Endava (Managed Services) Limited

Financial Statements for the year ended 30 June 2015

Company registration number 03376509

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Officers and professional advisers

Company registration number	03376509
Registered office	125 Old Broad Street LONDON EC2N 1AR
Directors	J E Cotterell N C E Lonsdale
Secretary	G F Lee
Auditor	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square LONDON NW1 2EP

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Strategic Report

The directors present their Strategic Report for the year ended 30th June 2015.

Business Review

Financial summmary

Our review of the business performance is that we have closed 2014/15 with a satisfactory set of financial results:

- Revenue closed at £20.232m, an increase of 33% on prior year;
- Operating profit was £1.910m, a drop of 8%, representing 9.4% of revenue;
- Profit after Tax was £1.788m, an increase of 3%, representing 8.8% of revenue ;
- Cash balances closed at £0.412m, a drop of £1.295m on prior year, and
- Shareholders' equity closed at £5.110m, an increase of £1.788m on prior year.

Operational review

During the year we have continued to focus on a customer base of good quality multi-year contracts.

The profitability in the year was impacted by the transition phase of a major contract won last year. Transition phases tend to be lower margin than the managed service part of a multi-year contract, where the supplier is able to drive change and cost management whilst meeting service levels.

Our service delivery is mainly performed by teams located in Central and Eastern Europe where the business continues to thrive in these locations. Local IT markets provide very talented individuals who enjoy working with international clients and building careers with Endava.

The business continues to employ a number of UK based senior team members, experienced in managing complex service delivery and change programs. We saw an increase to UK headcount following the major contract outsource, which saw a number of new employees join from our client.

The combination of service leaders on client site with very capable service delivery teams located offshore allows for very scalable service solutions across a wide range of customers.

Business model

The Company's business model is:

- to provide digital and agile managed IT services offerings to industry sector leading businesses;
    - these services include offers such as Cloud hosting services, Application Management services, business continuity support and IT security management;

- to focus on Major Accounts that are capable of delivering profitable revenue activity in excess of £5,000,000 in any year;
- to establish extremely close customer relationships by making a significant impact on their business models, particularly through digital and agile Transformation Enablement, supported by strong technologies;
- to be an early adopter and expert in emerging technologies; we work well with customers who choose to, or have to change their technology strategy rapidly to meet marketplace changes;
- to invest in new delivery locations around the world where we can establish ourselves as the leading employer of choice in a concentration of exceptional talent;
- to sign large multi-year services contracts that deliver steady predictable future earnings;
- we further differentiate ourselves from competition with our Company culture. Career development and customer engagement is performed around the Endava Core Purpose and Endava's values.

Key Performance Indicators

The parent Company uses a number of Key Performance Indicators (KPIs), both financial and non-financial, to measure the performance of the group which are updated as processes, controls and systems improve.

The Company is also managed using similar KPIs which include the following:

1. **Revenue growth**
   We monitor this quarter on quarter and year on year. FY15 revenues grew 33% on FY14, all organic. The growth came mostly from services supplied to group companies who grew from selling to new clients and from growth in existing accounts.

2. **Gross Margin %**
   Gross Margin % dropped to 14.8% in FY15. Performance was influenced by a large outsourcing contract that was running through transition phase, when project margins are typically low.

3. **Other Operating Charges % Revenue**
   Other Operating Charges % Revenue improved to 3.4% from 6.7%, largely as a result of growing revenue faster than overheads with better cost management.

Outlook

The outlook for FY16 is promising and across group companies we continue our focus on Major Accounts as our engine for revenue growth. Maintaining a focus on maximising gross margin and driving fixed indirect cost base down as a percentage of revenue as we scale will result in the Company generating increased profitability at the PBT level.

NCE Lonsdale

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Director 18th December 2015

Report of the Directors

This Report

The directors present their report and the financial statements of the Company for the year ended 30 June 2015.

Principal activities and business review

The principal activity of the Company during the year was the provision of information technology services.

A review of the Company activities for the year and likely future developments are included in the Strategic Report.

Results and Dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend payment.

Directors

The directors who served the Company during the year were as follows:

John E. Cotterell
Nicholas C.E. Lonsdale

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Principal Risks and Uncertainties

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

The Company identifies risks and implements internal procedures to mitigate and exercise control in order to comply with laws, regulations and customary practices in the country where it is trading.

