reserves.

Investment in own shares

2,724,917 JSOPs and 72,601 LTIPs were exercised and settled by shares owned by the EBT. This resulted in a decrease in investment in own shares of £428,000.

29. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

ADJUSTMENTS	2019 £'000	2018 £'000
Depreciation, amortisation and impairment of non-financial assets	7,900	6,269
Foreign exchange (gain) / loss	(2,224)	354
Interest income	(476)	(35)
Fair value movement of financial liabilities	5,954	229
Interest expense	343	573
(Gain) / loss on disposal of non-current assets	(23)	(5)
Share-based compensation expense	12,022	1,505
Hyperinflation effect gain	(9)	—
Research and development tax credit	(1,278)	(1,008)
Grant income	(819)	(1,633)
Total adjustments	**21,390**	**6,249**

NET CHANGES IN WORKING CAPITAL	2019 £'000	2018 £'000
Increase in trade and other receivables	(16,343)	(6,384)
Increase in trade and other payables	4,827	13,223
Net changes in working capital	**(11,516)**	**6,839**

NON-CASH CHANGES ARISING FROM FINANCING ACTIVITIES

BORROWINGS	BEGINNING OF THE YEAR	PROCEEDS FROM BORROWINGS	REPAYMENT OF BORROWINGS	NON-CASH FOREIGN EXCHANGE	NON CASH OTHER	END OF THE YEAR
	£'000	£'000	£'000	£'000	£'000	£'000
2017	15,443	17,007	(3,462)	276	201	29,465
2018	29,465	26,462	(36,768)	605	—	19,764
2019	19,764	3,500	(23,547)	304	—	21

GRANT RECEIVED	BEGINNING OF THE YEAR	CASH RECEIVED	GRANT INCOME	NON-CASH FOREIGN EXCHANGE	NON CASH OTHER	END OF THE YEAR
	£'000	£'000	£'000	£'000	£'000	£'000
2017	(532)	2,924	(1,691)	(37)	—	664
2018	664	148	(1,633)	5	—	(816)
2019	(816)	1,786	(819)	(24)	—	127

The grant receivable in 2018 was presented in trade and other receivables and the grant payables in 2017 and 2019 were presented in trade and other payables. Interest paid, dividends paid and purchase of own shares were all cash items.

30. CAPITAL COMMITMENTS

Amounts contracted but not provided in the financial statements amounted to £nil in the year ended 30 June 2019 (2018 - £nil).

31. CONTINGENT LIABILITIES

The Group and Company had no contingent liabilities at 30 June 2019 or 30 June 2018.

32. 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.

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:

30 JUNE 2019	GBP £'000	EUR £'000	USD £'000	RON £'000	OTHERS £'000	TOTAL £'000
Financial assets	93,315	10,183	19,572	6,425	6,594	**136,089**
Financial liabilities	(19,984)	(2,593)	(8,924)	(14,329)	(5,566)	**(51,396)**
TOTAL	**73,331**	**7,590**	**10,648**	**(7,904)**	**1,028**	**84,693**

30 JUNE 2018	GBP £'000	EUR £'000	USD £'000	RON £'000	OTHERS £'000	TOTAL £'000
Financial assets	37,866	5,485	10,485	8,605	4,975	**67,416**
Financial liabilities	(37,685)	(2,448)	(21,657)	(11,926)	(3,479)	**(77,195)**
TOTAL	**181**	**3,037**	**(11,172)**	**(3,321)**	**1,496**	**(9,779)**

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' 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 2019, the Sterling/RON volatility ranged from the RON strengthening against Sterling by 5% to weakening by 4%.

	GBP/RON:	Profit impact £'000	Equity impact £'000
30 JUNE 2019	5 %	(564)	(504)
30 JUNE 2019	(4)%	470	421

During the year ended 30 June 2018, the Sterling/RON volatility ranged from the RON strengthening against Sterling by 3% to weakening by 4%.

	GBP/RON:	Profit impact £'000	Equity impact £'000
30 JUNE 2018	3 %	(330)	(283)
30 JUNE 2018	(5)%	521	447

INTEREST RATE SENSITIVITY

At 30 June 2019, 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:

	2019 £'000	2018 £'000
Cash and cash equivalents	70,172	15,048
Trade and other receivables	65,917	52,368
TOTAL	**136,089**	**67,416**

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:

	2019 £'000	2018 £'000
Not more than 3 months	2,595	830
More than 3 months but not more than 6 months	357	586
More than 6 months but not more than 1 year	—	—
More than 1 year	—	—
Total	**2,952**	**1,416**

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.