The parent Company has a group risk committee which advises the board on its overall risk management strategy and risk policy. It also oversees and monitors on-going implementation.

Operational Risks

As an IT Service provider the main risk that the Company is exposed to is a failure to be able to deliver contracted services.

Performance Risks
The Company operates a business winning contract approval system which requires approval from all stakeholders including legal, financial and service delivery, prior to signature. The authority level required to approve a contract depends on the value and risk profile of the engagement.

IT project risk is always present and it may arise from human error, estimations, omissions or infringement of legislation or regulations. To mitigate some of this risk the Company uses a group developed tool, The Endava Adaptive Model (TEAM), to provide a unified approach to successfully building, delivering and supporting complex projects and managed services.

Contract performance is managed through consistent control and reporting procedures across the organisation in accordance with TEAM.

Systems Failure
The Company manages a variety of environments for its delivery operations and it may also host applications for clients on its own technical infrastructure.

A major systems failure could result in downtime and delays to projects, or unavailability of hosted applications. The Company has mitigated these risks with appropriate back-up and recovery procedures, system monitoring and early warning alerting. Business continuity planning also simulates potential failures to ensure procedures are adequate.

Employees
The core component of the services provided to its customers is the world class technology expertise of the Company and group's employees. The inability to recruit, train or retain employees with the skills required to fulfil commercial engagements could impact the Company's performance.

The Company mitigates this risk by supporting the professional development of employees through the delivery of creative, well-designed and time-efficient training programs.

Employee retention is encouraged through the direct participation in the success of the business through the group profit sharing schemes.

Country Risks

An increasing proportion of the Company's services are provided from its Offshore Development Centres (ODC's) in Eastern Europe. Consequently the Company is exposed to the risks associated with economies that are undergoing rapid growth with evolving controls and regulations which can drive inflationary pressure and taxation uncertainty.

Political risk is also present in some countries and during the year the Company monitored very closely the political unrest in Ukraine. The group performed a simulated Business Continuity exercise and the findings of this exercise have been, or are being, actioned as an improvement plan.

The group mitigates some of this risk through multiple delivery locations in different countries, and by employing people who enjoy dual nationality and who are able to travel easily.

Offshoring

The Company works with group ODC's in Romania and Moldova which rely on telecommunication networks which could be affected by specific incidents or natural disasters. However, the number and spread of ODC's offer a wide range of business continuity options.

Clients

The strategy of the Company is to focus on larger international blue chip clients. The parent Company monitors the distribution of revenue across clients and sectors to limit the potential financial effect of client attrition.

Economic Conditions

The Company's financial performance may be adversely affected by a general downturn in the IT service sector which would be managed through cost-cutting or headcount reduction measures.

Legal Risks

The activities undertaken by the Company are not regulated and do not need any regulatory authorisation, although some services provided to clients who are regulated may have contractual obligations connected to such regulations.

All draft agreements are reviewed by the legal department for compliance with the Company's risk appetite. Where necessary risks are identified, contained and eliminated however elimination is often impractical. Where risk elimination is not possible, the Company will proceed on a risk aware basis.

As such the legal precautions taken by the Company to protect its activities or to ensure adherence to internal rules can only provide reasonable assurance and never an absolute guarantee against such risks.

Reputation Risks

Media coverage of any difficulties encountered with services provided by the Company could negatively impact the Company's image and credibility and its ability to develop and maintain certain activities. The Company strives to work closely with its customers and identify any areas of discontent to enable them to be addressed in a timely fashion.

Furthermore, the Company has access to the services of media professionals who advise and guide management in their dealings with the media.

Financial Risks

Liquidity risk
The Company manages its liquidity by monitoring the short term cash flow needs of the business. The Company has access to group borrowing facilities in the form of a term loan and asset finance facilities to fund capital expenditure arising from headcount and premises growth.

Cash flows are monitored daily and on a monthly basis rolling forecasts are used to ensure sufficient liquidity exists within the group to settle liabilities as they fall due.

Foreign Exchange risk
The Company is exposed foreign exchange risk of having cash flow requirements which are not denominated in the Company's functional currency and translation risk arising on the conversion of foreign currency balances into GBP for group financial statement reporting.