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 2019, the Group's non-derivative financial liabilities had contractual maturities (including interest payments where applicable) as summarised below:

30 JUNE 2019	CURRENT 0 – 6 MONTHS	CURRENT 6 - 12 MONTHS	NON-CURRENT 1 – 5 years	NON-CURRENT +5 years
	£'000	£'000	£'000	£'000
Bank loans	—	—	—	—
Finance lease obligations	14	7	—	—
Trade and other payables	48,502	—	—	—
Deferred consideration	1,516	—	—	—
Contingent consideration	—	1,244	—	—
Other liabilities	—	—	113	—
TOTAL	**50,032**	**1,251**	**113**	**—**

There were no forward foreign currency options in place at 30 June 2019.

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

30 JUNE 2018	CURRENT 0 – 6 MONTHS £'000	CURRENT 6 - 12 MONTHS £'000	NON-CURRENT 1 – 5 years £'000	NON-CURRENT +5 years £'000
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	—
TOTAL	**67,007**	**2,732**	**8,264**	**—**

33. 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.

	2019 £'000	2018 £'000
Equity	166,329	69,499
Loans and borrowings	21	19,764
Less: Cash and cash equivalents	(70,172)	(15,048)
TOTAL CAPITAL	**96,178**	**74,215**

34. SUBSEQUENT EVENTS

On 31 August 2019 Endava completed the sale of Endava Technology SRL, also referred to as "the Captive" to Worldpay. The Captive is located in Bucharest, Romania and its 146 current employees were transferred to Worldpay. The aggregate purchase price for the Captive was within the previously agreed range as disclosed in Endava's filings with the Securities Exchange Commission.

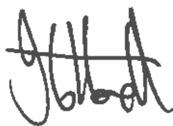
COMPANY BALANCE SHEET

As at 30 June

	NOTE	2019 £'000	2018 £'000
ASSETS – NON CURRENT			
Investments	3	58,367	49,989
Deferred tax assets	4	28	23
Other assets	13	33,244	25,918
TOTAL		**91,639**	**75,930**
ASSETS - CURRENT			
Trade and other receivables	5	31,652	10,552
Corporation tax receivable	12	988	1,384
Cash and cash equivalents		28,461	380
TOTAL		**61,101**	**12,316**
TOTAL ASSETS		**152,740**	**88,246**
LIABILITIES – CURRENT			
Borrowings	9	—	19,700
Trade and other payables	6	28,399	22,493
TOTAL		**28,399**	**42,193**
EQUITY			
Share capital	8	1,089	996
Share premium		17,271	2,678
Merger relief reserve		4,430	4,430
Retained Earnings		101,390	37,788
Other reserves		161	161
TOTAL EQUITY		**124,341**	**46,053**
TOTAL LIABILITIES AND EQUITY		**152,740**	**88,246**

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

These financial statements were approved by the Board and authorised for issue on 30 September 2019 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	SHARE PREMIUM	MERGER RELIEF RESERVE	RETAINED EARNINGS	CAPITAL REDEMPTION RESERVE	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
BALANCE AT 30 JUNE 2017	**996**	**2,678**	**4,430**	**3,921**	**161**	**12,186**
Equity-settled share-based payment transactions	—	—	—	1,123	—	1,123
TRANSACTION WITH OWNERS	**—**	**—**	**—**	**1,123**	**—**	**1,123**
Profit for the year	—	—	—	32,744	—	32,744
Total comprehensive income for the year	**—**	**—**	**—**	**32,744**	**—**	**32,744**
BALANCE AT 30 JUNE 2018	**996**	**2,678**	**4,430**	**37,788**	**161**	**46,053**
Equity-settled share-based payment transactions	—	—	—	8,378	—	8,378
Cancellation of share premium	—	(48,614)	—	48,614	—	—
Issuance of new shares	65	45,936	—	—	—	46,001
Issue of shares related to acquisition	23	17,143	—	—	—	17,166
Exercise of options	5	128	—	(428)	—	(295)
TRANSACTION WITH OWNERS	**93**	**14,593**	**—**	**56,564**	**—**	**71,250**
Profit for the year	—	—	—	7,038	—	7,038
Total comprehensive income for the year	—	—	—	7,038	—	7,038
BALANCE AT 30 JUNE 2019	**1,089**	**17,271**	**4,430**	**101,390**	**161**	**124,341**