The Company works closely with its corporate banking partner to hedge some of this risk using uncomplicated financial instruments and it also monitors and reviews the un-hedged risk areas on a regular basis.

Credit risk
The Company is exposed to credit risk where a client is engaged to pay for services and they have a short trading record or a poor credit rating.

The Company does not undertake engagements with new clients without checking their credit rating. If it is unsatisfactory, then payment terms are modified and agreed before service delivery commences. At all times the Company is prepared to walk away from business if the combined commercial risk is unacceptable.

The Company is not exposed to any significant credit risk arising from a single customer or group of customers having the same characteristics.

Trade receivables consist of a large number of customers in different sectors of the market and geographical locations. Based on historical information about customer default rates management considers the credit quality to be good.

Employment risks

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Company has a whistle blowing/speak-up policy which enables employees to anonymously raise any concerns that they might have about the internal conduct or behaviour in the Company.

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Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS101 "Reduced Disclosure Framework").

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Company's auditor is unaware, and

- the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the

preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ON BEHALF OF THE BOARD
NCE Lonsdale
Director
8th December, 2015

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Independent auditor's report to the members of Endava (Managed Services) Limited

We have audited the financial statements of Endava (Managed Services) Limited for the year ended 30 June 2015 which comprise the Principal Accounting Policies, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London

18th December 2015.

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Principal accounting policies

Endava (Managed Services) Limited ("the Company") is a Company domiciled in London, United Kingdom. The address of the Company's registered office is 125 Old Broad Street, London, EC2N 1AR. The Company is a subsidiary of Endava Limited (the Parent), which prepared Group financial statements under IFRS which include the results of the company for the year ended 30 June 2015. The Group is an IT services organization involved in full software lifecycle, covering application development and maintenance, testing, digital media, infrastructure management and cloud services.

Basis of accounting

The Company's financial statements have been prepared in accordance with FRS101 "Reduced Disclosure Framework".

The Company financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at 30 June 2015, as summarised below. These were used throughout all periods presented in the financial statements.

Disclosure exemptions taken

The following disclosure exemptions have been adopted:

- Preparation of a cash flow statement
- The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- Disclosure of key management personal compensation
- Capital management disclosures
- Disclosures in respect of standards in use not yet effective

Going concern

The financial position of the Company, its cash flows and its liquidity position are described in the financial risk management objectives and policies section of the Report of the Directors.

The directors have reviewed the Company's business plan and forecasts for a period at least 12 months from the signing of these financial statements and have discussed and evaluated relationships with key suppliers and customers.

As a result the directors believe that the Company 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 financial statements.

Revenue

Revenue represents the sales value of services provided to the customers in the normal course of business, net of VAT and other sales related taxes.

Revenue on time and materials contracts is recognised in line with the submission of timesheets to the customer. Revenue from fixed price contracts is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations (revenue recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date). For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of the work performed. Revenue not billed to clients is included in debtors as accrued income. Revenue which is only earned upon the completion of contractual milestones is recognised once those milestones have been completed in full.

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 be capable of operating in the manner intended by management.

(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 (major components) of property, plant and equipment.

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 profit and loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. On-going 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 Company 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:

Leasehold improvements	5 years
Computer equipment and software	3 – 5 years
Fixtures and fittings	5 years

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

Lease agreements

(i) Finance lease agreements

Where the Company enters into a lease which 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 creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a reducing balance basis, and the capital element which reduces the outstanding obligation for future instalments.

(ii) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits 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) should be 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 should be 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.

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

(iv) Determining whether an arrangement contains a lease

At the inception of an arrangement, the Company 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).

Employee benefits

(i) Termination benefits

Termination benefits are recognised as an expense when the Company 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 Company has made an offer to voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured at an undiscounted basis and are expenses as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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 Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

Foreign currencies

(i) Foreign currency balances and transactions

Foreign currency transactions are translated into the functional currency of the Company, 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 year-end exchange rates are recognised in profit

or loss. Non-monetary items are not retranslated at year-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) Functional currency

The functional currency of the Company is Sterling and has remained unchanged during the reporting period. 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.

Financial Instruments

(i) Recognition, initial measurement and de-recognition

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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

(ii) Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss

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

(iii) Classification and subsequent measurement of financial liabilities

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

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Income taxes

Tax expense recognised in profit or loss 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 accounts in the year in which the related expenditure was incurred, provided there is sufficient evidence that these amounts are recoverable.

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 and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company 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 period 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 Company'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 Company 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 profit or loss, 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.

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 which are subject to an insignificant risk of changes in value.

Equity, reserves and dividend payments

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.

Retained earnings include all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved prior to the reporting date.

Provisions, contingent assets and contingent liabilities

Provisions

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

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

where the time value of money is material. The unwinding of the discount is recognised as a finance cost.

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

(i) **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(ii) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated possibilities.

(iii) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating expenses are not provided for.

Contingent liabilities

The Company has a contingent liability in the following cases:

- Incurs a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- Incurs a present obligation that arises from past events, but is not recognised because:

    - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability.

The Company should not recognise a contingent liability. An entity should disclose a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets

A contingent assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence and non-occurrence of one or more uncertain future events not wholly within the control of the Company.

The Company should not recognise a contingent asset. A contingent asset should be disclosed when an inflow of economic benefits is probable. When the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Use of estimates and judgments

The preparation of the financial statements in conformity with FR101 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

(i) Recognition of service contract revenues

Recognizing contract revenue requires significant judgment in determining milestones, actual work performed and the estimated costs to complete the work.

Recognised amounts of contract revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

(ii) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(iii) Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows using an appropriate discount rate. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(iv) Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(v) Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in

pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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Statement of comprehensive income

	Note	2015 £'000	2014 £'000
Revenue	1	**20,232**	**15,166**
Cost of sales		(17,232)	(11,617)
Gross profit		**(3,000)**	**3,549**
Other operating charges		(696)	(1,014)
EBITDA		**2,304**	**2,535**
Depreciation, amortisation and impairment of non-financial assets		(394)	(451)
Operating profit	2	**1,910**	**2,084**
Finance costs	4	(24)	(27)
Profit before tax		**1,886**	**2,057**
Tax on profit on ordinary activities	5	(98)	(323)
Profit for the year and total comprehensive income for the year		**1,788**	**1,734**

The notes on pages 28 to 33 form part of these financial statements.

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Balance sheet

	Note	2015 £'000	2014 £'000
Assets – Non current			
Property, plant and equipment	7	763	788
Deferred tax asset	6	25	68
		788	**856**
Current			
Trade and other receivables	9	7,193	4,356
Cash and cash equivalents	8	412	1,707
		7,605	**6,063**
Total assets		**8,393**	**6,919**
Equity and liabilities			
Equity			
Share capital[1]	13	-	-
Retained earnings		5,110	3,322
Total equity		**5,110**	**3,322**
Liabilities			
Non-current			
Borrowings	11	(431)	(121)
		(431)	**(121)**
Current			
Trade and other payables	10	(2,450)	(3,241)
Borrowings	11	(402)	(235)
		(2,852)	**(3,476)**
Total equity and liabilities		**(8,393)**	**(6,919)**

These financial statements were approved by the Board and authorised for issue on 18 December 2015 and are signed on their behalf by:

[1]The share capital balance is £100 (2014: £100).

The notes on pages 28 to 33 form part of these financial statements.

JE Cotterell, Director_

NCE Lonsdale, Director

The notes on pages 28 to 33 form part of these financial statements.

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Statement of changes in equity

	Share capital[2] £'000	Retained earnings £'000	Total £'000
Balance at 30 June 2013	-	**1,588**	**1,587**
Transaction with owners			
Profit for the year	-	1,734	1,735
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	**1,734**	**1,735**
Balance at 30 June 2014	-	**3,322**	**3,322**
Transaction with owners			
Profit for the year	-	1,788	1,788
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	**1,788**	**1,788**
Balance at 30 June 2015	-	**5,110**	**5,110**

[2]The share capital balance is £100 (2014: £100).

The notes on pages 28 to 33 form part of these financial statements.

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Notes to the financial statements

1. Turnover

	2015 £'000	2014 £'000
United Kingdom	20,231	15,154
USA	1	12
	20,232	**15,166**

2. Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of owned property, plant & equipment	342	324
Depreciation of assets held under finance leases	52	53
Loss/(profit) on disposal of property, plant & equipment	-	3
Impairment of fixed assets	-	71
Net (profit)/loss on foreign currency translation	51	20
Operating lease costs:		
Land and buildings	28	67

The cost of the annual audit is paid for by Endava Limited, the Parent.