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

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June

	2019 £'000	2018 £'000
Operating activities		
Profit before tax	**6,815**	**32,032**
Adjustments (note 11)	(15,450)	(38,102)
Tax (paid)/ received	732	(23)
Net changes in working capital (note 11)	3,651	14,484
Net cash used in / (from) operating activities	**(4,252)**	**8,391**
Investing activities		
Dividends received	11,598	38,136
Investments in subsidiaries	—	(12,686)
Interest received	391	—
Loans to group companies	(7,326)	(25,904)
Net cash from / (used in) investing activities	**4,663**	**(454)**
Financing activities		
Proceeds from borrowings	3,500	29,462
Repayment of borrowings	(23,504)	(36,654)
Interest paid	(330)	(535)
Net proceeds from initial public offering	44,828	—
Proceeds from exercise of options	133	—
Net cash from / (used in) investing activities	**24,627**	**(7,727)**
Net change in cash and cash equivalents	**25,038**	**210**
Cash and cash equivalents at the beginning of the year	**380**	**153**
Net foreign exchange differences	**3,043**	**17**
Cash and cash equivalents at the end of the year	**28,461**	**380**

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 2019.

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 plc reported a profit for the year ended 30 June 2019 of £7.0 million (2018: 32.7 million).

3. INVESTMENTS

COST AND NET BOOK VALUE	£'000
At 1 July 2018	**49,989**
Additions	8,378
Disposals	—
AT 30 JUNE 2019	**58,367**

Additions during the year of £8,378,000 represents share-based compensation for equity awards granted to participants employed by its subsidiaries.

At 30 June 2019, 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	North 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
Endava LLC***	US	Ordinary	100%	Provision of IT Services
Endava Holdings Inc	US	Ordinary	100%	Provision of IT Services
Endava Nearshore Ventures LLC	US	Ordinary	100%	Provision of IT Services
Endava Vnz S.C.A.	Venezuela	Ordinary	100%	Provision of IT Services
Endava Argentina SRL	Argentina	Ordinary	100%	Provision of IT Services
Endava Colombia S.A.S.	Colombia	Ordinary	100%	Provision of IT Services
Endava 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

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

DEFERRED TAX ASSET 2019	AT 1 JULY 2018	CREDIT / (CHARGE) TO PROFIT AND LOSS	AT 30 JUNE 2019
	£'000	£'000	£'000
Accelerated capital allowances	3	(1)	2
Other temporary differences	20	6	26
TOTAL	**23**	**5**	**28**

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

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

	2019	2018
	£'000	£'000
Amounts owed by group undertakings	31,200	10,061
Prepayments	452	330
Other debtors	—	161
TOTAL TRADE AND OTHER RECEIVABLES	**31,652**	**10,552**

6. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	122	143
Amounts owed to group undertakings	21,993	15,504
Other taxation and social security	3,859	3,122
Other liabilities	459	—
Accruals	1,966	3,724
TOTAL TRADE AND OTHER PAYABLES	**28,399**	**22,493**

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.

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	2019 £'000	2018 £'000
Trade and other receivables	31,652	10,552
Cash and cash equivalents	28,461	380
TOTAL FINANCIAL ASSETS	**60,113**	**10,932**

FINANCIAL LIABILITIES	2019 £'000	2018 £'000
Current borrowings	—	19,700
Trade and other payables	28,399	22,493
TOTAL FINANCIAL LIABILITIES	**28,399**	**42,193**

8. SHARE CAPITAL

AUTHORIZED SHARE CAPITAL:	2019 £'000	2018 £'000
60,000,000 Ordinary shares of £0.02 each	1,200	1,200

ALLOCATED, CALLED UP AND FULLY PAID:	2019 No.	£'000	2018 No.	£'000
Class A ordinary shares	18,599,985	372	4,703,980	94
Class B ordinary shares	23,696,345	474	28,822,625	576
Class C ordinary shares	12,128,997	243	16,277,540	326
TOTAL	**54,425,327**	**1,089**	**49,804,145**	**996**

The Company issued 4,621,182 new shares for the year ended 30 June 2019 (30 June 2018: nil) in relation to the IPO, settlement of contingent consideration and exercise of options.

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	2019 £'000	2018 £'000
Revolving credit facility	LIBOR/ EURIBOR + variable margin (0.80% - 1.40%)	2020	—	19,700

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.