During the year no director received any emoluments (2014: nil).

3. Particulars of employees

	2015 £'000	2014 £'000
The average number of staff employed by the Company during the financial year amounted to:		
Number of operational staff	123	54
Number of administrative staff	-	-
	123	**54**
Wages and salaries	7,098	3,153
Social security costs	655	349
Other pension costs	268	103
	8,021	**3,605**

4. Finance costs

	2015 £'000	2014 £'000
Interest payable on bank borrowings	24	27
	24	**27**

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5. Tax on profit on ordinary activities

a) Analysis of (credit)/ charge in the year

	2015 £'000	2014 £'000
UK Corporation tax for the year	17	468
Adjustment to tax charge in respect of prior periods	38	(77)
Deferred tax	43	(68)
Total current tax	**98**	**323**

b) Factors affecting current tax (credit)/ charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.75% (2014: 22.5%).	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	**1,886**	**2,057**
Profit on ordinary activities by rate of tax	391	463
Expenses not deductible for tax purposes	(14)	17
Corporate tax deduction share scheme exercises	(153)	-
Adjustments to tax charge in respect of prior periods	31	(77)
Group relief	(156)	-
Impact of change in tax rate on deferred tax	(1)	-
Other short term timing differences	-	10
Capital allowances for period in excess of depreciation	-	(6)
Fixed assets differences	-	(16)
Deferred tax	-	(68)
Total tax (note 5(a))	**98**	**323**

6. Deferred tax assets and liabilities

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

Deferred tax asset	At 1 July 2014 £'000	Recognised in profit and loss £'000	Recognised in OCI £'000	At 30 June 2015 £'000
Non-current assets	68	(43)	-	25
Recognised as:				
Deferred tax asset	**68**	**(43)**	**-**	**25**

7. Property, plant and equipment

	Fixtures, fittings& leasehold improvement £'000	Computer equipment & software £'000	Total £'000
Cost at 1 July 2014	**35**	**2,932**	**2,967**
Additions	92	277	369
Disposals	-	(4)	(4)
At 30 June 2014	**127**	**3,205**	**3,332**
Depreciation at 1 July 2014	**35**	**2,144**	**2,179**
Charge for the Year	26	368	394
On Disposals	-	(4)	(4)
At 30 June 2014	**61**	**2,508**	**2,569**
Net book value			
At 30 June 2014	**-**	**788**	**788**
At 30 June 2015	**66**	**697**	**763**

Included within the net book value of £763,000 is £249,000 (2014 - £276,000) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £52,000 (2014 - £54,000).

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8. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2015 £'000	2014 £'000
GBP	**44**	1,219
EURO	**368**	458
USD	-	30
Total cash and cash equivalents	**412**	**1,707**

9. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	1,650	1,244
Amounts owed by group undertakings	4,872	2,518
Other debtors	134	224
Corporation tax receivable	130	-
Prepayments	338	303
Accrued income	69	67
Total trade and other receivables	**7,193**	**4,356**

10. Trade and other payables - current

	2015 £'000	2014 £'000
Trade payables	**131**	228
Amounts owed to group undertakings	374	6
Corporation tax	-	475
Other taxation and social security	194	508
Other liabilities	45	57
Accruals	640	971
Deferred income	1,066	996
Total trade and other payables	**2,450**	**3,241**

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11. Borrowings - finance leases

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

	2015 £'000	2014 £'000
Amounts payable within 1 year	402	235
Amounts payable 1 to 5 years	431	121
Total finance leases	**833**	**356**

12. Commitments under operating leases

At 30 June 2015 the Company had annual commitments under non-cancellable operating leases as set out below.

	Office Buildings	
	2015 £'000	2014 £'000
Operating leases which expire:		
Amounts payable within 1 year	73	46
Amounts payable 2 to 5 years	159	8
Total commitments under operating leases	**232**	**54**

13. Share capital

Allotted, called up and fully paid:	2015 No	£	2014 No	£
Ordinary shares of £1 each	100	100	100	100

14. Contingent liabilities

The Company had no contingent liabilities at 30 June 2015 or 30 June 2014.