10. RELATED PARTY TRANSACTIONS

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

2019 ENDAVA PLC	SALES TO GROUP COMPANIES	PURCHASES FROM GROUP COMPANIES
	£'000	£'000
Endava (UK) Ltd	15,519	10,483
ICS Endava SRL	231	2,565
Endava Romania SRL	1,221	6,369
Endava (Ireland) Limited	1	—
Endava GmbH	14	—
Endava DOOEL Skopje	67	1,318
Endava Inc	39	—
Endava d.o.o. Beograd	1,200	215
Endava B.V.	11	190
Endava S.A.S.	49	—
Endava ApS	2	—
Endava EOOD	58	—
Endava Technology SRL	38	182
Endava LLC	187	—
TOTAL	**18,637**	**21,322**

2018 ENDAVA PLC	SALES TO GROUP COMPANIES	PURCHASES FROM GROUP COMPANIES
	£'000	£'000
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	—
TOTAL	**9,483**	**10,353**

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

2019 Endava PLC	INTEREST RECEIVED FROM GROUP	INTEREST PAID TO GROUP COMPANIES
	£'000	£'000
Endava Inc	1,082	—
Endava Romania SRL	38	—
Endava LLC	—	115
TOTAL	**1,120**	**115**

2018 Endava PLC	INTEREST RECEIVED FROM GROUP	INTEREST PAID TO GROUP COMPANIES
	£'000	£'000
Endava Inc	378	—
Endava B.V.	—	25
Endava LLC	—	10
TOTAL	**378**	**35**

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

2019 ENDAVA PLC	DIVIDENDS RECEIVED FROM GROUP	DIVIDENDS RECEIVED FROM GROUP
	£'000	£'000
Endava Romania SRL	9,626	—
Endava d.o.o. Beograd	2,076	—
TOTAL	**11,702**	**—**

2018 ENDAVA PLC	DIVIDENS RECEIVED FROM GROUP	DIVIDENS PAID TO GROUP COMPANIES
	£'000	£'000
Endava (UK) Limited	12,800	—
Endava Romania SRL	20,598	—
Endava Holding B.V.	4,738	—
TOTAL	**38,136**	**—**

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

2019 ENDAVA PLC	RECEIVABLES FROM GROUP COMPANIES £'000	PAYABLES TO GROUP COMPANIES £'000
Endava (UK) Ltd	2,217	9,130
Endava (Managed Services) Ltd	5,563	—
ICS Endava SRL	491	940
Endava Romania SRL	2,149	4,733
Endava Technology SRL	82	183
Endava (US) LLC	—	7
Endava (Ireland) Limited	1	—
Endava GmbH	37	—
Endava DOOEL Skopje	144	229
Endava Inc.	18,330	—
Endava d.o.o. Beograd	1,298	62
Endava Limited Guernsey Employee Benefit Trust	412	676
Endava B.V.	9	59
Endava Holding B.V.	—	898
Endava EOOD	172	—
Endava ApS	3	—
Endava S.A.S.	106	—
Endava LLC	185	5,077
TOTAL	**31,199**	**21,994**

2018 ENDAVA PLC	RECEIVABLES FROM GROUP COMPANIES £'000	PAYABLES TO GROUP COMPANIES £'000
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	—
Endava LLC	—	3,230
TOTAL	**10,061**	**15,504**

11. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

ADJUSTMENTS	2019 £'000	2018 £'000
Interest expense	445	535
Interest income	(1,510)	—
Dividend income	(11,702)	(38,136)
Foreign exchange gain	(2,683)	(501)
TOTAL ADJUSTMENTS	**(15,450)**	**(38,102)**

NET CHANGES IN WORKING CAPITAL	2019 £'000	2018 £'000
Decrease / (Increase) in trade and other receivables	(1,515)	14,253
Increase in trade and other payables	5,166	231
TOTAL CHANGES IN WORKING CAPITAL	**3,651**	**14,484**

NON-CASH CHANGES ARISING FROM FINANCING ACTIVITIES

BORROWINGS	BEGINNING OF THE YEAR	PROCEEDS FROM BORROWINGS	REPAYMENT OF BORROWINGS	NON-CASH FOREIGN EXCHANGE	NON CASH OTHER	END OF THE YEAR
	£'000	£'000	£'000	£'000	£'000	£'000
2018	26,288	29,462	(36,654)	604	—	19,700
2019	19,700	3,500	(23,504)	304	—	—

12. CORPORATION TAX RECEIVABLE

The corporation tax receivable of £988,000 (2018: £1,384,000) relates to payments due from other UK companies in the group for losses surrendered for group relief.

13. OTHER ASSETS

Other assets primarily relates to interest bearing intercompany loan of £33,244,000 (2018: £25,918,000) 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%).